ECONOMIC AND POLITICAL WEEKLY

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TIME OF RECKONING FOR INDIAN TEA

PHILIPPINES: FAMILY RULE UNDER MARTIAL LAW

SERVING GOD AND MAMMON IN TIRUPATI

DEMOCRACY AND MUSLIM EDUCATION

SESSMENT OF FIRST KERALA COMMUNIST MINISTR

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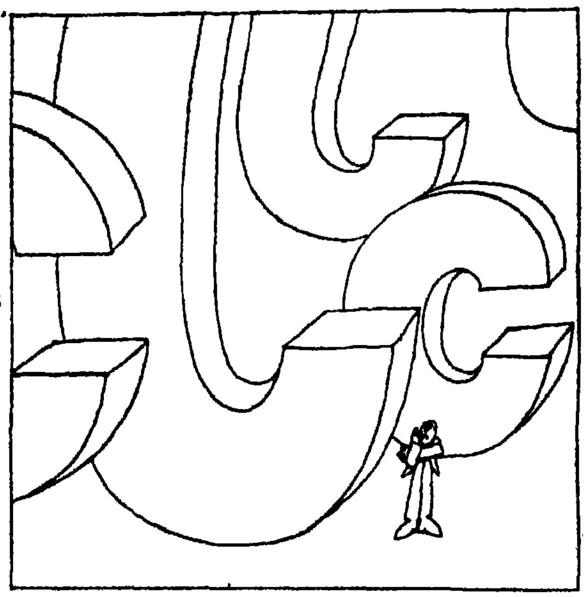
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THE dilution of their foreign equity holding by foreign companies under the Foreign Exchange Regulation Act (FERA), whatever other good it may or may not have done, has proved a godsend to the fraternity of brokers, underwriters, merchant bankers, etc. According to one estimate, 19 FERA companies made public issues of shares in 1978 and, though nine of them issued their shares at premiums ranging from 20 per cent to 130 per cent, all the issues were oversubscribed many times over.

For all that, a rather obvious conclusion from the experience of share issues by FERA companies does not seem to have been drawn. This is that the small class of people from whom investors in shares are drawn has both the wherewithal and the willingness to subscribe to share issues and that, therefore, there is hardly any case for offering further inducements to persuade it to invest in shares. The trend of investment in other financial assets like bank deposits, deposits of companies, life insurance policies and Unit Trust units also clearly shows that there is no dearth of surplus income with this class. The deposits of all scheduled banks in India multiplied 3.7 times between the end of March 1971 and March 1978, from Rs 6,025 crores to Rs 22,423 crores. Outstanding public deposits with companies are currently estimated at Rs 1,000 crores. Sales of UTI units more than doubled in 1977-78. The Life Insurance Corporation in 1977-78 celebrated its business-in-force crossing the Rs 20,000 crores mark and its annual income the Rs 1,000 crores mark.

What comes in the way of larger investment in shares, in the Indian situation, is really the paucity of corporate investment and certain modes of financing of such investment, most notably the heavy reliance on borrowings from government term-financing institutions, which have evolved over the years. Recognition of this seeps through sometimes in the views of even those who argue for more inducements to evoke larger investment in shares. This was evident at the seminar on the investment market organised by the Indian Merchants' Chamber in Bombay last week. Thus one of the suggestions put forward, and which had the approval of the Controller of Capital Issues who was the chief guest at the seminar, was that established companies should be made to issue shares to the public when they undertake programmes of expansion or diversification. Another suggestion which found a place in the discussion paper prepared for the seminar was that government companies which are doing well should similarly throw open a part of their equity for subscription by the public. Proposals like these, emanating from those who are intimately familiar with the capital market, suggest that the situation is clearly one of an excess of investible resources in relation to available avenues of investment rather than the other way round.

And yet the focus of all discussion on the capital market is invariably on relaxation of government regulations and provision of fiscal and other incentives to attract funds into the market. The seminar referred to above was no exception. Among the suggestions made towards this end was that the present restrictions on lending by commercial banks against the security of shares should be removed. As the discussion paper for the seminar put it, "whatever may be the reason for this policy in the past, the Reserve Bank in consultation with the banks should review this policy and relax its rules, which act as a *constraint* for the capital market". The reason for the imposition of restrictions on bank advances against shares is well known; it was to prevent the sort of hanky-panky in the capital market of which Goenka's doings in Indian Iron shares were the most notorious example. Surely, this reason remains as valid as ever? The capital market must sustain itself not through bank credit, but by mobilising savings, of which in any case there appears to be more than enough with a small class of people.

What is still not recognised, deliberately or otherwise, in discussions of the Indian economy, especially of the private sector of it, is that the problem today is not primarily one of investible resources but of absorbing in investment the resources that *are* available. The reason for this has been quite clearly explained as follows on the very first page of the new Draft Plan: "The pattern of industrial development that has emerged obviously reflects the structure of effective demand, which is determined by the distribution of incomes. An unduly large share of resources is thus absorbed in production which relates directly or indirectly to maintaining or improving the living standards of the higher income groups. The demand of this relatively small class, not only for a few visible items of conspicuous con-

sumption but for the outlay on high quality housing and urban amenities, aviation and superior travel facilities, telephone services, and so on sustains a large part of the existing industrial structure. This means that the further expansion of industry is limited by the narrowness of the market."

So long as these structural constraints on investment and production remain intact, it is futile to expect to see the capital market in full bloom. The real danger is that the measures urged upon the government, and progressively adopted by it, to try and step up investment and production in the very short run will aggravate the basic constraints by further distorting the industrial structure in the direction of goods and services of upper class consumption (for example, following the dismantling of industrial licensing) and by further accentuating the disparities in distribution of incomes and purchasing power (through, for example, reduction in direct and indirect taxes and provision of a variety of subsidies which benefit the urban and rural rich). The measures being advocated supposedly for widening and strengthening the capital market belong to this genre and, as surely as they will be accepted, they will also worsen the disease in the long run.

Nuclear Policy

Arrangement of Convenience

THERE are many aspects about the proposed panel of international scientists to inspect nuclear facilities in India, the US and indeed "throughout the world" which deserve to be noted. According to Indian sources it is supposed to examine only "some general issues regarding nuclear safeguards", and first reports even spoke of it as an "ad hoc committee". The first official confirmation of the proposed panel came in the Prime Minister's remarks during the meeting of the informal consultative committee of parliament on atomic energy, and Morarji Desai was more than usually evasive during the meeting, refusing to disclose the details of the discussions Indian officials had with the US Deputy Under-Secretary of State (who is also the chief US negotiator on nuclear problems) in November last when agreement on the panel was reached. Indeed, on all the five occasions when the Prime Minister has spoken on this subject since the agreement to set up the panel was reached, he has barely been communicative on the topic, once even going to the extent of plaintively asking the inquisitive members of parliament, "Don't you trust me?" or maintaining that any disclosure on his part of what measures government was taking to make 'alternative arrangements" in case the US reneged upon its commitment would only mean inviting further impediments and pressures to frustrate India in its pursuit of its policy of enirely peaceful use of nuclear energy.

Basically, the United States wants to prevent other countries from acquiring advanced nuclear technology and countries like India which have made some progress in that direction from acquiring nuclear weapons. But the problem is that possessing itself a vast nuclear arsenal, it cannot openly disapprove of such plans; nor can it take at their face value mere affirmations made on purely moral grounds, that India will not manufacture nuclear weapons, while at the same time coyly underlining the fact that it possesses the capacity to manufacture them. The problem for India on the other hand is that it would want to have its programme of nuclear research uninterrupted, its facilities closed to inquisitive eyes both domestic and foreign, and its benign affirmations of peaceful aims taken as the whole truth.

The trouble is that neither of these stands is politically viable; hence an elaborate set of rationalisations and face-saving escape routes have to be constructed; and the proposed panel of international scientists on which both India and the United States as well as scientists nominated by the two countries would be represented and which would examine, in theory, nuclear facilities throughout the world, but whose inspection in practice is almost certainly going to be confined to such of the nuclear facilities that India and, perhaps, the US might choose to throw open for inspection, seems just such a device whose aim is to make it possible for the leaders of the US and India to break the impasse to which their public posturings on nuclear policy seem to have led. The US policy of 'discriminatory safeguards' would not in itself have been objectionable to India, but for the fact that not merely the publicly maintained national honour demands that the country should not agree to such discriminatory practices, but the perceived and barely mentioned 'national interests' also make such demands.

In all this, what seems to be the main concern is to save the United States from the embarrassment that it is undoubtedly facing as, once again, and quite possibly under official inspiration, moves are afoot to expose Indian nuclear policy to close public scrutiny. It is to be noted that such close public scrutiny has never been undertaken in India itself, for being all of us patriotic Indians, we do not question what government considers matters of national security.

But national security seems to be very well taken care of. For again and again, government has been affirming that the recommendations of the panel will not be 'binding' on the government; and the agreement to have an international panel to inspect safeguards itself has some built-in 'safe guards' for India in that government spokesmen have been already maintaining that the choice of nuclear facilities to be thrown open to inspection by the international panel has to be entirely India's. As noted in these columns earlier (August 26, 1978), India might allow the panel to inspect one or more of its unguarded nuclear facilities, while keeping its fast breeder reactor programme entirely closed to any kind of inspection.

The Economy

Wooing the 'Kisan'

B M writes:

THERE has been yet another 'inconclusive' discussion on the Janata party's socio-economic programme and its implementation in the party's national executive. But, meeting under the shadow of an imminent split in the party in the wake of the kisan rally and the boycott of the meeting by the Charan Singh faction, the focus of the national executive at once shifted to last-minute desperate moves to avert the split, at least for some more time. As has so often happened in the past, the discussion on socio-economic policies was postponed to another meeting. But George Fernandes still managed to hit the headlines by suitably briefing the press about his remarks at the meeting, which Biju Patnaik also supported, in favour of nationalising the

steel, aluminium and automobile industries.

The suggestion for nationalisation of the steel, aluminium and automobile industries is not a novel one and has been a hobby-horse of Biju Patnaik and George Fernandes for quite some time. But a characteristic quality of this and similar other radical suggestions which George Fernandes and some of his colleagues in the government are fond of making from time to time is that they always surface when the Janata party is passing through one of its by now familiar crisis situations. Such a situation was again at hand and George Fernandes was quick to offer his pet scheme for refurbishing the tarnished "image" of the party. However, such suggestions simply recede into the background when the crisis eases a little and the Industry Minister returns to his strenuous mediatory work within the party. Meanwhile, of course, the so-called captains of industry and trade are in jitters till private assurances are given to them that they should not get so upset about such threats. This is precisely what is now happening all over again.

George Fernandes is concerned with the rapid erosion of public support for and confidence in the Janata Party and its government and is distressed about the 'non-performance' of the government. His criticism is, however, based on the understanding that it is not so much the actual performance of the government as inefficiency in projecting its achievements which is the problem. The Industry Minister is therefore not bothered about any stable perspective of economic and social development. It was thus that he had some papers got ready in his Ministry which make out a case for a bout of nationalisation; these proposals, he brings up from time to time, not as propositions for government decision and action but as talking points for political purposes.

The Industry Minister seems to ignore that competitive populism was something introduced into political management by Indira Gandhi many years ago. He also does not seem to realise that the nationalisation slogan has been so much overused that its fascination for his own partymen has very much dimmed. He, therefore, fails to carry conviction within his own party, let alone impress other political formations.

So others pick up the thread where George Fernandes leaves it. The success of Charan Singh's kisan rally would appear to have impressed not only the factions in the ruling party with which Charan Singh is at loggerheads but other political parties also. An instance is the CPI(M)'s assessment of the rally and its reluctant recognition that Charan Singh could no longer be dubbed merely as a reactionary kulak leader but has to be reckoned with as a mass leader of the peasantry.

The forceful plea made by the Minister of State for Agriculture, Bhanu Pratap Singh, at the meeting of the Janata's national executive for winding up the Agricultural Prices Commission and setting up a new body to administer arrangements for ensuring 'parity' between agricultural prices and prices of agricultural inputs and other manufactures was in this context more significant than George Fernandes' call for nationalisation of certain industries. Pressures within the Janata Party for subsidisation of commercial agriculture on a large scale may be expected to gather force in the coming weeks and will have a considerable impact on official policies. The subsidy for sugarcane prices which many state governments have announced on the plea that the farmers must be assured last year's market prices and not just the minimum support prices fixed by the Union government for this year gives but an inkling of the situation that is emerging as political parties and factions try to outbid one other in wooing the 'kisan'.

Cement

Of Priorities and Profits

THE statement to shareholders by P S Mistry, chairman of ACC, should serve as a good indicator of the optimism in the cement industry. For ACC is the leading, single largest manufacturer of cement in the country. Its installed capacity of 7.1 mn tonnes is to be expanded over the next three years by another 2 mn tonnes at a cost of Rs 150 crores through setting up one new plant of 1 mn tonnes and expanding three existing plants. Mistry acknowledges that the government is taking positive steps to increase production capacity so that the shortage of 2.4 mn tonnes per year, which he attributes to earlier official policies on cement, can be overcome.

One such 'positive' step, no doubt, is the prescription of a 12 per cent post-tax return on net worth for new units. As its chairman points out, six of ACC's 17 units are less than 25 years old and account for 42 per cent of the company's capacity. ACC would thus benefit from such a stipulation. However, according to ACC's chairman, the extension of that rate of return to the older units too is 'imperative'. Not merely that; all cost escalations which are outside the company's control, he opines, should be compensated by price increases. Such cost escalations — apart from the grey area of 'inventory control, and 'productivity increases' which must remain unassessable territories — range from power tariffs and excise duties on power and coal, to wage increases. P S Mistry would like cost increases to be neutralised every quarter. He appreciates, however, that since the Tariff Commission's coverage is to be over in March this year, government has briskly appointed a high-powered commission (headed by the chairman of the Bureau of Industrial Costs and Prices) to look into costs and pricing so as to help the growth of the industry. Since "pricing", according to Mistry, "plays an all-important role in determining whether production is accelerated or stifled", ACC now expects a higher price stipulation from the government as a precondition of growth.

But that is not all. ACC's chairman would like government to strengthen the infrastructure so necessary to the growth and sustenance of industry. Indeed, ACC's performance, it is pointed out, might have been even better last year (when production, sales and ploughback were in any case higher than in the previous year) but for 'external constraints' such as of wagons, coal, and power supplies.

If anything, ACC's view of the cement industry's growth and the government's necessary role in it reflects yet again the lack of competition within the industry given the overall cement shortage and the industry's heavy dependence on the government for finance, cost increase neutralisation, and crucial infrastructure. Clearly, apart from the constraints of an inadequate infrastructure, industry has much to be satisfied with the Janata government. Not only has the post-tax return on net worth been stepped up for a major part of the industry, but restrictions on 'large' business houses have been whittled down to allow investments in cement. Recently, five new major business interests have got clearance for setting up cement capacity, even as J K Synthetics and ACC have been allowed expansion. As for the mini-cement plants, the definition of 'mini' in terms of capacity

...day which has also been stepped up, together with the long list of special incentives (ranging from slashed excise duty, to easy import of technology and equipment), should help existing business interests to enter the minis with great profit.

Since, in a situation of shortage and consequent black market, cement carries a premium — public distribution notwithstanding — a dual pricing system may be a welcome relief all round. This should make it possible for the priority sectors and projects to get cement at a controlled price, whereas cement manufacturers may be left free to reap profits for their 'ploughback' in the non-priority consumption areas such as sophisticated housing and office buildings where they may charge the price this market can bear.

Iran

Decline and Fall

NOTHING illustrates the collapse of the whole edifice that the Shah had built over the last 25 years than the way in which the economic boom for which Iran had become famous since the massive inflow of oil money has so suddenly turned out to be a mere bubble. For almost a year now, Iran has been virtually without a government; and with the masses responding to every call by the exiled religious leader, Ayotollah Khomeini, and with workers in banking, shipping, transport and communication services, and above all, in the oil refineries almost continuously on strike, the whole money economy seems to have collapsed. The collapse of the system is most dramatically seen in the continued fall in oil production: from an average daily production of over 5 million barrels per day, it sharply came down in the course of a few weeks to less than half a million barrels a day till it finally stopped towards end of December, with the refineries themselves shut down. The chairman of the National Iranian Oil Company, according to one report, has been ready to concede any wage demand of the oil workers, but the strikers have maintained that the stoppage would continue until the Shah quits. Thus, the regime which sought to project itself as the guardian of stability in a wide arc of territory stretching across west, south and south-east Asia on the basis of its economic strength by virtue of being the world's second biggest exporter of petroleum has had to take recourse to import of oil, and its closest neighbours and major oil producers have refused to sell it oil.

With the oil industry grinding to a halt, with many of the banks burnt down and with the prospect of bankruptcies and closure staring many of the remaining in the face, with sections of the armed forces in revolt, with many of the multinationals which had fattened on the 'boom' now scurrying away like rats leaving a sinking ship, with imperial family itself leading the flight and with the Shah too agreeing to go on a 'holiday' abroad, with the various politicians who after being persuaded by the Shah to form 'civilian' administrations being promptly disowned by the opposition national front, what is the way out for the Shah and, more importantly, those powers that are backing him? For, it should be obvious that despite his imperial pretensions, Reza Khan was important only to the extent that he willingly conspired with Britain and the United States in overthrowing the democratically elected regime of Mohammed Mossadegh in 1953 and making Iran safe for western oil interests, and even the leading role he took in organising the oil cartel in 1973 was forgiven because the western countries which cried the loudest that they were being screwed by OPEC knew how to take care of themselves — witness the systematic way in which the increased oil wealth has only spurred on various kinds of adventurers to make more money by participating in 'development' projects in these countries. The Shah could have continued to be acceptable had he only been able to stem the rising revolt, and the US administration, so deeply committed to 'human rights', has repeatedly affirmed its full support to the Shah. But even the Americans seem to have been convinced that the Shah's usefulness is now exhausted, and hence the search is on for a successor.

What the US most desires in Iran, as in other regions of West Asia, is stability, the continuation of the presently satisfactory set up. With Egypt successfully alienated from the majority of Arab states but with the most important of the Arab states, Saudi Arabia, as well as many of the oil producing sheikhdoms also under firmly pro-American regimes, with Israel on the verge of securing legitimacy thus ensuring the permanent presence of a virtual extension of the US in the area, the US had reason enough to be satisfied with its foreign policy in West Asia. The need, therefore, is to ensure a quick return to 'normalcy', and if in the process it is necessary to sacrifice the Shah, it should not cause much concern, for this would not be the first time that the US would have helped in the overthrow of a puppet they themselves had set up. According to reports appearing in the American press, the US is in fact engaged in such an exercise; for a state department spokesman, Hodding Carter, was reported to have said in Washington on December 14 that the US was currently engaged in increasing its consular and political staff in its embassy in Teheran, and the main task of this additional staff, selected for its knowledge of Farsi, was to "broaden the political contacts of US diplomats in Teheran".

This broadening of the contacts of US diplomats in Teheran has naturally coincided with the search for a civilian government to succeed the Azheri regime. The first of the chosen successors, Gholam Hussein Sadiqui, deliberated for a few days, but could never quite overcome the problem posed by "a shortage of relatively young men who have political experience but are untarnished by association with previous unpopular administrations". Now, another successor has been chosen in the person of Shapour Baktiar, a deputy minister in the government of Mohammad Mossadegh; but he seems to be having had as little success as Sadiqui.

But whatever be the solution found and whichever be the regime that will take over, the more fundamental issues raised during the current uprising in Iran will remain. The paradox of the current struggle in Iran is that it is being led by that very class which has apparently benefited greatly from the moves towards 'modernisation' initiated by the Shah; and the effervescent quality of this 'modernisation' too has been most vividly demonstrated in the almost total collapse of all of its symbols at the first instance of internal crisis. This paradox cannot be resolved by a mere substitution of one regime by another which at a superficial level might pursue marginally different domestic and foreign policies, but which in its frenetic demands for a restoration of 'Islamic' values might also want to go back to a period of imagined innocence and purity. Anyway, the kind of forces that have been released during the present struggle can never be contained within the limits of an 'Islamic' order.

[illegible]

THE contents of the article "Open-Sesame for Foreign Banks and MNCs?" by your Special Correspondent (November 18, 1978) seem to be entirely one-sided, if not, on certain issues, presenting the position in an altogether wrong perspective.

To consider the foreign exchange dealings and market in their proper perspective, one has to keep in mind the extraordinarily rapid growth of India's foreign trade in recent years and its importance to the Indian economy. As is well known, many of the bilateral trading arrangements have recently been converted to trading in free foreign exchange, the Soviet Union being a major exception. Given the two-way trade figure of say Rs 11 000 crores in the current year and the anticipated growth in the foreign trade, one can well visualise a two-way trade level of the order of Rs 15/20,000 crores per annum, in free foreign exchange, in the next few years. The adequacy of the foreign exchange dealings and market in India has to be viewed in the context of their ability to service efficiently this volume of foreign trade which, after all, represents perhaps as much as 20 per cent of the country's GNP. It is this extremely important segment of the economy that the foreign exchange market has to service by offering competitive rates.

It would be worthwhile in this connection to examine the extent to which competitive rates are available to importers and exporters in India, as compared to their counterparts abroad. While obviously even in other markets foreign exchange rates differ from customer to customer and also upon the size of the transaction, the basic requirement for competitive rates is a strong and efficient local interbank market. In the London market, for example, the selling and buying rates for US dollars in the interbank market rarely differ by more than 10 points. In other words, the spread between buying and selling rates of the major international banks is as low as 0.05 per cent. The customer rates would obviously have slightly wider margins. These spreads which represent the profit margins of the dealing banks compare with a spread of 1.04 per cent between the clean T/T buying and selling rates for Sterling quoted by Indian banks. For documentary transactions, which are of greater interest to importers and exporters, the basic spread in T/T rates is as much as 1.3 per cent. The spreads for quotations in currencies other than sterling, are generally wider as there is no buyer *and* seller of last resort available locally.

Looked at in this background, the development of an efficient interbank market in India is a must for growth of foreign trade. And, development of an efficient market ultimately depends on growth of dealing expertise, communications, efficient brokering services and competition. The change that the Reserve Bank has made in the latest edition of the exchange control manual to the effect that positions need be square or near-square and reasonably matched *at the end of the day* (the earlier manual required square positions to be maintained at all times, a proviso very difficult, if not impossible, for banks to implement and RBI to monitor) is indeed an extremely welcome measure for the growth of dealing expertise and through it an efficient foreign exchange market in India. If, as it certainly is, an efficient market is absolutely essential for enabling the banks to quote better rates to customers, which again is a major need for the growth of the country's foreign trade, the recent steps can hardly be considered in the light in which your Special Correspondent has viewed them. It needs to be emphasised that exchange trading operations alone can build up an efficient exchange market and help the growth of foreign trade. Viewed in this context, they can hardly be considered unproductive. Your Special Correspondent is also mistaken in claiming that only now "contrary to earlier regulations in this respect, banks in India who are authorised to deal in foreign exchange (ADs) are permitted to freely buy and sell, both spot and forward, foreign exchange from/to other ADs and overseas markets". In fact, there is no material change in the regulations in the old manual and the new as far as this particular issue is cocerned. In the old manual the only restriction on interbank sales and purchases was that these operations should not result in accumulation of balances in the banks' accounts abroad, in [illegible] date needs. As for dealing in other permitted currencies in markets abroad, this was permitted for cover of merchant transactions *and also for adjustment of the authorised dealers' own position* (interested readers may like to refer to section V of the old manual). The covering with Reserve Bank alone was restricted to merchant business. The position continues to hold good even in terms of the revised manual.

Your Special Correspondent has criticised the permission to borrow abroad for replenishment of rupee resources, as if this is something altogether new. Presumably, his criticism relates to paragraph 8.16 of the 1978 edition. This particular provision has, for all practical purposes, been bodily lifted from section XXVII of the old manual. Therefore, if the proviso is to have all the disastrous results your Correspondent apprehends, these should have been occurring for the last several years. The fact that the provision has been continued is perhaps indicative of its nonuse, or at least nonmisuse. The blanket nature of the permission is vitiated to a large degree by the proviso that repayment would "be subject to the Reserve Bank's consent which, in turn, would be available only if on the repayment date there are no borrowings in the interbank market or from the Reserve Bank. Your Correspondent has rightly emphasised " the amomalies this can lead to.

What can be questioned is the continuation of the provision in today's circumstances. If the idea is to encourage foreign borrowings to replenish rupee resources, the purpose is not served because of the anomalies. If on the other hand, foreign borrowings for this purpoee are to be discouraged the permission should be deleted.

Coming back to exchange dealings, a general distrust of all enterprise seems to be the accepted order of the day. Surely it is unnecessary to extend it to public sector banks who, after all control perhaps 90 per cent of the Indian foreign exchange market. Indeed the modest relaxations aimed at growth of dealing expertise and enterprise, and hence a more efficient exchange market in India, should be welcome to everybody interested in the growth of the country's foreign trade.

A V Rajwade

Bombay

December 12, 1978

THE article "Open Sesame for Foreign Banks and MNCs?" alleges that the Reserve Bank of India (RBI) is on a "liberalisation spree" and that it is experimenting with the development of an exchange market, which would effectively link itself with the international market, in the manner of the Singapore, Hong Kong and Bahrain markets. A foundation for the creation of such a market is said to have been laid by the liberalisation of foreign exchange regulations.

A sweeping statement has been made that the recent currency gyrations are due to the trading activities of MNCs, aided and abetted by the Central Banks of countries, which have limited scope for raising their national income through production of real goods and services. Further, the new regulations as set out in the 1978 edition of the Exchange Control Manual will, it is suspected, facilitate the speculative operations of Indian branches of foreign banks and also some banks of Indian origin, which have hitherto indulged in foreign exchange trading activities on the sly. To illustrate his point, the Correspondent points out that Authorised Dealers (ADs) have been permitted to enter into free foreign exchange transactions (both purchase and sale, spot and forward) with other Authorised Dealers and overseas markets, and the prior sanction of RBI to enter into foreign exchange transactions abroad has been waived.

Authorised Dealers, then and now, are required to maintain square or near-square position, in each currency, after taking into account all their purchases and sales, spot and forward, at the close of business each day; maturities of various transaction-entering positions have also to be reasonably matched. To reach square or near square position, Authorised Dealers may adjust their overbought/oversold positions by sales/purchases in India (inter-bank deals) and overseas exchange markets or by swap operations, as regulated by the RBI. In all transactions with overseas branches or correspondents, Authorised Dealers must maintain balances commensurate with genuine requirements; they are also directed not to encourage accumulation of balances in excess of their immediate needs in such accounts abroad. If any liberalisation has been made in the new regulations, it is only in respect of maintaining square or near-square position at the close of business each day and not at every point of time. Control of overnight open positions has thus been retained.

Even in the 1978 edition of the Exchange Control Manual (ECM) where ADs have been permitted to freely correct imbalances in their positions, they have been enjoined to avoid as far as possible outright forward or swap transactions which might create unreasonably matched securities at the close of business on any day. Again ADs are permitted to buy/sell for spot as well as forward deliveries from the External group of countries alone, only on exhausting the possibility of buying/selling in the interbank market itself.

The most important directive, which has been retained in the Seventh edition of ECM, is that purchase and sale of foreign currencies by ADs with overseas banks as well as their own branches abroad should be made to cover genuine transactions with non-bank customers in India or for adjusting their own position in any particular currency, at the same time taking care not to incur an unreasonably open position in any currency or unreasonably mismatched maturities. Even in case of difficulties encountered by ADs in securing cover transactions abroad, a maximum period of only five days is given to rectify the position.

The regulation for repayment has also been attacked. The Correspondent feels that the RBI sanction which is conditional prior to repayment, which in any case will be permitted only if there are no outstanding borrowings from RBI and the interbank market, makes strange reading. As a corollary, he draws the conclusion that significantly it is the Indian branches of the multinational banks who generally have no borrowings from RBI — the direct result of their high liquidity — and who will therefore be privileged to borrow from abroad. This 'benefit' will then trickle down to the customers of these banks, to whom the banks may pass on the advantage of low interest rates secured on their borrowings abroad. This is a gross misinterpretation or a partial interpretation of the manual provision. For it has been stated specifically that ADs (including Indian branches of foreign banks) may avail of credit facilities from their overseas branches and correspondents upto a maximum extent of Rs 20 lakhs. This ceiling is the total of all borrowings of all branches of the AD in India from all overseas branches or banks abroad. The counterpart funds thus created by banks have also to be used for financing normal banking operations and not for investing in call markets, etc. As the watchdog of the nation's foreign exchange resources close monitoring of ADs' transactions abroad is done by the RBI by frequent inspection of accounts. Weekly returns of the ADs' positions are scrutinised, and any transaction abroad not covering a genuine merchant transaction is immediately closed on finding. The allegations that banks that sell borrowed foreign currencies to raise rupee counterpart funds will also buy an equivalent amount to avoid risks and thereby gain endless opportunities to operate in overseas exchange markets is without basis. The standing rule has been that every purchase/sale, spot/forward has to be at least nearly covered, which means that at all times ADs have had foreign currency liabilities outstanding in the books. Endless opportunities to intervene in exchange markets has always existed, and ADs could indulge in trading activities, cutting a large slice of profits for themselves. In no way has RBI gone out of its way to legitimise or legalise such trading activities.

The correspondent also writes of the implications in terms of exchange risks if banks should participate in pure exchange trading, as distinct from genuine merchant transactions. Though the possibility of ADs indulging in speculative activities cannot be totally ruled out, they have not been licensed to do so in the new exchange control regulations nor are they ready to do so. By and large, they have been conservative in their dealings, operating in the inter-bank market in India, but depending mainly on the foreign exchange markets for their requirements. The new regulations do not authorise speculation in markets abroad, but do permit it in the inter-bank markets, i e, purchase and sale need not necessarily cover genuine merchant deals alone. This is specifically allowed to encourage an active inter-bank market for foreign exchange. This does not involve any foreign exchange losses and, therefore, will have no repercussions on the economy as a whole. The introduction to the chapter on Inter-bank Dealings says that the objective behind these regulations is to sustain an active inter-bank exchange market in India in various permitted currencies both for spot as well as forward transactions so as to reduce as much as possible dependence of Authorised Dealers on overseas foreign exchange mar-

[illegible] ments. Against this background, the question whether the government as the owner of public sector banks will underwrite possible losses from such pure trading transactions does not arise at all, let alone the justification for assumption of such a responsibility.

Another question that has been raised is whether all the ADs, now numbering 58, should be allowed to engage in trading operations. That the agencies permitted to deal in foreign currencies are called Authorised Dealers is sufficient pointer that they were authorised, on the basis of the volume of business and their performance, to deal in foreign exchange. There can therefore be no further discrimination on any basis now.

A fear has been expressed that the rationale for permitting overseas borrowings to replenish rupee resources is undesirable and will make a mockery of the credit control policy; and that in future banks will feel no real compulsion to make vigorous deposit mobilisation efforts, since they can secure cheaper funds from abroad. In all walks of life, misuse of powers is an occupational hazard which has to be put up with, within reasonable limits. The seventh edition of the ECM is merely a refinement over the previous one, a streamlined product, injecting a measure of flexibility in ADs' operative powers in view of the longer term of forward facilities to exporters now given. It must also be remembered that RBI itself does not deal in all currencies (it deals only in the pound sterling, US dollar, deutsche mark and yen) and for purchase or sale ADs must approach overseas markets.

December 14, 1978 A READER
Bombay

III

THE article "Open Sesame for Foreign Banks and MNCs?" by a Special Correspondent dwells on three aspects of the Exchange Control Regulations (as incorporated in the latest edition of the Exchange Control Manual), *viz*, (1) the freedom granted to banks in India authorised to deal in foreign exchange (ADs) to buy and sell, both spot and forward, foreign exchange from and to other ADs, (2) the regulation permitting ADs to borrow foreign currencies from their overseas branches and correspondents to replenish rupee resources for financing their normal business operations in India, and (3) the regulation requiring ADs to maintain square or near-square position in foreign currencies at the end of the business day instead of at every point of time. The article contains [illegible] inaccuracies about these aspects which I would like to correct.

The permission given to ADs to buy and sell foreign exchange freely from/to other ADs and to buy and sell foreign exchange in overseas markets subject to certain pre-requisites is not new or contrary to earlier regulations as mentioned by the Correspondent. The 1971 edition of the Exchange Control Manual contained more or less similar regulations.

Likewise, the permission given to banks to borrow foreign currencies from overseas branches and correspondents to replenish their rupee resources for financing normal domestic business operations is not new as is made out by the Correspondent. It has been in existence since 1965. The relevant paragraph (8.16) in the latest edition of the Manual is almost a reproduction of paragraph 2(iii)/Section XXVII of the 1971 edition. The facility is being used sparingly by foreign banks in India for meeting temporary shortfalls in resources. It is not true that the Indian branches of multinational banks have generally no borrowings from inter-bank or the Reserve Bank.

The statement by the Correspondent on the regulation requiring authorised dealers to maintain square or near-square position in foreign currencies at the close of business each day instead of at all times also needs to be clarified. This is the only change incorporated in the new edition of the Manual. It is intended chiefly to activate the inter-bank markets so that non-bank customer transactions can be matched as far as possible within India. The change was effected because, due to the continuous inflow of non-bank customer business through the trading departments in banks, it was not always possible for authorised dealers to maintain near-square position at all times. Moreover, this benefits the country by avoiding foreign exchange expenditure towards bank charges, cables etc. B RANGASWAMY

Press Relations Officer,
Reserve Bank of India,
Bombay.
December 19, 1978.

IV

Our Special Correspondent replies:

THOUGH under the earlier Exchange Control Manual, the ADs were free to buy and sell or swap in the inter-bank market or overseas markets, such transactions were permitted only as cover for their oversold or sold position or adjustment of fund and maturity positions, all resulting from non-bank transactions. On the other hand, the new Manual permits the ADs to buy and sell freely in the inter-bank market and such transactions need not necessarily be related to their positions arising from non-bank transactions. Similar transactions with overseas markets are also permitted subject to restrictions on balances and forward transactions against the rupee.

The relaxation of the restrictions relating to maintenance of square or near-square position at all times (as against the square or near-square position at the end of the day as stipulated in the new Manual) will not help in achieving the desired objective of encouraging the growth of the inter-bank market. It may even have adverse effects on the inter-bank market growth as some ADs may accumulate their currency positions during the day in order to effect the cover in the overseas markets.

As regards the suggestion by A V Rajwade that the modest relaxations aimed at growth of dealing expertise and enterprise and hence a more efficient exchange market in India should be welcome to everybody and that there is no need to extend the general mistrust of enterprise to the public sector banks, one may be pardoned for raising a simple query. If this is so, why complain about the wide spread between the buying and selling rates charged by the public sector banks, as they are not likely to do anything against the public interest?

The permission accorded to the banks for borrowing foreign currencies to raise rupee resources, when viewed in the context of the greater, though modest, freedom to trade in currencies, has created a fairy different environment of banking business than the earlier situation. Besides, it is only less than two years ago that the ADs were discouraged to rediscount bills in overseas markets on account of the comfortable foreign exchange position of the country and the unnecessary costs of interest outgo. There appears some incompatibility in the two sets of rules.

The Third Alternative

Romesh Thapar

WE are all wondering what new dimensions the Janata Party crisis will develop in the coming weeks. Indira Gandhi's "punishment" did not spark the "rebellion" that was expected by her hysterical followers; even the so-called "jail-going" was indulged in because it was to be of a few days' duration. Charan Singh's over-publicised kisan rally in the Capital also passed without incident — and despite the extraordinary police *bandobast* ordered by Morarji Desai in the Home Ministry. But the political pot has to be kept boiling.

If the Prime Minister is reminded about the overdue Cabinet reshuffle by the resignation of L K Advani (conveniently withdrawn as all resignations are *these days!*), Indira Gandhi talks in terms not easily understood by law-abiding citizens (even the hijackers are pardoned!), and Charan Singh's BLD advisers make it known that they are prepared for a honeymoon with the Congress(I) (after all, a bouquet was sent to him on his birthday!). Something is in the offing.

This kind of political free-wheeling creates all manner of diversions, like the Kanti Desai enquiry, in an effort to create confusion over the central issue. This remains the Janata Party's coherence around a central leadership. At present, despite the inevitable dividends from a posture of toughness, Morarji Desai is singled out for removal. Incongruous, isn't it, when he is busy planning the re-shuffle of his Cabinet? The contradictions within the situation are many. A Charan Singh defection at this point could de-stabilise the governments in Uttar Pradesh, Bihar and Harayana — something which was not possible at the time of his resignation from the Union Cabinet. But a split BLD would perish on its own. It has to seek allies. That's how the notion of a "federal party" arises — and it would lessen the shock of an embrace with the Congress(I) within the Jat heartlands! However, it's doubtful that these opportunist political manoeuvrings could uncover serious and meaningful coalition initiatives for a new structure of power at the Centre.

Indira Gandhi, due to lose her "majority" in the Rajya Sabha within a few months on the basis of new elections, can only make her presence felt by an open espousal of street politics. But this goondaism, she knows, will cost her many middle class votes in the towns. In fact, it may well put the lid on her hopes of "a comeback" — yes, even in South India. She doesn't quite know how to keep the agitation within certain bounds of discipline when the rowdies mobilised by son Sanjay really call the shots, and she is carried by the momentum.

Morarji Desai, still speaking rather impressively, fails to respond to the challenges. He is too old, too fixed in his ideas, and too rigid in dealing with people. He is unable even though he heads a Janata Party regime, to appreciate how his son Kanti appears to politicians and the public after the Sanjay episode. The real trouble is that the political environment has changed considerably, but the key actors are the same, and unchanged. India's trauma lies in these simple facts, because there is really no massive movement of opinion to shake the system to its foundations — only racketeering bank and insurance clerks (also officers!) on strike,. the labour aristocracy clamouring for more and more under revolutionary leadership.

Interestingly, the CPI(M) is beginning to feel its own inadequacies as the hunt begins for "a third alternative". E M S Namboodiripad has drawn intelligent attention to this need and the prevailing vacuum. He is compelled to tell his party to see itself in such a role. There is even talk of moving into the Hindi heartlands now being mismanaged by the corrupt politicians of the Janata and Congress parties. Many a Janata and Congress spine will quiver at the prospect, even though the CPI(M) has a veritable forest of problems to settle with its CPI 'comrades' before it can even think of presenting itself as an alternative formation leader. In other words, Kerala beckons for a practical demonstration of intent.

Whatever the demoralised and gloomy pundits might say, India is moving politically. For the first time it is possible to say that decisive segments of the population are looking for an alternative to Janata factionalism and Congress goondaism. Hired demonstrators, whether middle class boys playing at hoodlums or kisans hoping that someone will speak for them, influence the situation marginally. Only organised people, committed to a programme which makes sense (and unlike the nonsense of Charan Singh's twenty-points!), can alter the system which holds us trapped. This is the alternative. And the CPI(M) has to surmount its biggest obstacle: a lack of serious commitment to democratic functioning in the sense non-communists understand the business.

Before an alternative can even begin to take shape, a sustained debate will have to develop among those who are anchored to a democratic conscience and who, at the same time, realise that it is worthless without commitments to the battle against abject poverty, glaring inequalities, communal hatreds and caste discriminations. They belong to all parties. They have to be mobilised on a continental scale.

Of course, as I said, we don't really know what dimensions will develop. After all, at this crucial juncture in our affairs, Acharya Vinoba Bhave has declared that he intends an indefinite fast unless cow slaughter is banned!

December 30

Losses Carried Forward

Hansavivek

PREMIER AUTOMOBILES is exploring possibilities of production of a new model of car incorporating the latest technological improvements including optimum fuel economy. It is also attempting to produce a diesel engine car. Meanwhile, it is experimenting to improve fuel economy on the existing cars by design changes in the engine as well as use of higher octane fuel. With demand for both passenger cars and commercial vehicles having improved considerably, the company stepped up and maintained the higher production till November last when labour unrest erupted at all its three factories and brought down output sharply. According to the management, inter-union rivarly has been responsible for the labour trouble. During the major part of the year ended June 1978, the company's operations were adversely affected by uncertainty in supplies from the ancillary industry arising out of labour problems at the suppliers' end. In the beginning of that year, there were serious problems in getting supplies of vital components, such as brakes, electrical items, etc, from several ancillary units situated in southern India. Supply of essential components from certain ancillary units situated in northern India was also adversely affected. Government allowed liberal imports of required components, but it was not possible to locate all the required components in overseas markets. Besides, the landed cost of the components was very high. The company also experienced prolonged labour unrest at its Dombivli plant. There was a slow-down in production for more than two months which eventually culminated in the lock-out/suspension of work at all the plants for more than 3½ months.

During the year, the company produced 12,222 numbers of cars and sold 12,126 numbers, as against 17,530 numbers and 17,541 numbers, respectively, produced and sold in the previous year. Similarly, output and sale of commercial vehicles declined from 2,270 and 2,403 numbers to 926 and 958 numbers, respectively. Production of drive-away chassis, however, increased from 24 units to 147 units and their sale was up from 89 units to 143 units. Exports increased to Rs 62 lakhs from the previous year's Rs 39 lakhs. There has been a good demand for commercial vehicles in countries like Mauritius, Bahrain, Bangladesh, etc. The management expects further increase in exports this year. But the outcome of the year's trading was a loss of Rs 1.19 crores as against a gross profit of Rs 52 lakhs in the previous year. The loss has been reduced to Rs 18 lakhs by utilising last year's surplus (Rs 35 lakhs), a write-back from general reserve (Rs 53 lakhs), and from development rebate reserve (Rs 13 lakhs). After providing Rs 9 lakhs for investment allowance and making other adjustments, the resultant loss of Rs 30 lakhs has been carried to the balance sheet. Again, no amount has been provided for depreciation; arrears on this account have mounted up to Rs 6.28 crores.

The Week's Companies

(Rs in Lakhs)

	Premier Auto		I H Pipe		Garware Paints		Shriram Bearings	
	Latest Year 30.6.78	Last Year 30.6.77	Latest Year 30-6-78	Last Year 30-6-77	Latest Year 30-6-78	Last Year 30-6-77	Latest Year 30-6-78	Last Year 30-6-77
Paid-up Capital	748	748	200	170	88	88	75	75
Reserves	239	331	258	264	116	99	74	74
Borrowings	1999	2049	395	262	139	132	189	169
of which Term borrowings	682	678	2	50	26	28	50	62
Gross fixed assets	3034	2959	807	673	209	198	308	301
Net fixed assets	1467	1382	349	256	110	108	114	123
Investments	19	19	33	34	—	—	—	—
Current liabilities	1170	1112	495	532	264	240	53	48
Current assests	2641	2840	960	869	497	451	267	224
Stocks	2270	2169	588	537	217	217	164	152
Book debts	345	585	317	298	266	233	77	78
Net sales	4213	6182	1138	1327	1052	920	439	340
Other income	40	26	14	12	12	14	17	5
Raw material costs	2655	3991	892	442	445	413	120	87
Wages	921	1195	290	252	126	118	65	60
Interest	299	294	53	42	36	24	23	19
Gross profit(+)/loss(—)	—119	52	132	141	81	80	17	—2
Depreciation provision	—	—	52	37	13	12	16	16
Tax provision	—	—	36	54	38	45	—	—
Net profit(+)/loss(—)	—119	52	44	50	30	23	1	—18
Development rebate provision	—	—	25	9	—	—	—	—
Transfer to reserves	—	—	—	20	17	11	—	—
Dividend								
Amount	P —	—	P 2	2	P —	—	P 2	—
	E —	—	E 19	19	E 13	12	E —	—
Rate (per cent)	P —	—	P 5	5	P —	—	P 9.5	—
	E —	—	E12.80	12.80	E 15	14	E —	—
Cover (times)	—	—	0.90	2.11	2.30	1.92	—	—
Ratios (per cent)								
Gross profit/sales	—	0.83	11.60	10.62	7.70	8.70	3.87	—
Net profit/capital employed	—	—	9.50	11.52	14.71	12.30	—	—
Inventories/sales	53.89	35.08	51.67	40.46	20.62	23.58	37.36	30.00
Wages/sales	21.86	19.33	25.48	19.00	12.00	12.82	14.80	17.64

[illegible] Hirachand, chairman, says the [illegible] car industry is highly employment-oriented and should be accorded due priority so that it can plan for its future growth with confidence.

INDIAN HUME PIPE has received a number of fresh orders. Notable among them are: for 12 km of hume steel pipeline for the town water supply scheme of Surat, for hume steel pipeline for GSFC work at Baroda for about 7 km, for penstocks for Bassi augmentation scheme of the Himachal Pradesh State Electricity Board, and for penstocks for the Pench Valley hydro electric project in Maharashtra. Meanwhile, the company has completed deliveries of the third instalment against the 5-year contract for the supply of pre-stressed concrete railway sleepers received from Indian railways in January 1974. The company still faces some difficulty in getting regular supply of special cement required for the manufacture of sleepers. Other manufacturers of cement are not coming forward to manufacture this special cement, because the requirement of this cement is small and they feel that they may not be able to produce it at economical price. During the year ended June last, IHP showed a lower gross profit of Rs 1.32 crores against Rs 1.41 crores in the previous year following decline in sales and work bills from Rs 13.27 crores to Rs 11.38 crores. Net profit is also lower at Rs 44 lakhs (Rs 50 lakhs). The unchanged equity dividend of 12.8 per cent is slightly short-earned, as against a cover of 2.11 times shown in the previous year. There has been some labour unrest at the Badarpur and Wadala factories of the company. While the dispute at Badarpur has been amicably settled, the Wadala factory has been facing slow-down of work and sit-down strike for some time past, causing sizeable disruption in working and heavy losses.

GARWARE PAINTS, formerly Blundell Eomite Paints, has experienced contraction of margins during 1977-78 as reflected in an almost unchanged gross profit, despite higher sales. Profit after tax, however, has turned out to be better than last year's owing to reduced tax liability. Consequently, dividend raised by a point to 15 per cent is covered 2.3 times compared to 1.92 times previously. The directors explain that turnover would have been still better, but for the labour unrest for a period. Besides, profit margins were squeezed between rising prices of raw materials and containers and substantial increases in excise duty rates, even as increased costs could not be absorbed in selling prices in the face of stiff competition in the market. The employees at the factory had resorted to 'go slow' and 'work to rule' agitation and the management declared a lock-out which remained in force for 12 days. An agreement has been reached with the employees' union in regard to their charter of demands and it is hoped that good industrial relations will continue hereafter.

SHRIRAM BEARINGS has shown improved results for the year ended June 1978, with a gross profit of Rs 17 lakhs against a trading loss of Rs 2 lakhs in the previous year following higher sales of Rs 4.39 crores against Rs 3.40 crores. After providing for depreciation, there is a net profit of Rs one lakh compared to the previous year's net loss of Rs 18 lakhs. The directors have recommended payment of arrears of preference dividend for 1976-77. For this purpose, Rs 67,985 has been transferred back from the general reserve. These results have followed increase in production of ball bearings, from 13.68 lakh numbers to 17.37 lakh numbers, coupled with better realisation on sales. Operations during the current year were also better upto September last, when the company achieved a monthly production of 1.80 lakh bearings. But working was disrupted by a strike which has been declared illegal by the government of Bihar. Efforts are going on to resume operations with the help of the state government. Meanwhile, steps have been taken to balance the plant capacity for further improvement of [illegible]. A loan of Rs [illegible] has been sanctioned by ICICI for this purpose and orders for the machines have already been placed. Balancing equipment is expected to be installed and commissioned in the current financial year. Technical collaboration with INA of West Germany became effective during the year, and the company is going ahead with expansion of ball bearings capacity at Ranchi by 1.9 million numbers. Progress has been made also under the letter of intent for manufacture of plant protection chemicals. Steps for registration with Central Insecticides Board of the pesticides proposed to be manufactured have been initiated and necessary agreements with CSIR laboratories and consultancy organisations are at an advanced stage of finalisation.

CARBON CORPORATION has turned out satisfactory results for the year ended June 1978, the first year of production, when it marketed 1,904 tonnes of graphite electrodes valued at Rs 3.07 crores. The performance would have been better, but for the delay in delivery of some critical equipment which prevented full utilisation of the built-in capacity. Demand for electrodes has increased with the rising trend of output of mini-steel plants. Till mid-December last, the company sold 1,637 tonnes valued at Rs 2.67 crores. Production, however, has been lower than expected because of a shortfall in the receipt of baked blanks from collaborator, Graphite India, due to strike and flood situation at one of its plants.

Industrial Finance — I

CAPITAL RAISED BY NON-GOVERNMENT AND GOVERNMENT COMPANIES

(Rs crores)

Year	Issues of New Companies		Issues of Existing Companies					Total	Total
	Ordinary	Preference	Ordinary	Preference	Debentures	Bonus	Miscellaneous	(2) to (6)	(2) to (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Non-Government Companies									
1971	29.05	4.24	41.53	3.84	8.72	31.81	4.04	87.38	123.23
1972	42.94	2.37	46.37	6.00	51.71	36.16	6.12	149.39	191.67
1973	38.50	0.82	53.25	6.00	14.86	49.30	4.52	113.43	167.25
1974	25.52	2.89	74.61	4.18	23.79	79.18	10.63	130.99	220.80
1975	32.08	1.87	31.35	2.99	30.15	74.50	8.48	98.44	181.42
1976*	26.15	1.20	29.17	6.49	40.57	92.45	12.67	103.58	208.70
1977†	48.71	0.72	27.67	1.03	29.10	114.56	7.67	107.23	229.46
Government Companies									
1971	13.41	—	91.69	—	17.58	2.54	—	122 68	125.23
1972	38.23	—	435.97	—	7.60	—	2.30	481.80	484.10
1973	6.05	—	89 72	—	6.60	—	0.60	102.37	102.97
1974	8.18	—	175.13	0.20	9.59	2.63	5.00	193.10	200.73
1975	—	—	2.29	0.50	15.64	—	1.27	18.43	19.70
1976*	6.50	0.33	2 03	—	41.13	13.84	4.62	49.99	68.45
1977†	3.20	—	5.39	—	24.86	0.80	5.11	33.45	39.36

* Revised † Preliminary

PROJECT COST OF COMPANIES ISSUING CAPITAL

(Year ending March 31; Rs crores)

	1973			1974			1975			1976			1977		
	New Cos	Existing Cos	Total	New Cos	Existing Cos	Total	New Cos	Existing Cos	Total	New Cos	Existing Cos	Total	New Cos	Existing Cos	Total
Number of companies	37	24	61	84	47	131	29	30	59	50	33	83	41	28	69
Land and building	7.31	9.95	17.26	16.35	10.76	27.61	18.08	5.61	23.70	17.57	10.28	27.85	11.23	8.18	14.41
Plant and machinery	45.33	141.27	186 60	62.70	67.50	130.20	21.05	28.30	49.35	95.62	51.12	146.75	46.87	12.30	59.17
Technical knowhow	1.17	0.05	1.22	2.08	1.79	3.87	1.33	0.52	1.85	3.90	1.77	5.66	2.40	0.54	2.94
Capital issue expenses	1.04	1.88	2.92	2.22	1.89	4.11	0.98	0.78	1.75	2.30	1.88	4.18	1.36	0.92	2.28
Pre-incorporation and preliminary expenses	3.83	3.12	6.95	6.87	5.81	12.68	2.58	1.92	4.50	13.44	6.14	19.58	7.79	0.96	8.75
Working capital	6.70	19.62	26.32	14.26	13.15	27.41	4.45	6.28	10.73	9.96	16.91	26.87	5.97	21.70	27.67
Miscellaneous fixed assets	3.54	27.60	31.14	4.33	2.77	8.09	1.52	3.25	4.77	6.69	8.22	14.91	7.61	27.56	35.17
Contingencies	2.24	4.91	7.15	3.99	2.45	6.44	2.00	1.56	3.56	7.78	3.83	11.60	4.68	0.67	5.35
Total	71.16	208.42	279.58	114.29	106.11	220.40	51.99	48.22	100.22	157.26	100.15	257.41	87.92	67.83	155.74

PATTERN OF ABSORPTION OF PRIVATE CAPITAL ISSUES

(Year ended March 31; Rs crores)

	1971	1972	1973	1974	1975	1976	1977
Number of companies	57	48	61	131	59	83	69
Amount issued (I+ II)	42.26	35.11	55.36	61.66	23.43	64.08	34.30
I Subscribed (i+ ii)	8.96	4.47	5.26	10.18	1.94	7.69	5.57
(i) By promoters, collaborators, employees, etc	8.75	3.25	4.18	5.98	1.42	5.79	4.40
(ii) By government, financial institutions and SFCs	0.21	1.22	1.08	4.20	0.52	1.90	1.35
II Offered to public (i+ ii+ iii)	33.30	30.64	50.10	51.48	21.49	56.39	28.55
(i) Subscription by public other than underwriters	19.15	22 18	26.27	35.00	11.83	28.56	15.49
(ii) subscribed by underwriters	13.84	8.40	23.62	15.25	9.63	27.83	12.65
(a) As investors	6.82	2 94	18.11	5.87	5.10	17.24	7.06
(b) As part of underwriting obligation	7.02	5.45	5.51	9.38	4 52	10.58	5.69
(iii) Not Subscribed	0.31	0.06	0.21	1.23	0.03	—	0.42
III Amount underwritten	30.52	29.04	45.99	49.20	19.94	54.75	25.20
III as per cent of II	91.7	94.8	91.8	95.6	92.8	97.1	88.3
II (ii)(b) as per cent of III	23.0	18.8	12.0	19.1	22.7	19.3	22.2

FINANCING OF PROJECT COSTS OF COMPANIES ISSUING CAPITAL

(Year ending March 31; Rs crores)

	1973			1974			1975			1976			1977		
	New Cos	Existing Cos	Total	New Cos	Existing Cos	Total	New Cos	Existing Cos	Total	New Cos	Existing Cos	Total	New Cos	Existing Cos	Total
Number of companies	37	24	61	84	47	131	29	30	59	50	33	83	41	28	69
Share capital															
a) Indian	25.53	27.74	53.26	42.30	37.91	80.20	17.55	13.05	30.60	54.68	33.57	88.25	29.61	12.85	42.46
i) Equity	23.08	23.15	46.23	39.03	35.79	74.82	16 33	9.87	26.20	50.80	30.31	81.11	27.35	11.04	38 39
ii) Preference	2.44	4.59	7.04	3.27	2.12	5.39	1 23	3.18	4.40	3.88	3.26	7.14	2.26	1.81	4.07
b) Foreign Equity	0.30	—	0.30	0.08	0.18	0.26	—	—	—	0.05	—	0.05	0.89	0.35	1.24
Reserves and cash accruals	0.95	76.52	77.47	1.09	7.56	8.65	0 15	6.68	6.83	0.70	15.66	16.36	0.09	7.11	7.20
Subsidy from Central government	0.05	—	0.05	0.25	0.22	0.47	0.22	0.18	0.40	1.08	—	1.08	1.18	0.12	1.30
Debentures	0.85	18.35	19.20		7.62	7.62	—	4.50	4 50	—	0.20	0.20	0.24	—	0.24
Deferred payment	0.37	0.50	0.87	2.60	1.86	4.46	1 23	0.02	1.25	4.14	0.98	5.12	1.05	7.34	8.39
Loans from financial institutions	26.53	34.28	60.81	35.16	33.92	69.08	13.66	15.95	29 60	62.01	30.99	93.00	41.89	5.06	46.95
Loans from banks	15.71	50.55	66.26	26.98	15.43	42.42	17 99	6.97	24.97	28.51	17.59	46.10	8.52	16.26	24.79
Loans from directors and friends	—	—	—	1.04	0.01	1.06	0.33	0.07	0.40	2.44	0.52	2.96	3.67	0.11	3.78
Loans from other sources	0.87	0.48	1.35	4.80	1.41	6.20	0.86	0.82	1.67	3.65	0.64	4.29	0.78	18.02	19.40
Total	71.16	208.42	279.58	114.29	106.11	220.40	51 99	48.72	100.22	157.26	100.15	257.41	87.92	67.83	155.74

Source: Reserve Bank of India, "Report on Currency and Finance, 1977-78".

Note: Further Statistics on Industrial Finance will appear next week.

TEA INDUSTRY

Time of Reckoning

AT a recent meeting with the Deputy Governor of the Reserve Bank of India, K S Krishnaswamy, and other senior officials of the banking establishment in Calcutta, representatives of the tea industry made an eloquent plea for special sanction of funds by banks to it on easy terms. The thrust of the industry's argument was that the boom that the industry had been enjoying since 1974 was now showing definite signs of petering out, as was reflected in the working results for 1978 which were far from happy.

Another point that the industry brought up was that the norms of bank financing for tea companies had virtually remained unchanged since the early 1970s when the guidelines were adopted on the basis of the B K Dutt committee on tea finance. Rules governing overdraft limits and margin requirements being followed since then had become dated and needed revision.

Still another contention made by the industry was that tea companies were practically having the worst of both worlds. They were being treated as engaged in an agricultural activity and were thus subjected to heavy doses of agricultural income tax. Simultaneously, the companies were being subjected to the usual heavy rates of corporate income tax. At a time when most of the companies were being forced to think of plans for replanting and in-filling and extension, they needed funds on easy terms as their own reserves were inadequate for such purposes, it was observed.

The bankers are believed to have pointed out that there appeared to be a case for reviewing the norms of bank finance relating to overdraft limits and such other issues because they needed to be changed. At the same time, they did not hold out much assurance that the tea industry could be treated preferentially compared to others in matters like rates of interest or repayment terms. A leading banker pointedly mentioned that the interest burden constituted but only a small proportion of a tea company's costs and when it was coping with other cost rises, it should not mind paying a little more interest charge either.

Thhe fact of the matter, viewed in a slightly differet way is that the industry is having, not the worst, but the best of both worlds. It is enjoying all the facilities accorded to an agricultural creditor and at the same time it is taking full advantage of packing credit and such other liberal schemes allowed to exporters. Besides, there are various provisions for extending financial assistance to the industry by way of subsidies for farming purposes and for purchase of machinery.

But a question that has perhaps not been asked is: where has all the money that the industry and trade had earned during the last few years gone? The industry which tends to skirt around the point says that the 1974-77 boom was preceded by a virtual stagnation lasting over nearly two decades. The extra profit that the industry earned during this short period was eaten up by demands of pending liabilities, by essential development works which could not be postponed any longer, and by growing drafts by way of rise in input costs and wage bills and fiscal incidence.

Thus, even in the best of years, the balance sheet profits of most of the companies would hardly reflect the sunshine in which the industry had basked. It has been alleged that many companies would inflate their cost of production of tea by including in it all sorts of extraneous expenditures, including even the expenses incurred on foreign trips by directors and their families. Generally, the more reputed companies would take development programmes more earnestly and would be spending more money under this head, but their numbers would be small.

The fact that by and large the industry does not invest much on development activities is borne out also by a steady deterioration in the quality of average Indian tea. The tendency appears to have become more pronounced since the entry of a large number of new parties into the business in the wake of the recent price boom. Their only interest is in making profit. This is also the crowd which not very long ago had been operating in the jute trade and had lately been looking for a new hunting ground after messing up the fibre business.

But this point is seldom discussed in public on the false pretext that it would harm the interest of the Indian industry. What is not realised is that the people who run the business round the world are not fools and they know what is what. If today there is a slack in the demand for Indian tea abroad, the reason has to be partly attributed to the declining competitiveness of the Indian produce.

The fact is that there is still good demand for quality tea at a reasonable price. The growing demand for East African, especially Kenyan, tea underlines this fact. The Indian industry had been clamouring for total removal of the export duty which has already been reduced from Rs 5 per kilogramme to Rs 2 per kg on the plea that it would improve the competitiveness of our exports. But the tea would not be moving till the foreign customers are assured that they are getting their money's worth. Even amidst a general slack in overseas demand, good quality tea is being purchased quite briskly.

The other factor that seems to lie behind the slow offtake is the tendency noticed in the trade as well as among consumers to keep a low stock of tea. They know that there is enough tea around and that they can get all the tea for the asking. The traders, both in India and abroad, have thus chosen to keep their stocks to the minimum and not block too much of their money in inventories. There are nearly 600,000 retailers in India alone and if each of them decides to hold just 10 kg more in stock, the offtake would rise by six million kg.

This somewhat smug feeling about assured supplies has developed partly from New Delhi's stand that it would not allow exports to go up to such an extent that they would affect domestic availability. In any case, the exports are likely to fall considerably short of the stipulated 200 million kg and thus the domestic supplies would, if anything, be more than originally estimated. The other important factor is that the trend of production in India, which was rather wobbly in the early part of the season, appears to have staged an impressive rally and, according to the latest estimate, it should repeat, if not exceed, last year's figure of 560 million kg.

All this signals that a time of reckoning has come for the Indian tea industry. It had started taking things a little too easy and has now found to its dismay that things did not work out the way it had imagined. Either it copes up with the vicissitudes or it goes the way of jute. The challenge has already come; now is the time for response.

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RELIGION

Serving God and Mammon in TTD

Bhaskara Venugopal

RELIGIOUS institutions like temples, endowments, dharmadayams and maths in Andhra Pradesh are controlled by the Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments (AP CHRIE) Act 1966. By Section 110 of this Act, five other acts that were in force ceased to operate. Curiously, with this repeal, an important provision made by the Charitable and Religious Trusts Act, 1920 which extended to the whole of India stood removed. Under Section 3 of the CRT Act 1920, "any person having interest . . . may apply by petition to the court . . ." for particulars as to the 'nature and objects of the Trust or as to any of these matters' and "the accounts of the trust". There is no substitute to this section under the AP CHRIE Act 1966.

The AP CHRIE Act 1966 consists of 113 sections out of which seven sections (85 to 91) forming Chapter XIV have particular reference to the Tirumala Tirupati Devasthanams (TTD).

One conspicuous feature of the Act is that it always talks only in terms of income in rupees lakhs or thousands. For example, Section 26 says "institutions or endowments whose annual income exceeds Rs 2 lakhs". But here is an institution like the TTD whose accounted income per annum is some 900 times that figure!

Section 86 of the Act authorises government to appoint a Board of Trustees to the TTD. The membership of the Board should not exceed 11. They will hold office for a term of three years. Three of them should be members from the state legislatures; one to represent scheduled castes and one representing women. An analytical study as to the effectiveness of this Board should throw up interesting results. The frequency with which the trustees meet, the expenditure on each meeting and each member, the duration of each meeting, the agenda and the minutes and a verbatim recording of the proceedings of the meeting that can give an idea about the members' interest in the proceedings should be able to give an estimate of the effective participation of each trustee.

As it is, a majority of the eleven members belong to Andhra Pradesh. The Act does not specify the region to which the members may belong. But pilgrims to Lord Venkateswara come from throughout the country and from all walks of life. Therefore it is reasonable that the Board should be enlarged so as to include distinguished persons from all the states of the country. Representation should be given to academicians, religious institutions and men from professions like medicine, law, journalism and the services. Under no conditions should membership on TTD Board be a *quid pro quo*.

Section 50 of the Act concerns the Budget. A crude analysis of the Budget as per the provisions in the section may be as follows: (1) It should show the probable receipts (Y) and disbursements of the institution or endowment during the following year. (2) It should provide for maintenance of the objects of the institution and remunerations for services received and 'dittam' (list of articles needed for worshipment) (a), discharge of liabilities and commitments (b) and the working balance (c). Then, if $a + b + c = X$, $Y - X$ will be equal to "balance of the income for the financial year" (or Z).

Section 50 sub-section 2 clause (a) item iv specifies that out of this Z, 40 per cent should be provided for the "arrangement to be made for securing the health, safety or convenience of the disciples, pilgrims, worshippers or other persons resorting to the institution or endowment" (A); 10 per cent should go to the 'Reserve Fund' (B); and 5 per cent to the Common Good Fund (C).

In other words, $A + B + C$ ($40 + 10 + 5$) which is 55 per cent of Z will have been spent and out of the remaining 40 per cent (as per Item vi of Clause (a) of sub-section 2 of Section 50) 30 per cent may be spent on construction of buildings etc. What will happen to the remaining amount? There is no direction in the Act. Hence it is imperative that budgeting procedure is clearly laid down.

Publication of TTD Budget

The major drawback of the Act concerning its Chapter VII which deals with Budget, Accounts and Audit is that while Section 50 sub-section (1) directs submission of the Budget to the Assistant Commissioner, Deputy Commissioner or Commissioner depending upon the income status of the institution, the enormous funds accruing with the TTD warrant a publication of the Budget in a printed form. The Act does not provide for this. Publication of the TTD Budget will not only enlighten the public as to what purposes their donations are being spent, but it will also help one know if the TTD Budget is making provision for various items in the appropriate manner and proportion as specified under Section 50, sub-section (2) clause (a).

Chapter IX of the AP CHRIE Act, dealing with the Surplus Fund and Utilisation thereof etc, specifies that "where there is a surplus in the funds after making adequate provision for purposes referred to in sub-section (2) of Section 50, such surplus may be utilised for purposes listed therein under Section 67". A perusal of the TTD Budget over the past few years suggests that there is no such statistic as a 'Surplus Fund' in that cyclostyled document. On the other hand, section 91 in Chapter 14 which deals specifically with TTD provides that the "funds" of Tirumala Tirupati Devasthanams may be utilised for so and so purposes. Now, does Section 91 obviate the need for arriving at a Surplus Fund before the "funds" are "utilised" for various purposes? Or, if arriving at a 'surplus fund' is a prerequisite, how does Section 91 omit using the term "surplus fund" and use only the word "funds" instead? And, how can the Budget skip arriving at a 'Surplus Fund'?

Nobody need have any dispute as to what purposes may TTD funds be spent or diverted. Apart from the doctrine of cypress, the Act repeatedly talks in an all pervading manner. For example, Section 67 sub-section (2) says: "Nothing in sub-section (1) shall prevent the trustee of a Math or a specific endowment attached thereto from utilising such surplus for any other purpose consistent with the tenets of the Math". Section 91 sub-section (1) says; "The funds of the TTD may be utilised for all or any of the following purposes and also for any other purposes permitted by any other provision of this Act." Over and above all this, Section 113 makes a blanket provision that if any difficulty arises, "the Government may,

by order in the AP Gazette, make such provisions not inconsistent with the purposes or provisions of this Act, as appear to them to be necessary or expedient for removing the difficulty".

During 1969, in accordance with Section 107, the Government passed an order (GOMS No 6) regulating the diversion of surplus funds for various purposes as laid down in section 67 and 91 of the Act. This rule specified that a Notice should be issued about the proposed utilisation. This Notice should be displayed either on the Notice Board of the institution or pasted to the front door of the institution. "Persons having interest" in the affairs of the institution may go, see the Notice and voice objections if any. Perhaps this provision is of some use in the case of a tiny Math or endowment. But as far as TTD is concerned this becomes farcical. How many of the "persons having interest" (even if all definitions of the "persons having interest" are taken into consideration) can go every time to the TTD door and look for the Notice? How can anybody see the notification when almost every month the Board meets and passes orders diverting funds to some use or the other?

It is therefore essential that only from surplus funds should any amounts be diverted for other purposes and no amount shall be spent unless sanctioned at least a month earlier. The sanction must be *made* by the full Board and not ratified; and such sanction must be made only after a public debate.

PITTSBURG TO PUTTUR

From Pittsburg to Puttur, TTD funds are being given away for some purpose or the other. Is it assured that all the purposes are genuine? Secondly, there is no provision anywhere in the Act for a check or verification by TTD about the utilisation of the sums given. Recently, the TTD was asking for a statement of account from the Thyagarajaswamy Trust Board, Tirupati about the annual grant proposed to be given for Thyagarajaswamy anniversary celebrations. There must be a statutory provision to facilitate this sort of a thing.

In view of the above, there is a strong case for a separate full-fledged and comprehensive act for TTD. Only a thorough and complete-by-itself act can help a more efficient management of TTD. Without resorting to any wild allegation, one may wonder how lakhs of rupees are allowed to be spent on the construction and maintenance of buildings like the rent-free, partly air-conditioned bungalow of the Executive Officer, the proposed posh guest houses, the magnificent administrative building, etc while thousands of pilgrims suffer for no fault of theirs, waiting on the roadside and railway platforms and corridors of the choultries and the cage-like shelters in the temple and bus stands spending their resources on sub-standard and unhygienic foods and drinks. These things not only suggest bad planning but a callous disregard of the human element in a devotee. Right from the arriving point in the bus stand or railway station to the sanctum sanctorum, the treatment meted out to the visitor (particularly to the poor and the non-Telugu Tamil-speaking affluent) is notorious for its arrogance and boorishness. Let the first surplus crore of the TTD be spent on better facilities to the pilgrim; nobody will bother if the balance is spent on installing a ceiling fan in the lavatory of the top officials residence or the seven feet high mosquito nets for the use of the VIP.

The Act that today governs the TTD activities is not at all suitable to control such a huge institution. As things stand, in spite of their best intentions, the Trust Board cannot say no when somebody high up 'solicits' a TTD contribution to some 'good' cause like a mountaineering Institute or some blessed temple in a VIP's native place. Even if nothing untoward has happened so far, in the interest of the funds contributed by all Indians, it is necessary that powers to circumvent or amend the provisions of the Act be vested with a sufficiently high authority.

The primary concern of the Trust Board must be the pilgrim. The acid test should be the smile on a satisfied pilgrim's face, not a rise in the annual income *which may be bloated up by* a simple resorting to selling the age old temple gold under the pretext that the price is lucrative. (Please read Explanation (3) under sub-section (3) of Section 59: "Receipts in kind other than those referred to items (g) and (h) of explanation (1) shall be deemed to accrue as income on the date of the sale thereof and shall be valued at the amount realised by such sale.").

Tolerance is supposed to be the hallmark of Hindu religion. But, religion conducive and contributing to the birth, growth and perpetuation of corruption is intolerable.

MANIPUR

Revivalist Resurgence

ONE of the major problems of the north-eastern region is 'insurgency', especially in the adjoining states of Nagaland and Manipur and the union territory of Mizoram. The vague and blanket concept of 'insurgency' appears really to be an accumulated and concentrated but surface expression of deeper problems of a social, economic and political character which are a legacy of the past. But at the policy-making level, the tendency has been to view the 'insurgency' as a purely law and order problem or even see it in purely military terms requiring military solutions.

The state of Manipur falls naturally into the valley and the hill districts. The valley is thickly populated by mainly the indigenous Meiteis while the hill districts are inhabited, by and large, by the Naga, the Mizo and some other tribal people. The practice of settled agriculture in the rich and fertile valley area over a long period of time and the penetration into this region of Bengali culture and Vaishnava cult has given a distinctive character to the Meitei people and has even fostered in them a sense of superiority over the tribal people of the state. On the other hand, the tribal people have practised shifting cultivation over the years and are thinly spread out in the fairly extensive hill districts. While the 'insurgency' in Nagaland and Mizoram has flowed into and affected the hill districts of Manipur, inhabited mainly by Nagas and Mizos, the valley area has been having its own variety of 'insurgency', which is a fitful expression of the activities of the Meitei revolutionary extremist movement. This 'insurgency', somewhat dormant for years, has suddenly sprung into life recently with the series of violent incidents involving the killing of policemen, snatching of arms and so on that are being occasionally reported.

The Meitei revolutionaries are the extremist fringe of the social movement in the valley area which stands for the revival and regeneration of the old Manipuri religion, language, script and culture which, in their view, has been overlaid by Bengali (Vaishnav) culture, religion and script. The movement is also an expression of the reaction and resentment of sections of the Manipuri people, especially the youth, against the economic exploitation by 'Mayangs' — earlier Bengali but later Marwari and Punjabi traders and moneylenders. It is also a cultural throwback to the past, not unusual in periods of complex transition from the old to the new. Pre-British memories of an independent and sovereign Manipur coupled with experience of privations caused by socio-economic factors in the post-independent period and the rise of social and political consciousness appear to constitute some of the main elements which influence the activities of the extremists.

There are many overground (and at least one underground) organisations which are an expression of this socio-cultural movement. The Pan Manipuri Youth League, Meitei Marup and other organisations operate overground while the United National Liberation Front (UNLF) operates underground. The Pan Manipuri Youth League was formed in 1968 with the object of working for the social, cultural, economic and educational advancement of Meitei people and for preserving the Meitei culture and tradition. This organisation publishes some Manipuri and English journals. The Meitei Marup was organised in the 1930s with the object of reviving the old Meitei religion and script. The UNLF was formed in 1964 under the leadership of a group of young men with revolutionary ideas. For various reasons, the UNLF could not stabilise itself and build a solid base. The Revolutionary Government of Manipur (RGM), also known as the Consolidation Committee, was reportedly formed by a break away group of UNLF in 1968. It consisted apparently of those who believed in immediate armed revolution as against those in the UNLF who, although not renouncing and armed struggle, believed in a slower process of transition through social, cultural and political activities. The members and followers of the RGM wanted to develop contact with the erstwhile East Pakistan, and in 1969, a RGM group was intercepted in Tripura on its way back from East Pakistan. During prison life, some of these reportedly came in contact with some Naxalites. However, Marxist influence may not be very strong inside the RGM. Though the RGM was weakened in 1969 it did not apparently disintegrate but was kept alive by isolated groups of young men in the valley. After the formation of Bangladesh, some of these youths are believed to have turned towards China. The identity and the precise political complexion of the group or groups which have been involved in some recent encounters with the police is still not clear. In two incidents early 1978, a weapon was snatched away from a police man and a local petrol bunk was looted. In the second half of July, three other major incidents followed one another dramatically. In the first, a police sub-inspector and constable escorting a prisoner to the court were shot dead and their weapons snatched away. In the next, some assailants attacked a local bank in the bazar during day and carried away a sum of over Rs 19,000, most of which was later recovered. On July 19, some persons boarded a public transport bus near Imphal, scared away the passengers and shot dead two police personnel inside the bus. There have been two other more recent incidents attributed officially to 'armed rebels'; on the night of November 12-13, five police personnel were injured in an encounter with 'armed rebels' at Kameng foothills; and on November 18, the 'armed rebels' raided Mayang police station in Manipur Central District and took away with them one rifle and a wireless set. They also set the police station on fire.

The overground social and cultural organisations of the Meiteis have been functioning with remarkable persistance and a kind of narrow, sectarian but shrill vitality. Their following is explained by the fact that they express in social and cultural terms the problems and dilemmas of a people increasingly harassed by the contradictions of a distorted process of economic development and social progress. They also symbolise divide between the younger and older generations of Meitei leaders and the protest of the former against the vicious, unscrupulous and opportunistic manoeuvres, tactics and compromises of the latter. These organisations are, therefore, likely to continue to be active till their genuine demands are met or, indeed, even beyond for the protection and preservation of the basic Meitei cultural and social interests.

PHILIPPINES

Rule of Family under Martial Law

Sumanta Banerjee

AT the National Press Club in Manila, an official of the US embassy in the Philippines is introduced to the guests as a CIA agent; the remark is greeted by laughter in which the American also joins.

More than anything else, such an incident illustrates the scepticism with which the Filipinos regard the "anti-Americanism" of President Marcos. It also suggests the unimportance that the US attaches to Marcos's thunderous broadsides against 'American imperialism'.

The US is sure of its hold on the Philippines. With Marcos's blessings, his daughter Imee Marcos is leading a 'movement' for the immediate dismantling of the US airbase at Clark Field and the naval base at Subic. Yet, in August this year, the US Congress restored in full the cut earlier made from the programmed military aid to the Philippines, which amounted to almost $ 18 million. The argument was that the US bases in the Philippines and the interests they represented should prevail over public concern about increasing Marcos repression on the Filipino people. Total US aid to the Philippines increased from $ 771.3 million in 1972 (on the eve of the clamping down of martial law) to $ 3912.5 million in 1976, the total aid since the declaration of martial law being $ 3141.2 million.

In fact, one of the reasons for the imposition of martial law was to rescue American economic and military interests from the tide of nationalism that was engulfing the Philippines On the eve of the martial law declaration, the Supreme Court had ruled that American citizens had been holding on illegally to land and real estate properties since 1946, as well as illegal directorships in Filipinised industries. Following this there were demands for proceedings against American owners of land and real estate properties. Martial law had to be imposed if approximately two billion US dollars of American assets were to be saved from expropriation and nationalisation. Marcos granted a year's moratorium in May 1974 on the reversion to Filipino hands of American-owned land. When that deadline was reached in middle 1975, further leeway was given, and Marcos reassured the American land owners that there would be no summary escheat proceedings.

'Anti-Americanism' of Marcos

Like the sham anti-colonialism of the Indian ruling classes, best exemplified by Nehru and his daughter, the 'anti-Americanism' of Marcos is skin-deep. He breathes fire against the US only when the latter's policies hurt his personal interests. Thus, at the moment he is annoyed with the US because the US Justice Department is currently investigating charges that Westinghouse Electric Corporation paid Herminio T Disini, a relation of Marcos, a substantial commission for arranging the $ 1.1 billion Westinghouse contract for a nuclear plant in the Philippines.

The 'anti-Americanism' of the martial law government is motivated by several factors. First, in a bid to appeal to the anti-American sentiments of the Filipinos, Marcos resorts to the nationalist rhetoric. In this, he also seeks to identify himself with the American critics of the US official policies posing as a champion of anti-colonialism. Secondly, the posture of anti-Americanism is a useful bargaining leverage. He is threatening the US with an anti-American agitation to pressurise it to grant him $ 1 billion rent for the US bases. Finally, like Nehru in the 1950s, Marcos has his trump-card. "If you back out, I'll move over to the Socialist camp!" In a recent policy speech, he identified one of his government's main foreign-policy guidelines: "to pursue more vigorously the establishment of diplomatic relations with the Socialist states, in particular with the People's Republic of China and with the Soviet Union."

The rapprochement with the socialist camp started in 1972 — the year of the martial law declaration — with the recognition of Yugoslavia and Romania. From September to November of 1973, diplomatic ties were established in quick succession with East Germany, Hungary, Poland, Czechoslovakia, and Bulgaria. From the Soviet Union to the Philippines came a stream of economic, scientific and cultural missions, including the Bolshoi Ballet, following a tour of the Soviet Union by Imelda Marcos in 1972.

In keeping with the Soviet bloc, the pro-Moscow Communists of Philippines switched over their loyalty to the martial law regime. The veteran Communist leader, Luis Taruc emerged from the underground and pledged his support to Marcos's 'New Society' movement — a counterpart of Indira Gandhi's 'Garibi Hatao' programme. *Taruc is today the Special Advisor on* Land Reforms in the martial law government.

Marcos's next target was China. In September 1974, Imelda Marcos made a historic ten-day goodwill visit to China. In June next year, Marcos himself accompanied by Imelda visited China and was received by Mao Tse tung. The visit was televised in the Philippines. An underground Filipino Communist guerilla described his reaction as a "televised shock of having to watch Chairman Mao embrace the bediamonded wife of the man who made possible the mass arrests and torture of our top party cadres."

The Maoists of the Philippine were in for a greater shock. In October 1975, China came out with official endorsement of the ASEAN, an organisation of the South-East Asian governments which Maoists all over the region had been condemning as a counter-revolutionary gang-up. China was also reported to have requested the Philippine government to retain the US bases as a deterrent to Soviet social imperialism. This was too much for the Communist guerillas, who are facing the full brunt of the US backed repression of the Marcos regime to stomach. One of their underground journals was forthright when it said: "We must continue the struggle to remove all US bases in Asia and expose counter revolutionary alliances like ASEAN, whether it works against Chinese national interests or not." (*Balita Ng Malayang Pilipinas*, September 30-October 7, 1978.)

State of the Economy

But it is worth looking at Marcos's performances during the martial law period to find out whether either Soviet or Chinese support to the regime is really warranted. The much propagated reform programme has parallels to the Indian experiment. The fields of reform are: land reform, peace and order, government reorganisation and social services, among other things. The agricultural showpiece of Marcos's New Society is the 'Masagana 99' programme (Masagana is Filipino for 'abundance' and 99 stands for the target of 99 cavanes, equivalent to 50 kilograms, of output per hectare). But although the programme has led to in-

creased rice production, enabling the Philippines to export rice today, it has barely touched the lives of the poor peasants. According to the Manila-based International Rice Research Institute indicates "Since land reform and the adoption of new rice technology the total income in the village has increased, but large tenants seem to have captured the major benefits... If present trends continue, farm size will decline further and landless labourers will continue to increase in number relative to farmers. Real wages will decline and the value of tenancy rights will rise, widening the income gap between farmers and landless workers." ('Research Highlights for 1977': International Rice Research Institute, Manila).

Unofficial surveys by academics reveal that many of those small farmers who have failed to pay the loans advanced under the Masagana 99 programme, are in danger of losing their land titles to rural banks, controlled mostly by landlords and rich people. In spite of the much-vaunted promises of benefits for sharecropper, sharecropping on a 50-50 basis is still being practised in many places.

It is significant that Marcos has left the most profitable agricultural sources outside his land reforms programme. Sugar is a vital sector of the Philippines economy, accounting for one-fifth of annual foreign exchange earnings. The country is also the world's largest producer and exporter of coconut products; one-fifth of the country's export receipts is earned by the coconut industry. Bananas are among the ten top exports and are expanding their hectarages. Yet, the plantations covered by sugar, coconut and banana are allowed to be occupied by big landlords and giant corporations like Stanfilco, Philpak and Tagum Development Corporation. Moreover, because of Marcos's stress on export-oriented growth, rich farmers are converting rice and corn lands into sugar plantations to supply the needs of the newly-established Cagayan Sugar Corporation.

Let us have a look at some other aspects of Filipino economy. According to an ESCAP report of 1975, the percentage of Filipinos living below the poverty threshold jumped from 39 per cent (approximately 13.4 million) in 1965 to 48 per cent (20.5 million) in 1975. In January, 1978, Clemente S Gatmaitan, Secretary of Public Health of the Philippines Government admitted that 78 out of every 100 pre-school children weighed in a nation-wide project of the Department of Public Health were found to be suffering from various degree of malnutrition.

Inflation is rising. The third quarter of 1978 showed inflation rates of 2.4 per cent against 1.3 per cent during the low end-of-the-second quarter of the year. Another chain of price hikes is in the offing as additional tax measures are being proposed during 1979. To a consumer, new taxes can only mean reduced incomes or higher prices. Already, 79 per cent of the people earn less than 5,000 pesos (equivalent approximately to the Indian rupee) annually, according to this year's National Economic Development Authority Statistical Yearbook. The Development Academy of the Philippines estimates that at least 800 pesos a month is necessary for a family of five to subsist.

While fashionable shopping centres like Makati in Manila boast of huge departmental stores and the discos at Mabini draw streams of tourists in search of the legendary 'night life' of Manila, a few miles away in Tondo one can see scabby children clothed in rags, wretched shanties straining to remain upright, fetid canals teeming with mosquitoes. Squatter colonies have sprouted all over the place. Like India during the Emergency again, the Marcos regime has launched a Zonal Improvement Programme aimed at the demolition of squatter colonies. The slum dwellers are pushed into relocation sites that are unable to provide them adequate housing conditions and are miles away from their sources of income. In May this year, around 860 families were evicted from Constitution Hill, one of the seats of political power, to make way for a multi-million peso Parliament Biulding.

Like in India again, the much-propagated anti-corruption drive of Marcos has finally ended up in the perpetuation of a political dynasty and nepotism. His wife Imelda Marcos, as deputy prime minister, is authorised to act as the Prime Minister in case of Marcos's permanent disability. His relations and cronies occupy important positions in business firms and newspaper establishments. In deferrence to the American insistence on 'human rights', Marcos has signed a Presidential Decree which supposedly protects the right of detained persons by penalising any public officer who fails to produce a detained person to the proper judicial authorities within a prescribed period. But significantly, the decree adds, persons suspected of making an attempt on, or conspiring against the life of the President, or any member of his family are exempted from the coverage of the decree. In other words, such suspected persons can be detained indefinitely without trial. Thus, the easiest way to keep political dissidents behind bars is to accuse them of such crimes.

As for reforms in the law and order situation, martial law does not appear to have brought about any basic improvement. In 1971, 59 per cent of the index crimes in the country happened in metropolitan Manila. By 1974, the crime rate in the zone had risen to 81 per cent. Today, even the controlled Manila press is forced to carry news of increasing crime incidence, in which the military is getting involved. Military assault on a parish priest in November evoked a nationwide protest, leading to demands for disciplinary action against the erring military personnel.

But then, the military is most pampered; one-sixth of the total expenditure in 1979 is earmarked for the Armed Forces. If along with this, the expenditure on the various information departments — which mainly do propaganda about the benefits of martial law — is taken into account, it will be found that one-fourth of every peso is spent by the government to support Martial Law.

Opposition to the Regime

Marcos's dependence on the armed forces can be understood in the context of the prevailing situation in the Philippines. The people are not taking the economic deprivations and curtailment of democratic rights lying down. Centres of militant protest and intellectual dissent have sprouted up in several areas.

Although the government tends to play down the threat from the insurgency movements, the two centres of armed struggle — one in the north headed by the Communists, and the other in the south led by the Muslim separatists — have explosive potentialities.

First, the Communist threat. The armed wing of the underground Communist party of the Philippines (CPP), known as the New People's Army (NPA) is believed to be expanding its 'guerilla zones'. According to one underground source, the Communists are fighting against

the stranglehold of US imperialism, unjust feudal relations, and corrupt and conniving bureaucrat capitalists". Their aim is to establish a national democratic Philippine state. Sixty per cent of their arms are seized from the military during encounters and lightning raids. Another large source of arms are donations from the villagers. According to the military, Mount Province, Abra and Nueva Vizcaya in northern Philippines — which were the strongholds of the Huk Communists in the 1950s — are "insurgency zones".

After a phase of emasculation under the leadership of the pro-Soviet ideologue Luis Taruc — during the late 1950s and early 1960s — when the Communists laid down their arms, in the late 1960s there was a new upsurge and the Communist Party of the Philippines was reinvigorated by Jose Maria Sison, a young Maoist in his late thirties, whose book "Philippine Society and Revolution" was the most widely read book among students and intellectuals before the imposition of martial law in 1972. A brilliant student, he disappeared in 1967 from the faculty lounge of the University of Philippines' political science department and the radical chic cafes to spearhead the re-establishment of the Communist Party in the hills of central Luzon. Although he was captured by the military in 1977, he had by then been able to build up the army and the party cadres to an extent to enable them to carry on operations even without guidance from the top leaders. Along with Sison, other important leaders are now behind bars. But NPA attacks on military posts, assassination of government officials, armed propaganda in villages still continue. Although the government claims that it has smashed the NPA, almost every day the military is involved in encounters with armed 'terrorists' according to government reports. Such encounters have spread beyond the traditional Communist stronghold of Luzon, and are now being reported from the Samar-Leyte area in central Philippines. It seems that the NPA has a firm base among peasants, specially in the north Philippines. A recent survey by sociologists of the Cagyan Valley in this area revealed that peasants were suffering from grinding poverty, malnutrition, illiteracy, intensified oppression by landlords and the military. The report concluded: "There is a great possibility that waves of peasant uprisings throughout the region may just happen in the not-too-distant future."

STRUGGLE IN MINDANAO

But militarily more effective as a threat is the Moro National Liberation Front armed struggle in Mindanao in South Philippines. The area has rich mineral resources — nickel, iron ore, manganese, silver, zinc and cobalt. The present conflict has been raging since 1972 with the active entry of the Muslim population into the quest for regional autonomy. The conflict is basically over land. The traditional communal system of land ownership among the Moros was replaced by maldistribution of land. There was an overemphasis on the production of export crops like banana and sugar at the expense of staple foods. To top this amalgam of misplaced government priorities was the entry of the giant corporations — Del Monte, Dole and Japanese investments in Misamis Oriental. To the last group go the island's nickel, copper and timber. Small farmers were forced to yield their land to the corporate farms formed by the big concerns.

According to one estimate the MNLF has a strength of 20,000 armed soldiers. It receives arms supplies from Libya. There is regular gun running between Mindanao and Sabah in the north of Indonesia. The rebels are well-etrenched among the local population. Of late, the behaviour of the military has pushed not only the Muslim population towards the MNLF, but has also driven the Christians against Marcos. From a meeting of Filipino Muslims and Christians recently a letter was sent to Marcos pointing out that both Muslims and Christians were suffering equally from military atrocities.

But Marcos is more worried over recent reports of NPA penetration in Mindanao. NPA sources report the establishment of five guerilla zones in the area. Instead of trying to compete with the MNLF, the NPA seems to have established some sort of understanding with the Moro rebels. In many places joint operations against the military have been reported.

The other important centre of opposition is the church. Like the radical clergy of Latin American countries, a leftist section among the catholic priests is taking a prominent role in organising working class and peasantry on issues like demands for higher wages, right to form unions and launch strikes, and release of political prisoners. One such instance is their mobilisation of the Kalinga tribesmen in north Philippines against the Chico dam project. Completion of the dam would place around 350,000 hectares of the area under water making over 100,000 tribals homeless.

The radical catholics have also formed the Association of Major Religious Superiors and created a Task Force Detainees to defend political prisioners. In the first few weeks of martial rule, not less than 30,000 were thrown into military stockades. Though a large number have been released under occasional amnesty announcements, most of them come under the category of TRD (Temporarily Released Detainees) who are required to report to the authorities regularly. Some among them have been recalled for so-called 'security reasons'. Besides, according to church sources, for every one released, nine are arrested. The targets of arrest are not only NPA and MNLF activists, but also churchmen and workers. From February to April this year, a total of 15,000 workers from at least 12 firms set off a round of strike actions shutting down a sizeable portion of metropolitan Manila's hotel, garments, transport, motor and electrical industries. Withholding of wage payments, non-implementation of legislated allowances and benefits, wage freeze, preventive suspensions, unauthorised lay-offs and other grievances were the issues behind the upsurge of mass walkouts.

While these elements represent the extra-constitutional opposition to the military regime, there are the liberals and other political groups who are striving for restoration of democracy on the basis of parliamentary elections. The former President Diosdado Macapagal has proposed the forming of a transitional junta to be composed of three ex-justices to pave the way for the holding of elections after Marcos is made to resign But because of their strong pro-American leanings, these politicians are not likely to find much support from the Filipino masses.

Thus, there is widespread opposition to Marcos operating at almost all levels of Filipino society. But can these different strands converge into a

single united offensive?

The Filipino Opposition faces a tough enemy in Marcos. As suggested earlier, he has succeeded in mobilising behind him an international line-up of support ranging from the US on the one hand to the Soviet Union had China on the other. Inside the country, a potential threat could have been dissidents or disgruntled elements in the powerful Armed forces — as it usually happens in authoritarian regimes. But Marcos has removed the senior dissidents in the army, either by retiring them and packing them off as ambassadors or posting them as heads of industrial establishments. To neutralise the foreign press, particularly the American press which of late has been vociferous in its protests against Marcos' attacks on democratic rights, Marcos in a memorandum in September this year ordered all government departments to allow mass media access to all 'unclassified information.' This provides the loophole to the Armed Forces or the Ministry of National Defence officials who can refuse media access on the ground that the information they possess is 'classified'. Besides, however much Marcos may claim to be normalising the process of press freedom, the Print Media Council can still revoke the permit of any journal or radio station. While a radio station was closed down sometime ago in Mindano, a church publication, *The Sign of the Times*, was banned recently. One of the well known journalists of the pre-martial law era, Satur Ocampo, former Assistant Business Editor of Manila Times, is still languishing in jail.

Marcos realises that in the absence of effective constitutional opposition, and given the weakness of the liberal and other such constitutional groups, the most serious resistance comes from the insurgents — the Communist and the Moros — and the growing popularity of the Catholic radicals. His armed strength therefore is concentrated against these forces. Although the Liberal party leader Benigno Aquino, who was sentenced by a military court to death firing squad last year, is still in jail, the majority of the prison inmates are members and sympathisers of the Communist Party, the NPA and the MNLF.

The other potential threat are the students. The University of the Philippines used to be the hub of Communist student movement before the imposition of martial law. The majority of the student activists have either been killed or put behind bars. In Indira Gandhi's style again, Marcos is trying now to woo and corrupt the next generation of students. His daughter, Imee has formed the 'Kabatang Barangay's, a youth organisation which mouths anti-American slogans, fosters the Marcos personality cult, and seeks to create a coterie of youth leaders by giving them positions of power. Marcos is spending nine million pesos every year on this organisation.

But in spite of such massive efforts at brainwashing and corrupting the youth, the Filipino students refuse to be brought over to the side of the poseurs. Last month the Manila daily, *Bulletin Today*, polled at random eight colleges and universities to find out who the heroes of today's college students were. Along with the names of the Filipino nationalist leaders of the past — Jose Rizal, Andres Bonifacio — one name cropped up frequently in the list of the favourite heroes, he was Jose Maria Sison, the imprisoned Communist leader. Needless to say, the daily could not publish the results of the poll. Although the report was composed by the press, it had to be withdrawn at the last moment, and the November 26 edition of *Bulletin Today* had to come out without its regular Sunday magazine section.

If the extra-constitutional opposition to Marcos grows too powerful, to stave off a leftist takeover, the US may switch over their protection from Marcos to one of the Liberal Opposition leaders. The protest can thus be taken off from the streets to parliament. Will a Filipino counterpart of the Indian Janata party replace Marcos?

While foreign journalists in Manila's cocktail parties speculate on such possibilities, a worker in Tondo watches his shanty being torn down by a demolition team, holding his anger in check; a young priest moves stealthily into a fishing village and says: "We will betray our biblical faith and our heritage unless we join in the struggle", a lawyer runs risks to extend the limits of what freedom the regime allows by fighting for the release of imprisoned Communists; a military man who remains anonymous informs the civil rights activists of the death of a political prisoner under severe torture, and a young Filipino student takes us to the Jose Rizal museum, perhaps to capture the echo of the memory of that strange illusion of freedom for which his race had fought in the past.

European Monetary System

AN agreement to set up a European Monetary System (EMS) on January 1, 1979 was reached at a meeting of the European Council in Brussels on December 4-5, 1978. Belgium, Denmark, the Federal Republic of Germany, France, Luxembourg, and the Netherlands indicated immediately following the meeting that they would become members of the EMS. The Italian Prime Minister, Guilio Andreotti, said on December 12 that he recommended that his country should join the EMS as of January 1, 1979, and the Italian Parliament approved on December 13. Of the other EC members, Ireland will take a decision soon as to whether it will participate in the EMS from the outset, while the United Kingdom does not intend to participate in the new system at this stage. Norway, which had been a member of the European common margins arrangement (the 'snake'), announced on December 11 that it was withdrawing from the 'snake' and would not participate in the EMS.

Following is the text of the Resolution of the European Council of December 5, 1978 on the establishment of the EMS and related matters.

(A) The European Monetary System

(1) *Introduction*

1.1 In Bremen we discussed a "scheme for the creation of closer monetary co-operation leading to a zone of monetary stability in Europe." We regarded such a zone "as a highly desirable objective" and envisaged "a durable and effective scheme."

1.2 Today, after careful examination of the preparatory work done by the Council and other Community bodies, we are agreed as follows: A European Monetary System (EMS) will be set up on January 1, 1979.

1.3 We are firmly resolved to ensure the lasting success of the EMS by policies conducive to greater stability at home and abroad for both deficit and surplus countries.

1.4 The following paragraphs deal primarily with the initial phase of the EMS.

We remain firmly resolved to consolidate, not later than two years after the start of the scheme, into a final system the provisions and procedures thus created. This system will entail the creation of the European Monetary Fund as announced in the conclusions of the European Council meeting at Bremen on July 6-7, 1978 [*IMF Survey*, July 17, 1978, page 209], as well as the full utilisation of the ECU as a reserve asset and a means of settlement. It will be based on adequate legislation at the Community as well as the national level.

(2) *The ECU and Its Functions*

2.1 A European Currency Unit (ECU) will be at the center of the EMS. The value and the composition of the ECU will be identical with the value of the EUA at the outset of the system.

2.2 The ECU will be used.

(a) As the denominator (numeraire) for the exchange rate mechanism.

(b) As the basis for a divergence indicator.

(c) As the denominator for operations in both the intervention and the credit mechanism.

(d) As a means of settlement between monetary authorities of the EC.

2.3 The weights of currencies in the ECU will be re-examined and if necessary revised within six months of the entry into force of the system and thereafter every five years or, on request, if the weight of any currency has changed by 25 per cent.

Revisions have to be mutually accepted; they will, by themselves, not modify the external value of the ECU. They will be made in line with underlying economic criteria.

(3) *The Exchange Rate and the Intervention Mechanism.*

3.1 Each currency will have an ECU-related central rate. These central rates will be used to establish a grid of bilateral exchange rates.

Around these exchange rates fluctuation margins of ± 2.25 per cent will be established. EC countries with presently floating currencies may opt for wider margins up to ± 6 per cent at the outset of EMS; these margins should be gradually reduced as soon as economic conditions permit to do so.

A Member State which does not participate in the exchange rate mechanism at the outset may participate at a later date.

3.2 Adjustments of central rates will be subject to mutual agreement by a common procedure which will comprise all countries participating in the exchange rate mechanism and the Commission. There will be reciprocal consultation in the Community framework about important decisions concerning exchange rate policy between countries participating and any country not participating in the system.

3.3 In principle, interventions will be made in participating currencies.

3.4 Intervention in participating currencies is compulsory when the intervention points defined by the fluctuation margins are reached.

3.5 An ECU basket formula will be used as an indicator to detect divergencies between Community currencies. A "threshold of divergence" will be fixed at 75 per cent of the maximum spread of divergence for each currency. It will be calculated in such a way as to eliminate the influence of weight on the probability to reach the threshold.

3.6 When a currency crosses its "threshold of divergence", this results in a presumption that the authorities concerned will correct this situation by adequate measures, namely: (a) diversified intervention, (b) measures of domestic monetary policy, (c) changes in central rates, (d) other measures of economic policy.

In case such measures, on account of special circumstances, are not taken, the reasons for this shall be given to the other authorities, especially in the "concertation between central banks".

Consultations will, if necessary, then take place in the appropriate Community bodies, including the Council of Ministers. After six months these provisions shall be reviewed in the light of experience. At that date the questions regarding imbalances accumulated by divergent creditor or debtor countries will be studied as well.

3.7 A Very Short-Term Facility of an unlimited amount will be established. Settlements will be made 45 days after the end of the month of intervention with the possibility of prolongation for another three months for amounts limited to the size of debtor quotas in the Short-Term Monetary Support.

3.8 To serve as a means of settlement, an initial supply of ECUs will be provided by the EMCF [European Monetary Cooperation Fund] against the deposit of 20 per cent of gold and 20 per cent dollar reserves currently held by central banks.

This operation will take the form of specified, revolving swap arrangements. By periodical review and by an appropriate procedure it will be ensured that each central bank will maintain a deposit of at least 20 per cent of these reserves with the EMCF. A Member State not participating in the exchange rate mechanism may participate in this initial operation on the basis described above.

(4) *The Credit Mechanisms*

4.1 The existing credit mechanisms with their present rules of application will be maintained for the initial phase of the EMS. They will be consolidated into a single fund in the final phase of the EMS.

4.2 The credit mechanisms will be extended to an amount of 25 billion ECUs of effectively available credit. The distribution of this amount will be as follows: Short-Term Monetary Support of 14 billion ECUs, Medium-Term Financial Assistance of 11 billion ECUs.

4.3 The duration of the Short-Term Monetary Support will be extended for another three months on the same conditions as the first extension.

4.4 The increase of th Medium-Term Financial Assistance will be completed by June 30, 1979. In the meantime, countries which still need national legislation are expected to make their extended medium-term quotas available by an interim financing agreement of the central banks concerned.

(5) *Third Countries and International Organisations*

5.1 The durability of EMS and its international implications require coordination of exchange rate policies *vis-a-vis* third countries and, as far as possible, a concertation with the monetary authorities of those countries.

5.2 European countries with particularly close economic and financial ties with the

European Communities may participate in the exchange rate and intervention mechanism.

Participation will be based upon agreements between central banks; these agreements will be communicated to the Council and the Commission of the EC.

5.3 EMS is, and will remain, fully compatible with the relevant Articles of the IMF Agreement.

(6) Further Procedure

6.1 To implement the decisions taken under A, the European Council requests the Council to consider and to take a decision on December 18, 1978 on the following proposals of the Commission:

(a) Council Regulation modifying the unit of account used by the European Monetary Cooperation Fund, which introduces the ECU in the operations of the EMCF and defines its composition;

(b) Council Regulation permitting the EMCF to receive monetary reserves and to issue ECUs to the monetary authorities of the Member States which may use them as a means of settlement.

(c) Council Regulation on the impact of the European Monetary System on the Common Agricultural Policy [*IMF Survey*, November 20, 1978, page 361]. The European Council considers that the introduction of the EMS should not of itself result in any change in the situation obtaining prior to January 1, 1979 regarding the expression in national currencies of agricultural prices, monetary compensatory amounts [MCAs], and all other amounts fixed for the purposes of the Common Agricultural Policy.

The European Council stresses the importance of henceforth avoiding the creation of permanent MCAs and progressively reducing present MCAs in order to re-establish the unity of prices of the Common Agricultural Policy, giving also due consideration to price policy.

6.2 It requests the Commission to submit in good time a proposal to amend the Council Decision of March 22, 1971 on the Introduction of a Mechanism for the Medium-Term Financial Assistance to enable the Council of Economic and Finance Ministers to take a decision on such proposal at their session of December 18, 1978.

6.3 It requests the central banks of Member States to modify their Agreement of April 10, 1972 on the reduction of margins of fluctuation between the currencies of Member States in accordance with the rules set forth above (see paragraph 3).

6.4 It requests the central banks of Member States to modify as follows the rules on Short-Term Monetary Support by January 1, 1979 at the latest.

(a) The total of debtor quotas available for drawings by the central banks of Member States shall be increased to an aggregate amount of 7.9 billion ECUs.

(b) The total of creditor quotas made available by the central banks of Member States for financing the debtor quotas shall be increased to an aggregate amount of 15.8 billion ECUs.

(c) The total of the additional creditor amount as well as the total of the additional debtor amount may not exceed 8.8 billion ECUs.

(d) The duration of credit under the extended Short-Term Monetary Support may be prolonged twice for a period of three months.

(B) Measures Designed to Strengthen the Economies of the Less Prosperous Member States of the European Monetary System.

1 We stress that, within the context of a broadly based strategy aimed at improving the prospects of economic development and based on symmetrical rights and obligations of all participants, the most important concern should be to enhance the convergence of economic policies toward greater stability. We request the Council (Economic and Finance Ministers) to strengthen its procedures for coordination in order to improve that convergence.

2 We are aware that the convergence of economic policies and of economic performance will not be easy to achieve. Therefore, steps must be taken to strengthen the economic potential of the less prosperous countries of the Community. This is primarily the responsibility of the Member States concerned. Community measures can and should serve a supporting role.

3 The European Council agrees that in the context of the European Monetary System, the following measures in favour of the less prosperous Member States effectively and fully participating in the exchange rate and intervention mechanisms will be taken:

3.1 The European Council requests the Community Institutions by the utilisation of the new financial instrument and the European Investment Bank to make available for a period of five years loans of up to 1,000 million EUAs per year to these countries on special conditions.

3.2 The European Council requests the Commission to submit a proposal to provide interest rate subsidies of 3 per cent for these loans, with the following elements: the total cost of this measure, divided into annual tranches of 200 million EUAs each over a period of five years shall not exceed 1,000 million EUAs.

3.3 Any less prosperous Member Country which subsequently effectively and fully participates in the mechanisms would have the right of access to this facility within the financial limits mentioned above. Member States not participating effectively and fully in the mechanisms will not contribute to the financing of the scheme.

3.4 The funds thus provided are to be concentrated on the financing of selected infrastructure projects and programs, with the understanding that any direct or indirect distortion of the competitive position of specific industries within member states will have to be avoided.

3.5 The European Council requests the Council (Economic and Finance Ministers) to take a decision on the above-mentioned proposals in time so that the relevant measures can become effective on April 1, 1979 at the latest. There should be a review at the end of the initial phase of the EMS.

4 The European Council requests the Commission to study the relationship between greater convergence in economic performance of the Member States and the utilisation of Community instruments, in particular the funds which aim at reducing structural imbalances. The results of these studies will be discussed at the next European Council.

Democracy and Muslim Education

Moin Shakir

Education of a National Minority: A Case Study of Indian Muslims by Krishna Dev Sharma; Kalamkar Prakashan, New Delhi, 1978; pp 255, Rs 50.

THIS book attempts to study the state of school education of the Muslim community. K D Sharma has selected Delhi, an important urban cluster of Muslims, for empirical investigation. He has used survey research techniques and administered elaborate questionnaires to a cross-section of respondents drawn from among students, teachers, parents and political leaders. The three hypotheses formulated for investigation are:

(i) Other things being equal, the Muslim community tends to have less than equal share of educational opportunities as compared with non-Muslim;

(ii) there exists an element inherent in the educational programmes which discourage Muslims from taking advantage of educational opportunities in an equal measure with non-Muslims; and

(iii) the social, economic and cultural conditions of the Muslim community tend to restrict the utilisation of educational opportunities by its members as compared with non-Muslims.

On the basis of the data, Sharma concludes that the Muslim community is behind others in the use of educational opportunities. The living conditions of the Muslim students, poor educational backgrounds of Muslim parents, poor library facilities, etc, adversely affect the provision of and access to equal educational opportunities for Muslims. Besides, socio-cultural and religio-economic factors constitute a hindrance to the promotion of Muslim education. Muslim parents' abhorrence of modern education is also responsible for the unsatisfactory state of education among Muslim women in the country.

Sharma reinforces his argument by raising the issue of the position of minorities in Indian democratic set up. He refers to trends in Muslim education during the British period and to the views of prominent leaders belonging to different political parties.

The work undertaken by Sharma logically leads to a comparative study of Muslim and non-Muslim students of similar socio-economic background and of the same neighbourhoods. The data indicate that the Muslim student is poor. He/she lives in a house which is a rented one, and not owned by his/her parents. (More non-Muslim students live in houses owned by their parents.) The Muslim students' parents are illiterate (the percentage of illiteracy among Muslim parents and non-Muslim is 33.6 and 30.6, respectively). His/her parents *do not get* proper and adequate representation in services. However, in business their percentage is slightly higher. The number of Muslims who are neither in government jobs nor in business is higher compared to the Hindus. The Muslim student has no access to newspapers at home, comparatively speaking. He/she does not have a separate room for study. He/she gets less regular assignment of home work. He/she has to cover a longer distance and spend more time in reaching the school. He/she is late in finding entry to school. The data also show that the Muslim student devotes one hour daily to his/her study tham his/her counterpart. He/she is of higher intelligence. At the secondary level, the Muslim student is in an advantageous position as he/she gets more private tuition compared to the non-Muslim students. In matters of home-task checking and overall use of library, the Muslim student has an edge. Compared to the Hindu student, the Muslim student's performance in English is better. The Muslim student's parents get higher representation in private service and in self-employment. They evince more interest in his/her educational progress and frequently visit schools. The Muslim student has a good collection of library books at home. There are more medical facilities available to him/her in the school.

As regards the Muslim teachers, they are somewhat better qualified and have better housing facilities. But they lag behind in experience and in-service training.

The data collected by Sharma do not conclusively prove that the Muslims are far behind in utilising educational opportunities. In fact in certain matters, Muslim students excel their counterparts from other communities. Sharma fails to offer a proper explanation of the realities of the situation partly because of a faulty approach to his problem and poorly conceived theme and partly because of lack of perspective necessary for the analysis of the data. His references to the history and educational traditions are not properly integrated with his scheme of study and lead to confusion rather than to the understanding and proper appreciation of the laboriously assembled data. After the advent of the British the Muslims were not educationally backward as the Muslim leaders made us to believe. In some provinces they were quite advanced. In Punjab, NWP, Oudh, Madras, Bombay, Central Provinces, etc, the number of Muslim scholars was higher in proportion to their population. In Eastern Bengal, however, they were particularly backward because of poverty and low social position. Sharma does not point out the reasons for the educational backwardness of the Muslim in certain regions. Surprisingly he does not even mention the works of Anil Seal,[1] and Paul Brass[2] who have discussed this theme in greater detail. Sharma fails to correlate the 19th century Muslim educational situation with the British colonial posture and the predilection of the Muslim elite for politics to the extent of ignoring other aspects of socio-economic life.

Secondly, Sharma does not have adequate understanding of the character of the Indian State. He is aware of the importance of this aspect and its bearing on the education of the people but he refers only to certain Articles of the Indian Constitution which indicate the secular policy of the State. He also tells us that Muslim minority is not satisfied with the type of secularism obtaining in the country. A comparison between the British approach to Muslim education and that of the present ruling class would have been quite useful. But one wonders whether certain measures like instituting special fee concessions and exclusive scholarships or extending liberal grant in aid for establishing schools or colleges amount to secularism or communalism. In this context all the points raised by Sharma become meaningless. Comparing the educational situation of the sons and daughters of manual workers (Hindus) with those of poor businessmen and self-employed (Muslims) amounts to comparing incomparables. A more fruitful comparison would be between those who belong to the category of the ruled and those who dominate the state and society. There



is no real contradiction between the poor Hindu and poor Muslim but there is between the poor and the rich irrespective of community. Neither Sharma nor Rasheeduddin Khan (in his otherwise brilliant introduction to the book) refers to the class character of the Indian State. Both tend to agree that in 'secular' democratic India the minorities are bound to suffer. Why? Not because the minorities are numerically insignificant. The reason, as described by Marx, is that the bourgeois democratic state allows "privately property, education, occupation to act in their own way, i e, as private property, as education, as occupation, and to exert the influence of the *special nature.* Far from abolishing these distinctions, the State, only exists on the presupposition of their existence..."[3] Such a State, whether in the United States or in India, cannot do justice to the minorities. It has been pointed out by the economists and sociologists that in the United States discrimination against ethnical minorities annually brings the monopolies at least 30,000 million dollars in super profits.[4] The greatest beneficiary in the Indian system is the industrial-landlord-military-bureaucratic combine. Poverty, illiteracy, injustice and exploitation are inseparably linked with each other. Rasheeduddin Khan's reliance on the 'maximal' or 'total' Indian State or on the pluralistic and segmentary nature of Indian society is positively dangerous as it conceals the main contradictions of the system. Neither Rasheeduddin Khan nor Sharma attempts to develop a framework for the study of minorities' education in terms of availing of educational opportunities. After all, education is part of the ideological State apparatus and an important element of hegemony. None of them gives primacy to the economic system in determining the role of education and its relationship with social and class relations.

Notes

1 Anil Seal, "The Emergence of Indian Nationalism", Cambridge, 1971.

2 Paul Brass, "Language, Religion and Politics in North India", Cambridge, 1974.

3 Karl Marx and F Engles, Collected Works, Vol 3, Moscow, 1975, p 153.

4 *Cf*, Mark Mitin, "The Social System and Human Rights in Bourgeois Democracy and Human Rights", Moscow, 1978, p 8.

Champaran in Historical Perspective

N Benjamin

Agrarian Problems of Permanent Settlement: A Case Study of Champaran by Girish Mishra; People's Publishing House, New Delhi, 1978; pp xiii +354, Rs 55.

CHAMPARAN holds a unique place in the political and economic history of India. It was one of the first districts to feel the impact of Gandhi's mass movements. A thorough study of this region was long overdue. Mishra has done well in undertaking it. But the way in which he has proceeded leaves much to be desired.

After a short 'Introduction', Mishra discusses 'the zamindars of Champaran'. He says that when Cornwallis arrived in India in 1786, "Both the zamindars and raiyats were suffering from poverty and misery and *the only section of the society flourishing was the moneylending community*" (p 6, emphasis added). The latter part of the statement is too sweeping and the author has not produced any evidence to substantiate it. He describes Cornwallis' reasons for the introduction of the permanent settlement system. Apart from the other reasons which are usually given like agricultural development, punctual payment of government revenue, etc, Mishra says: "His belief was that zamindars, as a result of their continuously increasing income, would import British goods. Thus the market for British goods would expand" (p 301). The point made is interesting, but its authenticity is doubtful, for previous authors have not made it and Mishra has not given his source for it. In fact, Mishra has made it in a passing manner in the 'conclusion' of his book and not in the chapter on the zamindars.

The author notes that when the permanent settlement system was introduced in 1793, there were only six zamindaris in the district. Owing to the operation of the 'sunset law', partition of estates and resumption of lakhiraj grants, the number of estates gradually increased till it became 1,548 at the time of the abolition of the zamindari system. Originally the government land revenue demand was fixed at a very high rate. On p 8 Mishra says that it "was generally fixed at ten-elevenths of the existing rental..." But on p 15 he contradicts himself and writes, "In the beginning the margin of profit allowed to zamindars... was generally one-tenth of the government revenue..." The author justifiably deals with the indebtedness of the zamindars. This was the result of their extravagance. For example, "... Fateh Bahadur Singh had spent lavishly on the marriage of his son Shamsher Bahadur Singh and had indulged in idiosyncrasies like sweetening the water by putting sugar in wells falling on the way from his place to that of the bride" (p 44).

Chapter III deals with 'intermediary tenures'. Mishra attributes their emergence to the absenteeism of the zamindars, desire of the well-to-do people to make speculative investment in land and to acquire the status of the zamindars, etc. These tenures were held by both Indians and Europeans. The latter were interested in indigo cultivation. On p 71, the author gives details of the budget of an indigo factory as found out by Watt. But the year to which the data relate has not been mentioned.

Mishra then deals with 'commercial agriculture'. The most important commercial crops sown were poppy, indigo and sugarcane. Of all these crops, indigo brought maximum notoriety to Champaran. It was mostly grown by the cultivators for the planters. After receiving same advances, the former bound themselves to cultivate it on specified portions of their fields. The price paid to them for it was not determined by market forces, but was kept artificially low. The system had some other demerits also. Referring to the advances provided by the planters to the peasants, the author observes. "The purpose of the advances given by the new credit group... differed from the advances supplied by the moneylenders and the grain dealers. The main difference was that the former had the sole purpose of securing the supply of the commercial produce of the peasant while the latter aimed at securing higher rates of interest and if possible grabbing the land of the peasant" (p 121). This statement is clearly incorrect. The moneylenders were also traders and so there is no reason why agricultural produce should not have interested them. In Table 4.5 on pp 100-01, the author has given total output and value of indigo produced in Champaran during 1872/73-1909/10. Instead of quoting the raw data, it would have been better if he had presented them in the form of index numbers. Mishra has also tried to calculate the total amount of money put into circulation in the process of indigo cultivation and dye manu-

[illegible]. He estimates that "between Rs 50 lakh and Rs 1 crore was put in circulation every year in this process" (p 107). But this estimate is rather inflated for the cultivators were generally forced to grow indigo. Given freedom of decision, they would have certainly grown some other crops which would have brought additional money into circulation in the district.

Mishra then describes 'the peasants'. He says that as in other permanently settled districts, the zamindars gave the peasants neither pattas nor receipts. As a result, most of the peasants were like tenants-at-will. The institution of patwaris, which was expected to bring about an improvement, proved ineffective.

This is followed by a detailed discussion of the 'rural economy'. The structure of the society, crop acreage, famines, prices, rural credit, etc, are covered in this chapter. As regards the rent-free landholders, Mishra writes, "their share in the total occupied area of the district went down from 2.10 per cent to 1.30 per cent" (p 200). He does not specify the years to which these figures relate. Nor does he account for this change. It may have been the effect of the extension in the area under cultivation. Likewise, he notes, "the rent-free tenures increased from 14,140 to 19,878 (sic) leading to a decline in the average size of the rent-free holding from 2 acres to 1.03 acres". The author does not attempt to explain this change. Perhaps inheritance had something to do with it.

Chapter VII covers 'agrarian agitations'. The pride of place naturally belongs to Gandhi's campaign against the indigo planters in 1917 which led to the enactment of the Champaran Agrarian Act, 1918.

Mishra has relied in a big way on the survey and settlement reports of Sweeney and Stevenson-Moore as his sources. His references to the Famine Commission are confusing for although more than one Famine Commissions had submitted reports, he has often neglected to give the identifying years. True, he has consulted manuscript records. But in many places they have been referred to clumsily in the footnotes as 'Bettiah Raj Records' and 'Motihari Collectorate Papers'. Mishra should have given some more details like the file numbers, etc, to facilitate the work of future scholars. He has presented tables which can hardly be considered relevant. Similarly, there are extensive quotations (e g, the one on pp 130-31) which are redundant for the author has already given the information which they contain in his own words in a short and neat manner. But the maps, glossary, list of important agrarian regulations and acts, and index are useful.

Books in Brief

Say Not the Struggle : Essays in Honour of A D Gorwala (Second Edition); Oxford University Press, 1976, pp 392, Rs 60

ASTAD DINSHAH GORWALA is, in a way, an institution by himself. In the darkest days of Emergency he (along with a few others) continued to fight for the cause of honesty and morality in public life. The birth, death and the rebirth of his publication *Opinion* amply evinces his utter devotion. Gorwala personified in his career as a civil servant the ideal administrator, uncorrupt, sincere, a true servant of the people with a deep sense of justice. Throughout his life he has been a fighter in the cause of democracy. Thus he has had the courage of his convictions to reprint, after Morarji Desai became Prime Minister, extracts from two of his previous articles criticising Morarji Desai for nepotism and want of integrity.

"Say Not the Struggle" has several outstanding essays by experts on political science, administration, economics, sociology, education as well as personal accounts of associations with Gorwala. More fascinating in the Second Edition is the Appendix which offers seventeen selections from *Opinion* published during Emergency and many of which are relevant even today. There is now greater need for such journals as *Opinion* whose aim has been "the service of the Indian people through the offering of sound comment on all aspects of public life". In fact it would be a good idea for daily newspapers, radio and television to periodically reprint (or broadcast) articles from independent periodicals such as *Opinion*

— S I Clerk

Indian Book Review Index, 1975-76, compiled and edited by A R Sethi and H M K Moodgal; Indian Documentation Service, Gurgaon/New Delhi, 1978, pp xvi+123, Rs 80.

THIS is a bibliographical compilation of reviews of books published in 1975 and 1976, appearing in selected Indian and foreign journals during this period and upto June 1977. In the words of the compilers, what are listed are reviews of "books of Indian authors in English language published in India or abroad, or written by foreign authors on India and published in India or abroad. .". Thus, any book written by an Indian author, even it can be of no interest to anyone, would merit notice if it is reviewed. While reviews of undoubtedly seminal works by foreign authors even in Indian journals will not merit inclusion unless the book also happens to be "on India". It is difficult to justify these 'qualifications' for inclusion; the basis for selection should have been the relevance of the subject of the book and its review in a standard journal, not the nationality of the author or whether (in the case of a non-Indian author) the book is "on India".

Making a quick check of the entries in the Review Index with the files of this journal, one finds that even within these limits, not all the published reviews have been covered. For instance, *EPW* published two reviews of Ashok Rudra's book, "Indian Plan Models", in its issue of February 28, 1976, while the review by Joan Robinson is mentioned, the one by Lance Taylor is not. A graver oversight is the entry relating to the review of two books written jointly by Myron Weiner and John Osgood Field. *EPW* carried two reviews of these two different books, one by Ghanshyam Shah (October 11, 1975) who reviewed the authors' "Electoral Politics in the Indian States: Three Disadvantaged Sectors" and which the compilation correctly takes note of; but under the same entry, another review by G K Lieten (*EPW*, June 19, 1976) of an entirely different book by the same authors ("Electoral Politics in the Indian States: Party Systems and Cleavages") is also mentioned. In fact, the index entry under Myron Weiner itself seems inexact since it makes reference to an entry (581) where no book by Weiner is mentioned.

There is little reason for the apparent rigidity of the compilers' time-frame in taking note of books published only since 1975. For instance, in 1976 the State Bank of India reprinted the three classics on Indian Banking by J B Brunyate, Charles Northcote Cooke and G P Symes Scutt, and the books were taken note of in *EPW* (June 26, 1976); but the compilation does not mention the reprints or the review even though the 1975 reissue of another classic, "The Chamars" by George W Briggs first published in 1920 and its review in *EPW* (June 12, 1976) is, quite properly, taken note of.

There is some scope for revising the selection of journals reviews appearing wherein are taken note of; there is no reason, for instance, for not taking note of reviews published in journal like *Frontier* (Calcutta) which has consistently published book reviews of the highest quality.

Progressive State Governments

An Assessment of First Communist Ministry in Kerala

Georges Kristoffel Lieten

The debate on the possibilities and desirability of leftist state governments is on again since the spectacular victory of the Communist Party of India (Marxist) in West Bengal and Tripura. The assessment of leftist state governments is usually based on ideological predispositions and not on a careful analysis of its acts of commission and omission.

The present article is meant to give an idea of the first communist ministry in Kerala. Generally the conclusion is a positive one, since real progress was made in various fields. The overthrow of the Namboodiripad ministry, however, undid many of these positive steps, though not all. The high level political consciousness in Kerala and the constant political and trade union pressure on the ruling classes could not be undone.

THE Communist ministry in Kerala of 1957-59 was the first of its kind. It thus lacked experience, and was bound to breed some undue illusions about the possibilities of real structural reforms. This illusion was fed by the reformist, Nehru-minded wing in the then still undivided communist party. Up to now, all leftist state governments have had a different character, and so each has to be assessed in its own right.

The Marxist debate in India is strongly related to the strength of the communist movement which forms so to say its material basis. It is therefore no surprise that the perhaps unexpected but in any case tremendous victory of the CPI(M) in Bengal and Tripura should stir marxist intellectuals into renewing the debate on the scope and the ideological predisposition of communist state governments.

In a sense this is welcome. The existence of communist-led state governments carries with it the danger of excessive reliance on new possibilities of executing structural reforms in the system, of breeding undue illusions of a peaceful path of ever-increasing changes and ever-extending influence in other states. Between the 'opportunist' reliance on the ruling party and the actually 'left infantile' belief in the barrel of the gun only, lies a whole range of possibilities. Basically, of course, the possibilities are contained within the strategic understanding of state power and thus the nature of the stages of the revolution, but tactically a communist party will leave no single chance unused of scoring victories for the toiling people.

Such a predisposition can theoretically lead to an opportunist position — of imagining that the ruling classes at the Centre can be relied upon tactically in the realisation of bourgeois-democratic reforms, and that the policy to be followed should be such as to avoid conflicts with the Indian state. The Achutha Menon ministry in Kerala (1969-77) does not fall under this category, since the CPI relied strategically on Indira Gandhi and the Congress as the presumed representative of the national bourgeoisie. The present co-operation of the CPI(M) with Janata is not a strategic but a tactical one, moreover limited to the restoration of democratic rights.

It is not clear which theoretical position — strategic or limited tactical co-operation — Ashok Rudra attacks in a contribution to this journal. According to him, the communist parties are "the guardians of the law and order of the bourgeois-landlord state", who "stick on to the state government power for as long as possible *just for the sake of it*" with the purpose "of protecting and promoting capitalist and landlord class interests".[1] The arrogance of Ashok Rudra is painful. Progressive and heroic Bengal which had been bloodily repressed for the last six years (as a result of the left's own mistakes, in the assessment of Rudra) has continued to exist and organise for all these fascist years. Peasants, workers and middle classes in Bengal remained with the CPI(M) and its allies. This lasting support does not fit into the ideas of Rudra, and he therefore turns with utter contempt against Bengal's progressive people by saying that their only lasting quality is their uncritical and unquestioning loyalty to the leaders, similar to the "life-long loyalty of the supporters of East Bengal and Mohun Bagan for these two football clubs".[2]

Rudra condemns the communist movement in India for observing conspicuous silence over the experiences of communist participation in state governments: "they have never recognised the errors committed and drawn lessons from them". But Rudra does not give any facts to underpin this attack; he does not himself analyse the experience concretely, and, therefore, should have given the other side at least the benefit of doubt, as is common among friends, instead of indulging in utter denunciation.

Vantage Position

It is true that no indepth study has been made yet of the performance of left front state governments. Till that has been done, radical slogan-mongering against the attempts of the progressive forces in those states to bring some relief to the people will continue to get hold of progressive minded intellectuals who generally do not have much understanding of the dirty work in the political field and prefer to relate statistics and isolated pronouncements to their own theoretical, idealistic expectations. In any case, it is not true, as Rudra asserts, that the communist movement has observed "conspicuous silence" over the experiences gained. At certain stages the criticism even came into the open so that also those Marxists who are not in the communist movement could have acquainted themselves with it.

After the split the Communist Party of India (Marxist) reconsidered some of the ideological positions in regard

to the participation in state governments. The vantage position at the head of the administration should be utilised to give the people whatever limited benefits are possible, while at the same time helping the advancement of the mass democratic movement against the bourgeois-landlord set-up. Expectations about big changes were considered unwarranted since "state governments under the present set-up have neither real autonomy nor adequate powers to undertake any radical and really effective measures of relief and reform".[3]

The Political-Organisational Report of the CPI(M) in December 1968 put it in clear terms:

> In a word the United Front Governments that we have now are *to be treated and understood as instruments of struggle* in the hands of the people more than as governments that actually possess adequate power, that can materially and substantially give relief to the people.
>
> In clear class terms, our Party's participation in such governments is one specific form of struggle to win more and more people, and more and more allies for the proletariat and its allies in the struggle for the cause of People's Democracy and at a later stage for socialism.
>
> It is for our party . . . to understand the fake character of the power invested in the state governments, and strive to treat them and understand them more as instruments of struggle in the hands of the people than be led into the reformist delusion that they have either adequate powers or they can substantially give relief to the people.[4]

The CPI(M) in the late sixties was not alone in the government. The "instruments of struggle" were co-shared with united front partners as the CPI and Bangla Congress which saw them rather as "instruments of better administration". The compromise with the partners in Kerala initially went further than the Central Committee of the Marxist party could accept: the Kerala unit "instead of critically exposing the parties and groups in the united front which were opposed to unleashing a powerful movement unitedly drifted for too long, involved in top-level talks and the delaying tactics of certain leaders of other parties in the front."[5]

The West Bengal state unit of the CPI (M) on the other hand was praised by the CC for striving to implement the understanding given by the party. Both the united front governments in the late sixties were used as instruments of struggle and the election figures (from 18 per cent in 1967 to nearly 34 per cent in 1971)[6] show that it gained support from the poor and democratic masses in the state.

In the process, however, the communist party was caught on the other foot. Left radical elements, with illusions about the revolutionary fervour of the masses and about the weakness of the Central government to intervene and suppress the revolts, started the attack on the 'neo-revisionist' policy of the CPI (M). Ultra-radical petty-bourgeois youth were soon joined by anarchistic lumpen elements, infiltrated and supplemented by Congress goondas. From 1971 onwards a semi-fascist regime of terror was let loose against the progressive and democratic movement, particularly against cadres and sympathisers of the CPI(M) and CPI (ML).[7]

The marxist party has buttressed itself ideologically and organisationally against revisionist tendencies, but had taken insufficiently into consideration the danger which loomed from the left. The present Left Front Government has learnt from that experience and moves ahead cautiously but skilfully. It has already taken a number of steps which will fairly lessen the misery of the people, remove certain glaring injustices, implement a number of bourgeois-democratic reforms and release the democratic energy of the people.

Kerala, 1957-59

We propose to study here one case in which the communist party on its own ran the administration of an Indian state. The Kerala Government from 1957 till 1959 carried with it some peculiar aspects which differentiates it from other leftist state governments. It was the first time that a communist government was installed with authority over an Indian state, and it was quite normal that due to a lack of experience, mistakes were committed, and that the new possibilities stimulated high expectations whereby cautious voices were less readily listened to.

In the second place, the CPI was still undivided. A significant group within the party around Dange, Joshi, Yusuf, Mohit Sen, Bhowani Sen and others cherished an increasing faith in the progressive nature of Jawaharlal Nehru, and assumed he could be relied upon in the defence of the leftist ministry. An optimistic faith in the newly emerging theory of peaceful transformation within the world communist movement was coupled to the belief that a healthy people's government would be able to compete honestly with Congress governments in other states and open the eyes of the electorate in other parts of India.

A directive of the Politbureau in July 1957 even confirmed that "Parliament and the State Legislatures have become the most important forums of fighting for the cause of the people and the country".[8]

In the mid-fifties opinions were expressed about a leftward swing among Congressmen with whom the CPI should be able to join hands in the common fight for the implementation of the progressive slogans and the progressive resolutions of the Congress (e g, the socialistic Avadi resolution). At the Palghat party congress in April 1956 as many as one-third of the delegates advocated *a general united front* with the Congress.[9]

The Fifth Party Congress at Amritsar two years later concluded that there was much common ground for action around Nehru's progressive plans.[10] Not everybody in the party took the same position. Usually criticism of the official party line was reserved for intraparty discussions. During the 28 months of the ministry it rarely came into the open, though on some occasions it did.

The official ideological stand of the party that the central government, thus the state power, could be relied upon resulted in a number of illusions and soft approaches on behalf of the Kerala government, as we shall elaborate later. But, again, not the whole party had the same understanding. At one time the National Council, meeting in Madras in October 1958, even took exception to the general optimism, and asserted that the actual trend had belied the hopes of an easy course.[11] The remark of Bhupesh Gupta, then still in the leftist camp, that "it is mass struggles and mass actions that decide the major issues in bourgeois society"[12] became partially implemented in Kerala though what he termed revisionist opportunism co-existed with it, and was actually strongly represented in the state leadership.

Both these elements of the first Namboodiripad government — inexperienced confrontation with a new situation and the hold of the Congress-minded communists on the ideology of the party — were bound to expert a rather negative impact on the range of virtual possibilities. The actions and inactions of this government, nevertheless offer an interesting point of reference as to what can be achieved. We

shall dwell upon administrative reforms, the industrial policy, labour relations, the agrarian policy and the superstructure.[13]

Administrative Reforms

Lenin characterised one of the fundamental questions of the revolution as follows: "The entire history of the bourgeois parliamentary countries shows that a change of ministers means very little, for the real work of administration is in the hands of an enormous army of officials. This army, however, is rotten to the core with a non-democratic spirit, it is connected by thousands and millions of threads with the landlords and bourgeoisie, and is completely dependent on them. It is a terrible illusion, a terrible self-deception of the people to attempt, by means of this state apparatus, to carry out such reforms".[14]

Chief Minister Namboodiripad struck the same note when he realised that the socio-economic development of the state was impossible until "basic transformations are made in the existing administrative system, for the present system, handed down to us from the erstwhile British rulers and their Indian allies, is inefficient, while it is unjust and oppressive in its relation to the basic masses producing the wealth of the country".[15]

The translation of this position into practice, however, proved to be extremely difficult. The main difficulty was that the state apparatus actually could not be touched on constitutional grounds. This remained a very touchy subject during the whole period of the ministry. Allegations about subversions by the so-called extra-constitutional communist state government was among the major weapons the opposition parties used in the overthrow of the government.

In this context the government by and large preferred to put up with the existing machinery without a stringent check on its deleterious features, which H D Malaviya, sympathetic to the ministry, acknowledged in mid-1958: "Thus far the communist government has failed to achieve any significant success in remoulding this machinery and taking it out of its old rut to any considerable extent."[16] In fact the state conference of the CPI in January of the same year had also seen sharp criticism of this failure.

One initiative in the policy of 'democratic decentralisation' was the Administrative Reforms Committee. The report proposed as one of the guiding principles the delegation of "greater and greater authority to the lower ranks of the administration consistent with the necessity for centralisation in matters of broad policy".[17] This resulted in some changes, among others the introduction of the Panchayat Reforms Bill,[18] though in general the administrative structure was not made a mass issue, as it became increasingly in the late sixties when the people were asked to keep a check on the administration and institute committees to help in the implementation of policy.

Industry

The achievement of rapid industrial progress was one of the most important targets. Ajoy Ghosh, the national secretary of the CPI, described it as "the task of rebuilding Kerala", and, therefore, called for the co-operation of workers and capitalists".[19]

But even before the Government could start along this path, a controversy between New Delhi and Trivandrum had developed. The communist party had announced that if it came to power it would nationalise the foreign-owned plantations in Kerala. This was immediately objected to by the Congress, more particularly by the Prime Minister, who declared that for the sake of getting a few crores of rupees what was at stake was the honour of India: "I am not going to tamper with the honour and good name of India just to gain a few crores of rupees."[20]

In his press conference on the day after the announcement of his party's victory in Kerala, M N Govindan Nair, faced with the objections of the Centre, stressed that it was not his party's intention to do anything beyond the constitution. Some days later EMS declared: "Our proposal with regard to the taking over of foreign plantations is so reasonable and so essential for the development of the economy in Kerala that we have every hope that we can, through consultations, convince the Centre of the necessity for the same." He however continued, that "if it is found in the course of actual implementation... that provisions of the constitution do not allow the implementation of a particular item in the manner in which it had been formulated, we would hold further consultation with the Centre and do our best to implement as much of it as possible within the framework of the Constitution".[21]

Thus, though for the CPI the nationalisation of the plantations had been an essential premise for the economic development of the state, neither the party leaders nor the communist government started an ideological fight with the Congress government in New Delhi. As such this whole episode is a practical example of the professed adherence to the constitution. Indeed, the central decision was accepted as clearly outside the limits imposed by the Indian state power. This was accepted, said Govindan Nair, for, "while everyone realises that we cannot create a revolution in Kerala by working the constitution, there are possibilities of doing some good to the people. If we work the administration without corruption, and when the people realise that all the propaganda directed against us by various agencies is false, we will be able to get the confidence of the people elsewhere in this country also".

For this confidence, after all, a noticeable progress in industrialisation was needed. This should be attained with the help of private capital. After being summoned by the Governor of Kerala, EMS declared that his policy as the Chief Minister would not be to establish a socialist society. Businessmen and traders would be encouraged, but at the same time the government would curb their tendency to excess profiteering.[23]

The new minister of industries, K P Gopalan, added that they would provide all kind of facilities: the industrialists would get a "reasonable profit, but also the workers should get a reasonable share of the profit".[24]

The government desired that a number of industries should spring up in the private sector, and was prepared to offer maximum credit facilities and, if necessary, to participate in the share capital of the concerns. The participation was mainly in national firms investing in Kerala, though in the case of a Japanese cable factory shares in a foreign firm were also bought.[25] The nationalisation of industries was limited to the Water Transport Corporation, which took over the ownership of the passenger and cargo motor-boat services with some 1,500 workers.

One of the private owners who decided to invest in Kerala was G D

Birla. The decision of this monopoly house to invest in a communist-dominated state was expected to act as a forceful example for other Indian industrialists. After five days of office, K P Gopalan informed the press that Birla had proposed to open some industries. Some days later Birla confirmed that he was planning to start a pulp factory in the Nilambur forest area. The initiative, however, had been taken before the communist election victory. More than one year later only a complete agreement on the setting up of the factory and the rights and responsibilities of the management were reached. The agreement specified that the management had powers "to plan, direct and control the operation of the plant and to make rules and regulations for the purpose of maintaining discipline, order, safety or effective operation of the company's work. Wages on a scientific basis [are] to be prepared by the company and bonus will not be related to the company's profit but only to efficiency of production."[26]

The CPI itself came out openly in disapproval of some of the provisions in the agreement, and so did the AITUC. This indicates that, though a communist-led state government may be compelled to sign the usual agreements on rights and powers of the private management, the communist party and its mass organisations are not led by the same compulsions, and are free to fight clauses of the agreement.

Industrial Progress

When EMS Namboodiripad took office, the Second Five-Year Plan was already in its second year. The share of the state in the Plan was Rs 87 crores, as compared to the minimum of Rs 200 crores the party had put forward in its election manifesto, a demand which was later brought down to Rs 130 crores. The government decided to shift as much resources as possible from non-productive to productive sectors. Due to the planning priorities of the previous administration in Kerala only 8 per cent had been earmarked for industrial development, compared to the all-India figure of 18 per cent. In the assessment of Namboodiripad, his predecessors had been more interested in the construction of a street or a school in their constituency than in the planning and implementation of a rational industrial policy.[27]

Although the communist ministers did not have experience in the working of the state administration and had no hand in the drawing up of the plan, their record in the first year was already much better than the Congress performance during the previous years. Most striking were the sectoral differences. Most vital resources needed for the development of food production were previously diverted to transport and communication, as well as to the miscellaneous sector, which got overfulfilled by 400 per cent, while the fulfilment in the sector agriculture was only 44 per cent.[28]

The global plan fulfilment rose from 58 per cent in 1956-57 to around 100 per cent in the second year of the communist ministry, and dropped again to 86 per cent during President's Rule.[29]

The estimated targets themselves show for each year a marked difference between the two sorts of government. The figures in Table 1 clearly demonstrate the progressive raising of the targets in each sector, as well as the achieved results which at least doubled in all fields except irrigation and power. It is significant that during the administration of the anti-communist government which came afterwards again there was a sharp decline in plan fulfilment.

These achievements were, moreover, realised on a sound budgetary basis. Although the government had abolished sales tax on commodities of daily consumption like food, dried fish and books, it could raise its income considerably through agricultural super-tax and surcharges on less needed commodities — thus through more direct and less indirect taxation. Consequently, finance minister Achutha Menon was able to introduce his first budget as a surplus budget at a moment that the other Indian states together had a total deficit of Rs 77 crores.[30] The actual spending gap of all states amounted to around 37 per cent of the total expenditure.[31]

The resulting industrial changes were clearcut.[32] In employment, under the communist ministry the aggregate man-days worked went up from 324 lakhs in 1957 to 476 lakhs in 1958, followed by only a small increase to 489 lakhs in the next year when the ministry was dismissed. The number of average daily workers went up from 1,07,629 to 1,65,822 and 1,68,400 respectively, which indicates that the existing industrial potential was put to fuller use. This promising trend was reflected in the employment expectations of the lakhs of unemployed Malayalees: in 1958 an average of [illegible] employment seekers got themselves registered per month compared to less than 6,000 in 1957 and 8,900 in 1956. This huge demand for jobs, however, could not be satisfied and the size of the Live Register of the Employment Exchanges rose from 69,915 to 1,33,661 by March 1959. Respectively, 201 and 121 people got registered for every clerical post and unskilled job. Incidentally, another indice of the government's support among the people is provided by the success achieved in the small savings scheme: the gross collection in one year increased from Rs 370 to 460 lakhs, which resulted in a doubling of the net savings. Thus the unemployment register increased in spite of the increase in not only the number of the working days but also in the number of jobs. The increase in the number of factories was even higher: from 1,613 to 2,128 and then to 2,275 which means that in 1958 the number of factories increased by 30 per cent. As is shown in Table 2, factories, though with relatively small employment potential, were opened not only in the traditional sectors as rice and oil mills, textiles, coir manufacturing, printing, splints and veneers, and rubber goods, but also in motor repairing, general engineering, tyre retreading, artificial manures, forgings and shipbuilding.

No doubt the financial assistance provided by the Kerala government gave forceful support to economic development. Of all Indian states, Kerala topped the list of the amount of loans to the small scale industries. Afterwards, from 1960 onwards, a sharp drop occurred. No longer was substantial financial assistance given to small scale industries at great risk.[33] That the government was not able to solve all acute problems is, for example, born out by the fact that the industrial dispersal was not promoted in this period. The concentration of industries due to external economies persisted, mainly in the two belts of Ernakulam-Alwaye and Quilon-Kundara. Only 10 per cent of the state loans was sanctioned to Malabar, and even a much lesser percentage of Malabar's demand for raw material was granted.[34]

The centrally initiated industrial estates in Papanamacode and Kollakadavu also did not produce the expected industrial initiative, and while quite a number of sheds were occupied by the government for unproductive purposes, in many other sheds the units were practically inactive, except for the receipt of monthly raw material quota, which

TABLE 1: EXPENDITURE UNDER THE SECOND FIVE-YEAR PLAN

(Lakh Rupees)

Head of Development	Financial Target 1956-61	Accounts 1956-57	Accounts 1957-58	Accounts 1958-59	Revised Estimates 1959-60	Accounts 1959-60
(1) Agriculture	1579	157 (10)	189 (12)	225 (17)	345 (22)	327
(2) Irrigation and power	3209	514 (16)	536 (17)	610 (19)	702 (22)	652
(3) Industry and mining	664	85 (12)	101 (15)	150 (22)	169 (25)	105
(4) Transport and communication	557	98 (17)	169 (30)	182 (32)	172 (31)	155
(5) Social services	2381	127 (5)	336 (14)	568 (24)	693 (29)	563
(6) Miscellaneous	290	22 (8)	40 (14)	62 (21)	78 (23)	79
Total	8700	1008 (12)	1370 (16)	1825 (21)	2159 (24)	1880

Note: Figures between brackets are percentages to total financial target for each head of development.

Source: Compiled from "Statistical Outline of Kerala", 1960, and "Statistical Abstracts of Kerala", 1959-1960.

TABLE 2: GROWTH OF INDUSTRIES DURING 1957, 1958 AND 1959

Name of Industry	No of Factories Opened during		No of Factories Closed during		No of Factories Working during		
	1958	1959	1958	1959	1957	1958	1959
Rice mills	70	9	9	60	84	145	94
Oil	127	5	4		770	200	205
Tea	7	1	8		123	122	123
Cashew	35	4	31		170	174	178
Beedi	19	2	22	3	89	86	85
Textiles	49	43	8	5	192	233	271
Coir	35	8	6	1	124	153	160
Saw mills	60	18	20	1	83	123	140
Plywood factories	4		3		14	15	15
Packing cases	11	6	2		15	24	30
Splints and veneers	20	2	8	3	65	77	76
Wooden furniture	14	1	4		16	25	26
Printing	72	19	3		192	161	180
Tyre retreading	13	15			3	16	31
Rubber	20	2	12	1	62	70	71
Artificial manures	2				1	3	3
Bricks and tiles	10	4	1		146	155	159
Forgings	3				1	4	4
General engineering	22	4	11	3	32	43	44
Ship-building and repairing	5				2	7	7
Repair of motor vehicles	35	6	8		65	92	98
All industries	692	194	214	80	1652	2130	2244

Source: "Kerala 1959: An Economic Review", pp 95-98.

could afterwards be sold in the black market.[35]

Labour Policy

The CPI had promised an immediate increase of 25 per cent in the pay packet of the workers if it came to power. This was, obviously, a bold promise which for the government, in view of its policy towards the prospective capitalist investors, seemed to be of doubtful practical value. This situation for the government's own payroll, however, was different. Government's policy in this respect showed a clear option in favour of the lower strata. We shall deal first with the wage reforms, and further we shall take up the subject to the labour movement.

Less than two weeks before the election in Kerala the government employees were given a considerable wage increase. Three days after coming to office the Communist ministry passed a stay order for the wages of the gazetted officers, freezing them at the original limit, in a bid to iron out the extreme differences, and increased the wages of the labourers in government commercial undertakings considerably.[36] Finance Minister Achutha Menon announced in July 1957 the institution of a pay commission in order to rationalise and adjust the pay structure. In the meantime the wages of various other low-paid government employees were enhanced. An American journalist reported that the Communist ministers put up quite a show in this respect: While the pay of village headmen was ostentatiously raised from 6.75 dollars a month to almost 11 dollars a month, they cut their own pay from 155 to 72 dollars a month.[37]

The bonus in the state services was fixed at 8 per cent as deferred wages plus an additional 5-8 per cent based on the income of the department. The principle of bonus as deferred wages was consistently applied in the factories, services and workshops. Government informed that "bonus paid was neither an incentive bonus or a profit sharing bonus, but purely an exgratia bonus". They added that "refusal of bonus to the workers was likely to lead to discontent and that bonus was being allowed even in certain other government commercial concerns working at a loss".[38] Incidentally, this principle was severely attacked by the Union Minister for Industries, Morarji Desai, who concluded that "The first problem is for people to be kept alive. Then alone will arise the second problem: to make them prosperous."[39] Bonus thus paid by the government shot up from Rs 52,000 in 1955-56 and Rs 57,000 in the next year to Rs 83,307 in 1957-58.[40]

In June 1958 the recommendations of the Pay Commission were published. Upon implementation wages of lower paid government employees got increased by 15 to 100 per cent.[41] Another policy in favour of the working class was the decision to provide discharged workers with 50 per cent of their pay when they were dismissed on questionable grounds pending the adjudication or arbitration of their disputes with the employers.

TABLE 3: PAYMENT OF MATERNITY BENEFIT

Year	Number of Women	Amount Paid (Rs)	Per Capita (Rs)
1955-56	12,156	6,56,000	53
1956-57	14,650	8,23,000	56
1957-58	18,264	14,67,000	80
1958-59	20,333	11,59,000	57
1959-60	20,167	11,34,000	56
1960-61	10,184	7,16,000	70

Source: Ramachandran Nair, "Industrial Relations in Kerala", p 53.

TABLE 4: GROWTH OF TRADE UNIONS AND MEMBERSHIP

Year	Unions on Register		Membership of Unions Submitting Returns		Percentage of Unions Submitting Returns
	Number	Annual Growth	Number	Index	
1951-52	555	6	55,500	100	na
1953-54	641	44	85,215	154	na
1955-56	791	75	1,30,789	234	na
1957-58	1219	214	3,56,786	645	68
1958-59	1550	331	3,68,497	670	59
1959-60	1663	113	3,23,281	582	53
1961-62	1853	95	2,62,410	476	48
1963-64	1639	107	1,98,131	359	41

Sources: The Indian Labour Statistics, December 1958, "Abstract of Labour Statistics of Kerala", 1970.

The wage increase policy for private industries and agriculture was less easy to implement. Some industries had already been brought under the Minimum Wage Act, and during the 28 months that the CPI was in office, the scheme was extended to 12 more industries: cashew, tile manufacture, timber industry, toddy tapping, agriculture, printing presses and others. This list of statutorily fixed minimum wages became far more comprehensive compared to the rest of India. Though the per cent increase over the existing wage scale was small, the total increase resulted in quite a substantial additional flow of money from the employer's pocket to that of his workers. The reaction was appropriate — as in the case of the 65 tile factories with 6,000 workers, which closed down in July 1958, one week before the minimum wages were to be enforced, and in the case of capitalist farmers and coconut garden owners who chose to engage other workers at the old rates, which resulted in frequent disputes and clashes with the dismissed unionised workers. It has often been alleged that the state apparatus elsewhere in India was either too weak or unwilling to implement the Government orders in this respect. Though it cannot be claimed that both factors had been overcome in Kerala, in the end it was possible that, helped by the party organisations, the information about their legal rights reached the workers, and these in turn could press the employers for the full implementation of the enacted reforms. This helped to ensure that the legal benefits reached the workers. An illustrative example of this feature is the amount of money given to female workers as maternity allowance. It is seen from Table 3 that the number of female workers applying for this benefit increased almost hundred per cent during this period. This indicates that at least in this field the Communist Party did not rely on the administrative machinery only, but succeeded in mobilising the people on the other side of the line to claim their legal rights and have them implemented by the state machinery.

It was observed that the wage policy gained for the communists much support among the lower strata of the population. They realised that this was their government, for it showed more concern for them than any previous government

This was the policy intended by the party, but it was not merely humanitarian concern for the poorest of the poor. Namboodiripad, in his critique of Indian planning, had attacked the mistake of neglecting the enlargement of the buying power of the people as a precondition for industrialisation. More employment and higher wages were to act as accelerators in the industrial development.[43]

Trade Union Movement

The wage reforms introduced by the government were only one aspect of the broad working class policy. This policy was determined by the objective and subjective conditions of the working class movement. One outstanding fact about the proletariat in Kerala was its high degree of organisation, the membership of unions being around three and a half lakhs in 1957. This is a remarkable high figure, even higher than West Bengal (1,76,894) and Tamil Nadu (2,14,676), and less than Bihar and Bombay only.[43] Actually, unionisation started quite late[44] but took huge strides under the communist government (see Table 4). The bulk of the workers were organised in the AITUC (38.5 per cent) INTUC (18.5 per cent) and the UTUC (16.3 per cent).[45]

Industrial peace was not forthcoming. On the contrary, there was an outburst of strife in some industries, mainly due to three reasons: the huge increase in lock-outs resorted to by many industrialists, the political agitation by Congress-led unions, and the opportunist attitude of the ex-Trotskyite RSP-UTUC leaders who tried to bypass the communist unions on the left.[46]

The incidence of time lost during strike waves remained high, especially as a result of two massive long drawn-out struggles in the plantations and the cashew industry.[47] What then was the specific line the various political parties adopted?

Obviously the unions which should have been more amenable to the propagated idea of industrial peace at this juncture were the communist trade unions, led by the AITUC. Before the CPI came to power these unions had been functioning as an economic and a political weapon. This role changed considerably under the communist government to the extent that strikes were less political, and were mainly made use of in order to help the government settle the issue. This explains why many strikes were of a short duration: subsequent to the warning given to the owners by the unions, a tripartite conference convened by the Labour Ministry would be organised if the managers were unwilling to negotiate with the unions directly. This pincer movement, after all, was never pressed too hard, for the Communist Party argued that till the real political and economic power was effectively in the hands of workers and peasants each settlement would represent some kind of compromise. In view of the relations of class forces and in view of the most imme-

diate tasks to be accomplished. It would be totally unrealistic to press for a socialist transformation and for the immediate accommodation of socialist labour relations. The constraints imposed by the actual historical context made it necessary for the Communist Party to move ahead cautiously and check the repercussions of all actions and demands in particular industries on the actual battle field.

This policy did not always favour the workers who were engaged in the actual disputes. The most illustrative example of the discrepancy between benefits for workers in a particular struggle and the exigencies of the general working class movement occurred *in July 1957 in the Kuttanad rice area*. Some 10,000 landlords in this rice bowl of Kerala threatened not to plant any paddy if the government allowed the agricultural labourers to have a free hand, ruling out police interference in the dispute. The initial reaction of the government was quite radical. The landlords were advised to implement *their earlier agreement* with the peasant organisation or face harsh government measures. *However, barely two days* later at a tripartite meeting chaired by the labour minister, T V Thomas, the landlords carried their point. Police patrols were posted in suitable places in order to make them available if a law and order problem arose. The landlords were given ample benefits as pumping subsidies, cheap electricity, insecticides, manure and bunding materials. In regard of wages and hours of work they were compelled to accept the rates recommended by the Minimum Wages Advisory Board, though they were given the freedom as to how many and which labourers they would engage, thus enabling them *to* disregard *the* more demanding communist labourers.[48]

The cautious attitude on behalf of the CPI can be explained in various ways. One can call it reformism, though this is a rather simple explanation characterised by a paucity of facts. One can also call it political expediency in view of the precarious food situation[49] and the long term class perspective. In the long run, indeed, the Travancore Agricultural Workers' Union was victorious.[50]

Another explanation for the sometimes too cautious attitude of the government is the powerful influence of a group of rightwing communists in the then still undivided CPI. K C Alexander in a study on emerging farmer-labour relations in Kuttanad draws the following picture:

"The early labour leaders were persons like T V Thomas, [illegible], S K Das, belonging to higher castes and rich families. Relatives of these leaders were prominent agriculturists in Kuttanad. These factors made the early leaders polite and reasonable in their dealings with the farmers. However, with the split in the communist party in 1964, the agricultural labour union in Kuttanad came under the leadership of the CPI(M). In contrast to the earlier leaders, the new leaders of the union belonged to the lower castes and the economically poorer strata." According to Alexander, the CPI(M) later rejected the tripartite Kuttanad Industrial Relations Committee because it was a class weapon "to corrupt, disorganise and cheat the working class"; therefore "the party's policy was not to boycott the wage boards and conciliation courts, but to carry on struggle to defeat their purposes."[51]

POLICE NEUTRALISATION

The *main dilemma for the government* was that the organs of state *power were not in its hands. Since* police machinery could not be used for the active defense of the struggle of the working class, the chief minister put forward the idea of the neutralisation of police, curtailing its interference in labour and land disputes. He expected that the owning classes who had been used "to the use of coercive power of the police in the matter of labour and agrarian disputes"[52] would *never acquiesce in an increased role of* the Labour Department and the resulting neutralisation of the police force in industrial disputes. The policy could not be implemented fully.

An official enquiry by Justice K Sankaran into the shooting of two UTUC workers by police forces at a cashew factory at Chandanathope, came to the conclusion the firing was totally justified, and that, generally, the spirit of defence against the law and order by the working class and students had to be effectively checked. The Chandanathope Report, moreover, blamed the government for being too soft in handling the political opponents, especially for the withdrawal of cases, which had become a common feature in the settlement of disputes. The government fully accepted the report and specified the police instructions in that light.[53]

Nevertheless, according to Namboodiripad, the very declaration of the new policy had an electrifying effect: mass struggles received a big impetus and a number of employers and landlords thought it prudent to give in to the demands.[illegible]

LAND REFORMS

It is an empirical fact that the agricultural population in India wants land and that the slogan 'land to the tiller' is therefore the appropriate slogan of the moment.

The Indian land reforms regulations make it possible for a left front government to implement this policy, although limitations imposed by the adherence to the Constitution with its provisions guaranteeing the inviolability of private property remain a difficult obstacle.

As has been noted in the United Nations sponsored study by K N Raj, from 1957 on "land reform became almost the centre-piece of the programme for social and economic progress in the state. Though none of the measures proposed or adopted for the purpose since then has gone beyond the proposals made for the entire country in successive five-year plans, the main difference in Kerala, compared to other *states in India, has been in the political environment* which has kept up sustained pressure on this issue".[55]

These, indeed, are two of the basic elements of Kerala politics: early comprehensive agrarian legislation and the constant mass involvement.

The government had opted for an anti-feudal and not for a socialist reconstruction of the agrarian system. Its limited purpose was to shatter the parasitic domination of the *jenmis*, andlords, intermediaries and money-lenders, and to make the tiller master over the land. It decided to implement the guidelines of the Planning Commission, but was not inclined to adopt piecemeal legislation, full of loopholes and nullifying provisions, as the Congress was doing in other parts of the country.[56] The Communist Party's recommendations took note of the fact that in the absence of stopgap preventive measures and of comprehensive safeguards, it would be a fallacy to regard the redistribution of land or the organisation of co-operatives as sufficient steps. The same old forces that had bonded and suppressed the rural population in the past would tend to circumvent all well intended legislation. The Kerala Agricultural Legislation Bill, therefore, was in itself comprehensive and, moreover, was preceded by a range of preparatory measures.

Expecting that the landlords, in anticipation of the proposed land reforms

[illegible]

[illegible], would take recourse to [illegible] eviction of tenants and ku[illegible] (hutment dwellers) in order to prevent them from getting such rights as proposed by the expected reform bill, the government imposed a *status quo*: "an effective law to stop the spate of evictions so much witnessed in other states despite legislation."[57]

The KARB was introduced towards the end of 1957. It had far-reaching implications in respect of ceiling (15 acres wet land per family), fixity of tenure to all types of tenants and ownership right which would automatically accrue to the tenant after payment of 12 times the contract rent. The resumption of land by owners was severely restricted. In no case could he resume more than fifty per cent of the surplus land of his tenant for self-cultivation; if the tenant possessed less than the ceiling area, the landlord holding less than five acres was free to resume a portion not exceeding half the area of the tenant and not raising the extent of land in possession of the landlord (now self-cultivating peasant) above five acres.

The KARB reduced fair rent drastically to between one-fourth and one-twelfth of the gross produce, depending on the fertility of the soil. All arrears by a tenant to his landlord were deemed to be fully discharged on the payment of one year's rent for small farmers.

The Bill was not upheld by the Supreme Court and was in a fundamentally changed form enacted by the Congress ministry in 1964. The precarious balance of power in the state made it necessary for even the Congress to press forward with land reforms. The reforms, however, were ridden with loopholes, took a long time in getting enacted so that preparations for evasion of the provisions could be sufficiently made, and were meant primarily to use as propaganda against the CPI(M). The land reforms in Kerala, therefore, today still represent a picture of failure.[58]

Characteristic for the land reforms introduced by the communist government was the involvement of the peasantry. The KARB contained a provision for the association of people's representatives in the implementation of the reforms. To this end, the constitution of Land Tribunals was envisaged. The bill was, moreover, circulated for eliciting public opinion. Peasants, irrespective of their party organisations, gathered in their respective villages, where they discussed the implementations and shortcomings of the bill. H D[illegible] called this popular participation in the discussion of the bill "something unique, a parallel to which can hardly be found in any other Indian state".[59]

This situation led to a strong reaction by the landlords. T K Oommen in his article on agrarian legislations and movements in Kerala has described the relations of power as follows: "The Communists of Kerala made tremendous efforts to mobilise the peasants and the workers in support of the Bills they introduced, but their efforts could not match the combined efforts of the local landed interests and the mighty constitutional weapons of the Union Government. Thus, even when a legislation is followed or paralleled by a social movement, the successful implementation of legislation depends on the nature and content of the opposition it faces".[60] This is a very apt description of the agrarian struggle by a non-marxian sociologist. It points out that the outcome of the struggle depends on the respective strength of the various classes in the actual constellation of federal India in which the ruling classes can always resort to the constitution as a final resort.

Superstructure

India has got a complex socio-economic formation in which elements of at least the feudal and capitalist modes of production are intertwined. This particular complexity is also reflected in the superstructure in which particularly the caste structure lingers on and is even made use of in economic and political activities

Communist parties in such a situation cannot possibly strive for the dissemination of a socialist consciousness. Actually, they are the only parties in India who do not include socialism in their immediate programme. In addition to their first and foremost action programme, the anti-feudal and anti-imperialist struggle, the immediate attempt is to throw off the ideological shackles of the old society. In Kerala this latter task has been fulfilled to a great extent.

Most scholars and commentators agree that the state had till very recently the most rigidly organised caste structure. Joan Mencher has attempted to give an ecological explanation for the proliferation of isolated subcastes in Kerala. Feudally organised primary units lived in an environment where it was possibly necessary to enforce more strictly the rules of distance pollution [illegible]: "In Kerala villages [illegible] was no complex organisation of village functions by caste which might serve as a means of affirming caste... Therefore, it might be suggested that the rules of intercaste pollution took the place of a complex village organisation as a means of affirming intercaste relations." Thus, it might be said that "the loose village structure in Kerala necessitated a more rigid set of rules for intercaste behaviour".[61]

Whatever its historical explanation, the caste system in Kerala remained very rigid till the fifties of this century. It was so rigid that a few commentators, particularly Selig Harrison, Miroslaw Fic, Ramachandran Nair and Tom Nossiter have even gone so far as to reduce all political activities in the state to a crude fight between political parties representing different religious and caste groupings.

Practically all other social researchers who have investigated the caste situation have come to the conclusion that the first Namboodiripad ministry formed a kind of watershed. Wherever the Communist Party was active, caste barriers declined. Intimate social contacts between Namboodiris and Ezhavas, according to Aiyappan, became a feauture of those rural areas where communist activists had been making revolutionary changes. Punitive actions were organised against caste Hindus for misbehaviour towards lower castes.[62] This is also the conclusion of Alexander in his article on emerging farmer-labour relations in Kuttanad.[63]

Lloyd and Susanne Rudolph quote from a study by Michael St John to the effect that the CPI "is the only autonomous party, for the others, as brokers for communal interests, are little more than the sum of their parts. The Communists do appeal to certain castes, but their appeal is germane to their programme, and their programme is within the framework of an overriding plan". The Rudolphs themselves mark the period 1957-59 as a watershed: "The very success of the CPI in gaining power under the banner of class ideology and in governing, for the most part, in the interests of the poor and dispossessed crystallised class tendencies within the various communities and helped free their members for mobilisation by party rather than by community appeal".[64]

One can put forward only suggestions to explain the changes the communist movement in Kerala has engendered in-

the ideological superstructure. If one accepts that the superstructure in its various constituents is largely a reflection of the basic structure, i e, the mode of production, then it follows that changes in the mode of production, in the relations of production and even in the mere conditions of production are bound to be followed by gradual alterations, sometimes only minute, in human consciousness and in political commitment.

Hardgrave in his study of the Nadars, has drawn an illustrative picture of caste consciousness which evolves from a parochial political culture *via* an integrated culture to a differentiated culture when the caste community becomes divided horizontally into class segments. Class, at least theoretically, becomes more behaviourally decisive under the impact of capitalism and its resulting polarisation: political support by the community becomes differentiated.[65]

The class antagonisms within the various castes have been revealed mainly by the activities of the communist organisations. In addition to the bulk of Ezhevas and Pullayas, poor Nair, Christian and Muslim labourers and middle classes crossed the line, mainly towards the CPI(M). This happened despite the so-called virulent anti-communist 'liberation struggle' of 1959 led by the Nair Service Society, the Churches and the Muslim League.

In but a few places in India outside Kerala, mainly the cities, has caste ideology broken down so radically. Although jatis do not usually function any longer as the basic unit in the relations of production, their ability to establish themselves in a class relation has not come about in most areas due to relative weakness of the progressive forces and the powerful economic and political position of the dominant castes.

As long as backward castes are economically and politically dependent upon the dominant castes, their horizon remains within the ideological world of caste, i e, their struggle remains limited to a struggle for Sanskritisation. This is what caste associations in Kerala had been doing from the beginning of the century without much success till a powerful communist organisation appeared on the scene.[66]

Djurfeldt and Lindberg have given a perceptive idea of the limitations of the earlier approach: "Since only hierarchy is questioned but not castes as such an element of the old ideology (caste) is coupled with an element of the bourgeois ideology (progress) in the utopia of caste emancipation, and this ideology dissolves the contradiction between continuing discrimination and misery of the rural proletariat and the idea of progress. Prevalent poverty is then seen as a result of incomplete caste emancipation, a type of teleology which is the peculiar hallmark of the 'development' ideology."[67]

The first Namboodiripad ministry has played a major role in removing to a great extent the illusions about climbing the social ladder through mutations in the caste system. For example, Pulayas did not convert any longer to Christianity, for they had noticed that it would mean nothing but substitution of social discrimination within the Churches for discrimination within the Hindu system. They became politicised and turned towards the Communist Party.[68] The violent struggle against the communist government in a sense speeded up this process.

Father Vadakkan, one of the main leaders in this struggle, hardly one year later had to follow his catholic mass basis in the shift towards the CPI (the Karshaka Tozhilali Party). The elections of 1960 itself showed that despite the blatant anti-communism of the Nair and Christian communal interests the communist party increased its popular vote from 40.7 to 43.3 per cent. Except for three constituencies, popular support increased everywhere, even in the traditional Christian belt of Kottayam where, with four more candidates fielded, the percentage of votes went up from 29 to 40 per cent. In some constituencies more than fifty per cent of the Catholic population voted communist.[69]

All this of course does not mean that communalism was eradicated in Kerala. Though it ceased to prevail, caste remains a factor to reckon with. According to Kathleen Gough, it might be more widespread "among the landlords, the industrialists, plantation managers and professional classes". Gough observed that there is a constant struggle going on within the ruling classes who try to build up and preserve political support among their caste adherents; the ruling parties are coalitions (often uneasy ones) of "ethnically oriented capitalist vested interests".[70]

At their inception, the caste organisations, particularly the NSS and the SNDP, played a progressive role, in the sense that they propagated ideals favourable to the spread of capitalism and of democratic structures. However, with the rise of socialism as an ideological and political factor, the caste leaders became inimical to the very ideas they stood for. The caste appeal — Ezhava bourgeoisie and agricultural labourers against Nair bourgeoisie and agricultural labourers — served as a reactionary shortcut in the class struggle. It equally served as a tool of creating a political basis from which ethnic associations could compete for power in the administration, which allocates enormous funds for educational, cultural, welfare and even economic purposes to these associations. These funds, in the absence of any real capitalist development, remain a secure way of amassing wealth.

In their competition for as high a stake as possible the Nair, Ezhava, Marathomite, Jacobite, Muslim and Kammala ruling strata on certain issues went along with the communist government (Nair vested interests supported the educational bill since they expected this would entail more funds for their schools and less for the ecclesiastical schools). The same caste leaders, however, started a frenzied appeal to the obscurantist forces of religion and caste from the moment their class interests were endangered.

The difficulty of the communist movement, not its mistake of course, is that it has to work and shoulder responsibilities in a limited area, subject to the Constitution, the central state power and the exigencies of the weaker communist movement in other parts of the country. In this particular constellation a revolutionary improvement in the living conditions of the people is hence excluded. This in its turn gave and gives the caste ideologists a political basis among the downtrodden masses.

The undivided communist party in Kerala realised this very well. Basing itself on class rather than on caste it to a considerable extent brought down the ideological system of the old society. But its political answer to the reactionary forces reflected a reformist tendency. The strategy was to win over the democratic and progressive elements in the Congress. The directives of the fifth Kerala state conference of the CPI in November 1959 indicated that the CPI should build up a united front against the Congress, Muslim Party and PSP in the elections, but not an anti-Congress united front: "Our enemy is not the Congress as such, but the reactionary forces inside and outside the Congress. Hence all these Congressmen who stand firm on the declared policies of the Congress and

are prepared to fight the Swatantra-PSP-Jan Sangh combine and their friends inside the Congress are our allies".[71]

This was, in a nutshell, the political line of the leadership of the right CPI who in Kerala had a majority in the state party committees.

Conclusion

The description we have attempted has been conducted mainly on the macro-level, on the issues of policies and performances of the first communist government in Kerala. Such a description is quite easy. It shows that the Communist Party as the party of the downtrodden masses had the political will and sincerity to implement the necessary reforms.

A more difficult exercise is to relate the compromises, the waverings, the omissions, the sometimes gradual and cautious approach of the leftists government to the strength of the opponents, to assess the actual limitations in the light of tactics and strategy. This marks the difference between the spectacular two steps forward and three steps back, and the more stubborn, practical-minded one step forward at a time.

Even more difficult a task is to assess the political work done at the base. For, the difference between a people's party and a bourgeois-landlord party is that whereas the latter restricts its activities to administration, patronage, gimmickry and electioneering, the former organises and mobilises the people at the basis. Did the patient work of the communists cadres in the villages, schools, offices, universities, factories, etc, develop political consciousness or not? This question, I am afraid is not answerable conclusively by me, nor by Ashok Rudra for that matter. Even then, it is the most important criterion on which a communist party can be judged. A number of indices and quite a few studies (Gough, Oomen, Alexander, Hardgrave, Rudolph, Raj, Turlach) seem to indicate that substantial work was done in this respect, though, as the CPI(M) after the split mentioned repeatedly, not enough.

Notes

1 Ashok Rudra, "The Left Front Government", in *EPW*, September 3, 1977, p 1565.
2 *Ibid*, p 1566.
3 Communist Party of India (Marxist), Political-Organisational Report, 1968, p 178.
4 *Ibid*, p 171.
5 *Ibid*, p 175.
6 Myron Weiner and Field, "Election Politics in Indian States" Volume I, 1975.
7 Till Indira Gandhi clamped down the Emergency and struck at the democratic rights of the bourgeois parties as well, the horror stories of the semi-fascist methods in Bengal were largely ignored by Indian and world public opinion.
8 *New Age*, September 1957, p 21.
9 *Times of India*, April 26, 1956.
10 Resolutions of the Communist Party of India, 1958, p 13.
11 "On the Decisions of the National Council", 1958, pp 13-14.
12 *New Age*, July 1958, p 10.
13 Most attention in the propaganda campaign and political struggle against the ministry was paid to the Kerala Education Bill. For a detailed study of this aspect I refer to my article "Education, Ideology and Politics in Kerala", in *Social Scientist*, September 1977.
14 Lenin, "Between the Two Revolutions", Moscow, 1971, pp 366-67.
15 Government of Kerala, "Kerala on the March", 1957 pp 1-2.
16 H D Malaviya, "A Report to the Nation", 1959, p 118.
17 Quoted in *Link*, October 12, 1958.
18 Information in N R Visalakshi, "Administration of Village Panchayats in Kerala", 1967.
19 *Hindu*, March 27, 1957.
20 *Hindu*, February 2, 1957.
21 *Hindu*, March 3, 1957. The Chief Minister would, however, not give an assurance that foreign capital would not be nationalised (Proceedings of the Assembly, April 30, 1957).
22 *Times of India*, March 18, 1957 (M N Govindan Nair at a press conference).
23 For similar statements, see, *Hindu* of 29.3.57, 6.4.57, 8.4.57, 11.4.57, 12.4.57, 4.10.57, 22.4.58, etc
24 *Hindu*, December 4, 1958.
25 A few foreign companies decided to invest in Kerala. According to Michael Kidron ("Foreign Investments in India", 1965, p 117) however, Namboodiripad could not secure investments from the Soviet Union during his investment there.
26 *The Indian Worker*, July 14, 1958.
27 Manfred Turlach, "Kerala — Politisch Soziale Struktur", 1970, p 180.
28 E M S Namboodiripad, "Kerala and the Ugly Face of Congress", 1961, p 17.
29 Malaviya, *op cit*, p 116.
30 The surplus of 7 lakhs actually developed into a deficit of 141 lakhs, which was still far below the usual figures.
31 J Toye, "The Growth of Public Expenditure and the States", 1976, mimeographed, p 31.
32 The figures in this section are compiled from: "Kerala State Administrative Report", 1956-59, "Statistical Abstracts of Kerala" 1958-59 and 1959-60; Census 1961, Kerala, Part I A(1); National Council of Applied Economic Research, "Techno-Economic Survey of Kerala", 1962.
33 NCAER, *op cit*, pp 148-49.
34 M A Oommen, "Small-Scale Industries in Kerala", 1967, p 269.
35 *Ibid*, pp 232-273, carries an accurate picture of the working of these estates.
36 Government of Kerala, "Kerala on the March", 1957, pp 17ff.
37 *Time*, April 29, 1957.
38 Government of Kerala, Audit Report, 1958, p 42.
39 *Hindu*, December 15, 1957.
40 Compilation from Government of Kerala, Appropriation Accounts, 1957-58, Appendix II.
41 Kerala Gazette, June 24, 1958; *Hindu*, May 18, 1958. Government of Kerala, "Towards a Better Educational System", 1959, p 17.
42 For this paragraph I refer to Turlach, *op cit*, p 179.
43 *Indian Labour Gazette*, Statistics, December 1959.
44 K Ramachandran Nair, "Industrial Relations in Kerala", 1970; E M S Namboodiripad, "Kerala, Yesterday, Today and Tomorrow", p 159ff.
45 *Abstract of Labour Statistics*, Kerala, Trivandrum 1970.
46 G K Lieten, "The First Communist Ministry in Kerala", unpublished, pp 124-135.
47 Ramachandran Nair, *op cit*, p 182.
48 Account based on the reports in *Hindu* and *Times of India* between July 30, 1957 and August 8, 1957 and on the Proceedings of the Kerala Assembly, August 22, 1957.
49 K N Raj (ed), "Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with References to Kerala", UN Publications, 1976, chapter IV.
50 K C Alexander, "Emerging Farmer-Labour Relations in Kuttanad", in *EPW*, August 25, 1973, pp 1551-60.
51 *Ibid*, pp 1555-56.
52 *Hindu*, August 15, 1957.
53 *Hindu*, December 9, 1958.
54 E M S Namboodiripad, "Conflicts and Crises: Political India, 1974" Madras, 1974, p 55.
55 K N Raj, *op cit*, p 59.
56 There is obviously no lack of information on this point. One of the earliest extensive accounts can be found in G Kotovsky, "Agrarian Relations in India", 1964.
57 Malaviya, *op cit*, p 85.
58 G K Lieten, "Land Reforms, Failure even in Kerala", in *EPW*, March 5, 1977.
59 Malaviya, *op cit*, p 89.
60 T K Oommen "Agrarian Legislations and Movements as Sources of Change", in *EPW*, October 4, 1975, p 1577
61 Joan Mencher "Kerala and Madras: A Comparative Study of Ecology and Social Structure", in *Ethnology*, 1966, p 155.
62 A Aiyappan, "Social Revolution in a Kerala Village", Bombay 1965, p 84 and p 166.
63 Alexander, *op cit*, p 1560: "It

was observed that there is a complete disappearance of the numerous disabilities which the lower castes suffered from in the past. The contribution of the labour union and communism to the attainment of this change seems to be not insignificant".

64 L L Rudolph and S H Rudolph, "The Modernity of Tradition", 1967, pp 72-3.

65 Robert Hardgrave, "The Nadars of Tamilnadu", 1969, pp 202-238.

66 Arnold, Jeffrey and Manor: "Caste Associations in South India", in *Indian Economic and Social History Review*, 1976, pp 353-73; Rudolph, "The Political Role of India's Caste Associations", in *Pacific Affairs*, March 1960, pp 5-22; C K Pullapilly, "The Ezhevas of Kerala and Their Historic Struggle", in *Journal of Asian and African Studies*, XI, pp 24-46.

67 G Djurfeldt and Staffan Lindberg, "Behind Poverty: The Social Formation in a Tamil Village", 1975, p 252.

68 Among others, studies by Nina Koshy and K C Alexander, quoted by T K Oommen, "Agrarian Tension in a Kerala District", in *Indian Journal of Industrial Relations*, October 1971, pp 224-268.

69 For the election results we refer to Election Commission of India, "Report on the General Elections to the Kerala Legislative Assembly", 1960; Ramakrishnan Nair, "How Communists Came to Power in Kerala", 1965, Weiner and Field, "Studies in Electoral Politics in the Indian States", Volume IV, 1975; K P Bhagat, "The Kerala Midterm Election of 1960: Conquest of New Positions", 1962.

70 Kathleen Gough, "Kerala Politics and the 1965 Elections", in *International Journal of Comparative Sociology*, 1967, p 87.

71 Quoted by T C Unnirajan in *New Age*, January 1960, p 5.

Illegal Transactions in Trade and Payments in India

A Reply

IN a comment made by Vidya Pitre[1] on my article "Illegal Transactions in External Trade and Payments in India"[2] the validity of certain theoretical statements and empirical analysis has been questioned.

Pointing out omissions in the theoretical analysis Pitre has argued that Quantitative Restrictions being one of the major forms of import control, premium on imports which results therefrom should have been incorporated in the framework of the paper. Elaborating this, she writes, "since imports are remunerative in general, there will be a tendency towards numerous bogus claims to import licence entitlement under the existing system of allocation. As the claims are not genuine, these imports are likely to be over-invoiced thus creating demand for foreign exchange. Importers benefit by over-invoicing as long as the premium on the foreign exchange exceeds the premium on imported goods."[3]

Firstly, one does not know how premium on imports influences invoice manipulation of imports. The premium on imports is independently determined by domestic demand, domestic output and quantum of import quota for a particular commodity. The over-invoicing of imports does not enable the importer to acquire higher proceeds on sale of imported commodity because over-invoicing does not increase the physical quantity of goods imported. Therefore, whether or not the importer will benefit from over-invoicing is not determined by the premium on foreign exchange in relation to the premium on imports as is stated by Pitre, but by premium on foreign exchange in relation to rate of import duty. The tendency to over-invoice will prevail so long as the premium on foreign exchange exceeds the rate of imports duty. If the rate of import duty is higher than the premium on foreign exchange, the importers will tend not to over-invoice but to under-invoice imports. In this case the reduction in their tax burden will be greater than the premium they pay to acquire foreign exchange in the unofficial market in order to pay the exporters (sellers in foreign countries) to the tune of under-invoiced portion of imports. The premium on imports is an additional gain to the importers whose total value remains unchanged by invoice manipulations and is therefore not a consideration in the latter. The incorporation of premium on imported goods in Pitre's analysis is erroneous.

It might be stated here that the premium on imports is one of the considerations in the smuggling of goods. The in-smuggling of goods is profitable and creates demand in unofficial foreign exchange market so long as the premium on those imports is higher than the premium on foreign exchange.

Further, the premium on imports is also one of the gains considered in the over-invoicing of exports where exports qualify for import entitlement. By over-invoicing exports the exporters benefit on account of premium on foreign exchange to the tune of over-invoiced portion of exports, premium on import entitlement and direct export subsidy. On the contrary, in the case of export duty, the tendency to over-invoice exports would prevail only if premium on foreign exchange and on additional im-

TABLE. ESTIMATES OF TOTAL LEAKAGE OF AND TOTAL DEMAND FOR FOREIGN EXCHANGE THROUGH INVOICE MANIPULATIONS

(in millions of US dollars)

	Imports						Exports					
	Under-invoicing			Over-invoicing			Under-invoicing			Over-invoicing		
	Original	Pitre	Cross-checked	Original	Pitre	Cross-checked	Original	Pitre	Cross-checked	Original	Pitre	Cross-checked
1962	72	72	72	31	31	31	139	144	144	5	5	5
1963	164	164	164	9	9	9	87	87	87	8	8	8
1964	217	217	217	14	14	14	67	66	67	12	12	12
1965	165	165	165	11	11	11	164	164	164	—	—	—
1966	170	171	170	10	8	10	154	154	154	1	1	1
1967	238*	68	68	15	15	15	111	111	112	2	2	1
1968	54	54	54	45*	119	119	122	122	122	6	6	6
1969	99	99	99	13*	49	49	150	150	150	—	0.31	—
1970	143	143	143	9	9	9	116*	144	144	30*	9	9
1971	332	325	330	1	—	1	167	167	167	24	24	24

port entitlement is greater than the additional export duty. However, if the latter is greater than the former the tendency would be to under-invoice exports and not over-invoice them.

Now let us pass on to the questions raised on the validity of empirical estimation of the degree of invoice manipulations. The estimation of under-invoicing/over-invoicing of exports and imports of India from 1962 to 1971 is made by using partner-country data comparison technique. The limitations of this technique were discussed in the paper and Pitre adds a few more to the list. Unfortunately, no alternative method of estimating the magnitude of invoice manipulations has been suggested. The cross-checking of the original estimates of invoice manipulations reveal two types of errors in estimation. The errors regarding the discrepancies between imports and exports figures for different countries from 1962 to 1971 could be classified into typographical errors and computational errors. The typographical errors in Tables 1 and 2 (in the original article) that show invoice manipulations with respect to India's different trading partners have not affected the estimates of total amount of over-invoicing/under-invoicing of imports and exports, while only computational errors in these Tables have altered *the latter estimates. It is* found that the majority of the computational errors pointed out by Pitre in Tables 1 and 2 in her comment are below $0.05 million and hence insignificant These computational discrepancies, therefore, do not change the estimates of total amount of over-invoicing and under-invoicing which have been made only in integer values and expressed in millions of dollars. Table here shows the original estimates, Pitre's estimates (as per *Table 3 in her comment*) and the cross-checked estimates. It would be observed that only five out of a total of 40 estimates marked by asterisk differ significantly. However, these divergences leave the broad conclusions of the study unaltered.

The estimates of smuggling have been made on the basis of the data on the amount of contraband seized by the customs authorities. The reasons for taking 10 as the multiplier have been explained in the paper. This multiplier could be more for gold than for other goods, as is suggested by Pitre. Nevertheless, there is no plausible way of finding different multipliers for different items of smuggled goods. The cross-checking of the original estimates of smuggling also does not reveal any *significant error in computation.* Pitre's corrected estimates are significantly *higher from the year 1967 through 1974* and not for 1961 to 1966. The divergence could have occurred due to differences in the choice of articles and in the derivation of pro-rata annual figures from the data of custom seizures.

Summing up, the allegations of omissions in theoretical analysis being ill-founded and the computational errors pointed out not affecting the overall *trend of the estimates of total over-*invoicing/under-invoicing, the theoretical and empirical validity of the main conclusions stated in the study remains unaltered.

Notes

[I thank Madhav K Kedare for his statistical assistance.]

1 "Illegal Transactions in Trade and Payments — A Comment", *Economic and Political Weekly*, July 15, 1978, p 1154-1156.

2 "Illegal Transactions in External Trade and Payments in India: An Empirical Study", *Economic and Political Weekly*, December 10, 1977, p 2051-2062.

3 Pitre *op cit*, p 1155.

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ECONOMIC AND POLITICAL WEEKLY

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CRUMBLING FEDERAL FINANCE SYSTEM

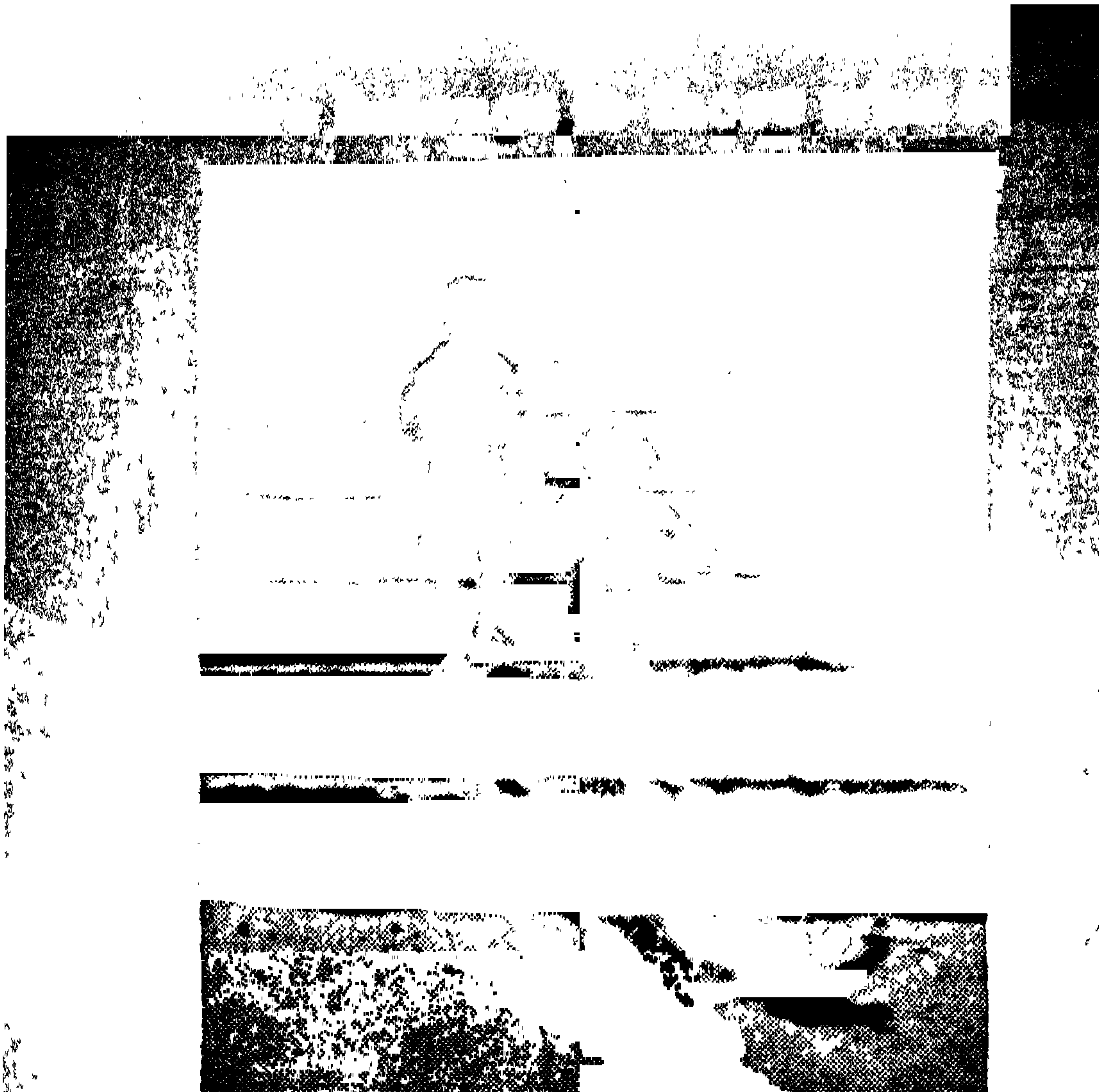
LEVELS OF FOOD CONSUMPTION

IRAN: BEYOND THE 'ISLAMIC REPUBLIC'

SCIENCE FOR SOCIAL REVOLUTION

CASE STUDIES OF SICKNESS IN INDUSTRY

ASSAM-NAGALAND BORDER CLASHES



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Once Again War

IT has taken just about a month for the Kampuchea National U... for National Salvation (KNUFNS), whose very existence ha... known before December 3, 1978 when its formation, its progra... call for the overthrow of the Pol Pot regime was announced... Hanoi and otherwise widely publicised over Viet Nam media... Phnom Penh and announce that the whole country is under its... that an interim government has been formed. The new adm... been recognised by Viet Nam, Laos, the Soviet Union and other... countries, except Romania which has denounced the "... Kampuchean takeover as a menace to world peace". China... has consistently denounced Vietnamese designs on Kampuchea... ambitions for an 'Indo-China federation'. When the formati... was announced, China scoffed at it and denounced it as a ... Nam; after reports began of large scale assaults on Kampuch... positions, China once again identified these as land, sea ... led by Vietnamese troops, with the KNUFNS being used a... and the fall of Phnom Penh and the apparent collapse of th... has been seen as further proof of Vietnamese expansionism ... of establishing regional hegemony.

These developments have been of such a kind that ... unadulterated joy to the West. The regime that took ... after the defeat of the Americans had inspired an extr... tion in the West for the many harsh and unpleasant m... or was compelled to take if it at all wanted to tackle t... faced by the country following the devastation let loose... The propaganda against the government of the Kam... Party after the defeat of the United States in Indo-... entirely from the West. But those who have tried ... Kampuchean government's policies from a Marxist pe... them neither vicious nor capricious. For instance, t... about a massive population movement to the countrysi... especially from Phnom Penh which had, at the time ... three million of the country's total of seven milli... explained as both a sound response to the immedia... government of acute lack of food supplies and total ... for transport and distribution of available supplies ... evaporation of employment opportunities in myriad ... tions with the end of the decadent Lon Nol regime ... foundations for long-term self-reliant development ... it was this one step more than any other which le... genocide, mass terror and torture, forced labour, ... publicly at least by one influential American lead... 'international task force' to overthrow the Pol P... Western capitalist sources, there was nothing st... tions; but repeated by revolutionary Viet Nam ... Kampuchea began to deteriorate, it was ominou... satisfying to the West that the overthrow of ... at last been achieved by Viet Nam, a regime ... difficult to reconcile itself to.

Considering the swiftness of the action w... fall of Phnom Penh, it is difficult to believe ... entirely comprised dissident elements within K... political and moral support from Viet Nam. ... short term gains Viet Nam might make, it is ... term problems in the region are going to be ... regime in Phnom Penh which, whatever its ... towards Viet Nam, cannot for long remain in... forces which after all were the factors th... sundering of 'lips and teeth' in Indo-China.

One immediate consequence of the pres... has been the return to active politics of Pr... lobbying in the United Nations, he is expe... countries and canvass for his country's ... pointedly saying in his press conferences 'i... that while he is opposed to Vietnamese d... he does not support the Pol Pot regime ...

... improbable ... (which ... the Bengali ... e adminis- ... (als) and the ... (TUJS), ... in the ... overnment of ... gitations are ... Tripura Bandh ... gis on Janu- ... from January ... start its cam- ... overnment from ... areas. ... ura administra- ... TUJS is parti- ... the four major ... (which were also ... of the Left Front ... three — recogni- ... tate language and ... tion, restoration of ... tribal land to their ... introduction of ... oportional basis — ... implemented or are ... ented, according to ... nt; the fourth, the ... nomous tribal district ... Sixth Schedule of the ... been held up because ... ment cannot do any- ... d short of an amend- ... titution. And the Chief ... ounced that consequent ... 's reluctance to amend ... to include Tripura as ... wherein the provisions ... nistration of tribal areas ... the Sixth Schedule of the ... would be applicable, the ... itself has decided to ... powers it has and create ... tribal district council ... confer certain rights on ... he proposed district coun- ... prise 137 mouzas covering ... te's territory and will faci- ... r tribal control over deve- ... jects in these areas. There ... vision to make it impossible ... als to buy land within the ... of the proposed district ... however disturbing is that ... ra Chief Minister has sought ... the present troubles his ad- ... on is facing as being due to ... ities of 'foreign agencies' and ... sed TUJS leaders of being in ... with foreign missionaries, speci- ... Billy Graham's evangelical move- ... the United States. Local tribal ... are alleged to have been in ... th Graham. And with ...

[illegible] ...ioned about reports in the [illegible]...ss of mass killings by the [illegible]...ime, the Prince has been [illegible]...ive best. Clearly, what [illegible]...angling for is a return of [illegible] to power once again in [illegible] this also would mean the [illegible]...hatever structural changes [illegible]...ary regime had achieved [illegible]...t three years.

[illegible] motives which impelled [illegible] whether it was notching [illegible] the Soviet Union in the [illegible]-Soviet struggle, whether [illegible]...ing the cause of the [illegible] Indo-Chinese states which [illegible] ...posed, or even whether it [illegible] discomfitted by, actual or threatened, disturbances along its border with Kampuchea — by playing the role it has in the overthrow of the government of the Kampuchean Communist Party in Phnom Penh, it has laid the basis for protracted conflict between the peoples of Viet Nam and Kampuchea. The dramatic re-emergence on the world political scene of that arch representative of Kampuchean nationalism, Norodom Sihanouk, is symbolic of this unhappy portent. The conflict is bound to spill over to the other nations of South-East Asia, Thailand most immediately. This prospect can only gladden those who have always relied on fostering division and hostility among countries to further their domination over them.

Assam

Border Clashes

THE incidents in the disputed territory between Assam and Nagaland on the morning of January 5, in which about 50 persons are reported to have been killed, have been promptly attributed to 'Naga hostiles'. This is really strange; for only a few days before, the Nagaland Chief Minister had been claiming that there were no more 'federal undergrounds' in Nagaland and that the only 'underground' elements were those that have set up bases in Naga areas on the Indo-Burma border, with whom negotiations are even now [illegible] to be taking place with a [illegible] to persuading them to accept the terms of the so-called 'Shillong [illegible]...ment'.

Whether the 'hostiles' are still active in Nagaland, or whether they are only [illegible] to a small area across the border, is beside the point. What is [illegible] is that this attack, which has been launched from deep within Nagaland in an area which is under dispute between Assam and Nagaland has had to be so 'naturally' attributed to 'hostile Nagas'. If indeed the federal forces have been able to strike so deep inside Assam-Nagaland territory, it speaks poorly of the vaunted ability of the Indian security forces to contain and defeat the insurgency.

Perhaps a better clue to the identity of the attackers, and their motivation could be had if one goes a little deep into the background of the dispute between Assam and Nagaland, and also into the circumstances of the break in the federal set-up and the emergence of a 'Revolutionary Government of Nagaland' in November 1968, the 'surrender' of this section of the 'underground' and the dissolution of the 'Revolutionary Government of Nagaland' in August 1973, and developments thereafter.

The boundary between Assam and Nagaland has been the scene of some of the bloodiest encounters between the armed police of the two states; it has been allowed to fester because the Centre has till now not taken any action upon the recommendations of a boundary Commission set up by itself, and which submitted its report more than five years ago; and in all such 'encounters' in the boundary areas earlier, it has been the armed personnel in the employment of the two governments who have been engaged and, at least on one occasion, in a bayonet combat. It is clearly in the interests of the Central government to keep border disputes between states festering.

Further, many of this 'Nagaland Armed Police' whose members have been engaged in these clashes comprise former 'underground' elements who broke with the Federals in November 1968 and, about five years later (during which period, whatever political power the Government of India chose to allow the Naga people to exercise effectively lay with the Semas) 'surrendered' and came 'overground' in August 1973, thus making it possible for newspapers to report the end of insurgency in Nagaland. A *quid pro quo* these surrenderers, largely though not entirely comprising the Semas, were promised was that they would be absorbed into the Nagaland Armed Police and a to-be-created 'Naga Regiment'. The 'Naga Regiment', part of the Indian Army, has since then been successfully deployed in many areas, though never in Nagaland itself; and the Nagaland Armed Police has before now, as noted above, been active in the disputed areas along the Assam-Nagaland boundary.

The present incident has taken place almost on the morrow of yet another agreement arrived at between the Chief Ministers of Assam and Nagaland to maintain peace and harmony along the boundary between the two states in the spirit of the interim agreement arrived at in 1972. The incident has also succeeded in at least unsettling what little prospects there had been for bringing the Federals into a working arrangement within the Indian Union. It has gravely undermined the position of the Nagaland Chief Minister who (unlike during the period when he was Chief Minister under Congress rule at the Centre) has been able to establish cordial relations with the Centre and, more importantly, with his counterparts in other states of the region.

If indeed the reports that the attack has been mainly the doing of Sema elements in the Nagaland Armed Police turn out to be correct, a wholly new dimension would be added to these developments. The decline of the NNO in Nagaland politics has been followed by a whole series of internal crisis in that party which culminated in the merger of the NNO into the Congress during Emergency and later, its identification with that faction of the Congress headed by Indira Gandhi. The Congress (I) of course has the greatest interest in the present situation in creating instability in wide areas of the country which, hopefully, would lead to the collapse of the Janata government at the Centre, or at least force it to hold fresh elections to Parliament. The links, if any, between the raiders into Assam's territory and disgruntled elements in Nagaland politics, and the larger links between these elements and the Congress (I) need to be investigated.

Rubber

Grower vs Industry

THE 'rubber conference' convened by the Union Minister for Commerce, Civil Supplies and Co-operation on Tuesday (January 9) was broadly concerned with deciding on norms for a fresh (and further) upward revision of floor prices for rubber and the vexed question of rubber imports. Given the fact that the interests of the various parties concerned are, by their nature, irreconcilable,

It is no wonder that no firm decisions could be arrived at during the 'conference'. Of course, the whole 'conference' was in the nature of a brains-picking session and the decisions by government are promised 'in the near future'; nevertheless, the stands taken by various participants representing industry, growers, states which grow rubber, etc, give some clue to the present situation in rubber.

The overwhelming question regarding rubber is: should there be or should there not be rubber imports. This has certainly been the case since the middle of last year when, after the brief spurt of prosperity following the export of over 10,000 tonnes of rubber in 1977-78, not merely were exports of rubber stopped altogether, but a sustained campaign by rubber consuming industries for import of natural rubber had to be yielded to, despite the strong counter-pressure applied by rubber growers. This pressure for rubber imports coincided with a steady rise in rubber prices till a situation arose when the market price bore little relation to the minimum price guaranteed by government for the product. What the growers have been demanding is an end to rubber imports, and an upward revision of floor price for rubber (which is presently Rs 655 per quintal, fixed in August 1977 on the basis of costings made in 1976); the manufacturers equally strongly demand increased imports as well as, absurd as it may seem, a buffer stock of four months supply — absurd because part of the reason for the artificially high prices of rubber is widely believed to be the cornering of stocks by rubber consuming industries themselves.

The Centre for its part already seems to have decided on increased imports of rubber. It was announced in the middle of last month that the Centre had decided to import a further 15,000 tonnes of natural rubber, in addition to the 15,000 tonnes already imported earlier in September, despite the fact that the first consignment of imports turned out to be of sub-standard quality which had to be rejected as "water-logged and rotten". Clearly, the pressures from the rubber industry which have been consistently applied since the middle of last year seem to have yielded results, and not surprisingly, tyre companies have been expressing 'subdued confidence' in the future fortunes of their undertakings — a confidence dictated as much by the various 'portents on the economic horizon' as by the prospect of increased liberalisation of rubber imports.

A curious feature of the controversy surrounding the proposal for import of rubber is that the proposal has received strong support from UPASI, the organisation of the plantation industry in southern India. While growers in Kerala were protesting in one voice against the import contract already entered into and the one that was in the stage of being entered into, UPASI was urging (in October 1978) that "sufficient raw rubber to meet the current shortage should be imported". The UPASI committee formally appealed "to all responsible producers not to oppose the import of rubber but to be flexible and appreciative of national needs. The short-term high prices are against the best interests of the growers". The exhortation is indeed curious, for whatever "high prices" rubber growers have been able to realise during a short period of one year has been after a very long period of price stagnation; the posting of the minimum price in September 1970 (at Rs 520 a quintal) did not have its impact till early 1974 when only prices began to rise. And even the last revision of the floor prices made in August 1977 was, as noted above, based on 1976 costs and, according to growers, hardly reflects the present cost structure.

But such concern about "high prices" can perhaps be explained if one bears in mind that rubber growers, as a rule, do not come under the category of owners of large plantations. About 94 per cent of the 136,000 rubber growers are in one state, Kerala, and the overwhelming majority of their holdings, 85 per cent, are of less than two hectares. Rubber growing can thus hardly be described as a plantation industry; in fact, according to a 1975 study, there were only 627 holdings in the whole country of more than 20 hectares.

What however transpired at Tuesday's 'rubber conference' is that the plans to have an integrated policy for rubber, which would satisfy both growers and the consuming industries seem well nigh impossible. The situation is not unique; it is exactly what it is in any other industry, with the producer of the raw material anxious to secure increases in prices, and the consumer industry anxious to hold them down. Fortunately for the rubber grower, his plight is unlike that of the jute grower who, in this constant struggle, has always lost out.

Tripura

'Easy' Solution

THE Tripura government seems to be facing an unusual predicament in that it is being opposed by an improbable coalition of the Ananda Marga (which is championing the cause of the Bengali settlers and which accuses the administration of appeasing the tribals) and the Tripura Upajati Juba Samity (TUJS), the organisation of tribal youths in the state, which accuses the government of being anti-tribal. The agitations are slated to begin with a Tripura Bandh called by the Ananda Margis on January 17 and carried forward from January 26 when the TUJS will start its campaign of preventing the government from functioning in the tribal areas.

The trouble the Tripura administration is having with the TUJS is particularly unfortunate. Of the four major demands of the TUJS (which were also part of the platform of the Left Front during the elections) three — recognition of Tripuri as a state language and a medium of instruction, restoration of illegally transferred tribal land to their original owners and introduction of tribal quota on proportional basis — have either been implemented or are about to be implemented, according to the state government; the fourth, the creation of an autonomous tribal district council under the Sixth Schedule of the Constitution, has been held up because the state government cannot do anything in this regard short of an amendment to the Constitution. And the Chief Minister has announced that consequent upon the Centre's reluctance to amend the Constitution to include Tripura as one of the states wherein the provisions as to the administration of tribal areas as provided in the Sixth Schedule of the Constitution would be applicable, the state government itself has decided to use whatever powers it has and create an autonomous tribal district council which would confer certain rights on the tribals. The proposed district council is to comprise 137 mouzas covering half the state's territory and will facilitate greater tribal control over development projects in these areas. There is also a provision to make it impossible for non-tribals to buy land within the jurisdiction of the proposed district council.

What is however disturbing is that the Tripura Chief Minister has sought to explain the present troubles his administration is facing as being due to the activities of 'foreign agencies' and has accused TUJS leaders of being in league with foreign missionaries, specifically Billy Graham's evangelical movement in the United States. Local tribal leaders are alleged to have been in contact with Graham. And with a view to

[illegible] such links developing further, the Tripura administration has proposals to bring before the state assembly a Bill forbidding "forcible religious conversions" — rather along the lines of the measure adopted already by the Arunachal administration.

It is no one's case that foreign agencies are not active in the northeast; and these foreign agencies are not confined only to those of the United States. But these activities have been possible only because the Government of India itself has encouraged them since it sees in the Church a bulwark against any kind of progressive social movement in the hill regions. Hinduism, with its atrophied hierarchical structure, has seldom attracted the tribal people; and given their economic and social organisation, tribal society should not find progressive ideas of social organisation difficult to appreciate. But precisely because of this, it is necessary to enslave the tribal people to a world view — Hindu or Christian, it does not matter — which would make it so much harder for them to break from it and embrace a more progressive social outlook. After all, it was not only the imperialists who carried the bible along with the sword. The government of India itself allowed a reactionary churchman like Billy Graham, whose links with the then US administration headed by Richard Nixon are a matter of common knowledge, to visit Nagaland in 1972, and he was later even received by Indira Gandhi.

It is unnecessary to labour the point about the Church and the communist movement in India. But what is strange is that the Tripura Chief Minister does not seem to recognise that these incursions of the Church are directly linked to certain failures on the part of the existing set-up; that if the tribal people find the foreign missionaries more responsive to their needs, it also speaks of a very serious kind of failure. To propose to combat the insiduous influence of religious bigotry by legislating against 'forcible religious conversions' is to accept defeat even without joining the battle. What is more surprising is that such a seemingly 'easy' solution to the problem, with no attempt at a more scientific appreciation of the situation, should have been proposed by a leader of the CPI(M) in Tripura.

Sugar

[illegible]

THE 1978-79 sugar season has completed its first quarter. By the end of March, it will be possible to make accurate production estimates for the whole season.

To look back, for the first time in its history, the sugar industry was completely freed of all controls on August 16, 1978. As a matter of fact, the 1977-78 season registered several other new developments. The sugarcane crop touched a new high of 182 million tonnes and sugar production was almost 6.6 mn tonnes, an unimaginable level till recently. The industry crushed 68 mn tonnes of sugarcane, i e, 37 per cent of the total cane crop. This also is a record For the last four decades, the industry's share of the cane crop had ranged from 30 to 33 per cent. Capacity utilisation in the sugar industry was 120 per cent, since the installed capacity of the industry is reckoned to be 5.5 mn tonnes. The concept of capacity in the sugar industry is a rather flexible one, however, since there have been seasons in the past when capacity utilisation has touched even 150 per cent.

Total decontrol has certainly benefited the relatively better-off sections of the urban population who used to buy sugar in the free market, since the price of sugar is now around Rs 2.40 per kg compared to the pre-decontrol free market price of Rs 4.20. However, those who earlier relied entirely or mostly on ration sugar, which used to be priced around Rs 2 30 per kilo, are not better off An unusual development has been that the best varieties of gur have been selling dearer than sugar.

Spokesmen of the industry have been bemoaning that the current season has opened with stocks which are at least double the opening stocks of the previous season and that the industry does not have the financial capacity to bear the burden of these stocks. However, the government has been far from unsympathetic to the industry. The tariff value of sugar has been slashed from Rs 300 to Rs 180 per quintal over a period of 15 months. Further, the rate of excise duty has also been cut from 45 per cent to a little less than 20 per cent. As a combined result of the two steps, the duty on a bag or quintal of sugar has come down from Rs 135 to Rs 32 52.

Sugar statistics are available for the first two-and-a-half months of the current season at the time of writing Production of sugar during this period was 7.86 lakh tonnes or 1.23 lakh tonnes more than that in the same months of previous season. The offtake has been 1 5 mn tonnes, almost 1.3 mn tonnes for internal consumption and the rest for export, compared to 0.9 mn tonnes in the previous season. Stocks on December 15, 1978 were 2 6 mn tonnes.

The low prices and the removal of control have thus definitely stimulated consumption Consumption was 3 lakh tonnes per month on average in 1976-77 and rose to 3 6 lakh tonnes in 1977-78, in the current season it is running at the rate of 4 lakh tonnes per month.

Time to Make Choices

SOMEWHAT belatedly I would like to record some comments on West Bengal's CPI(M) Finance Minister Ashok Mitra's letter and your footnote (November 11) concerning taxation.

There is not only a lib-lab way of criticising *EPW's* comment (October 14) but also a lib-lab way of meeting that criticism. This is the most likely explanation of the Editor's meek note, leaving his poor correspondent in the lurch. This stems from the faulty understanding of the role of taxation which bourgeois economists interpret as 'encroachment' on capitalist preserves and social-democratic theorists as having something to do with an advance towards socialism *via* a redistribution of incomes. Ashok Mitra considers it contradictory on the part of *EPW* to denounce taxation (in certain cases) and again to admonish the state government for not imposing more of it on the propertied class.. But where is the lack of consistency in demanding: do not tax the poor, rescind all indirect taxes and tax directly the rich more and more? If there is any contradiction in it, it is because there is contradiction in real life. Concerning taxation Lenin said, "Social-Democrats must ruthlessly combat bourgeois lie, spread also by many opportunists in Social-Democratic party, that it is 'impractical' to advocate revolutionary high rates of property and income taxation. On the contrary, this is the only practical and the only Social-Democratic policy. First, we must not adapt ourselves to what is 'acceptable' to the rich; we must appeal to the broad masses of the poor and propertyless who are indifferent to, or suspicious of, the Social-Democratic Party, largely owing to its reformist and opportunist character. Secondly, the only way of wresting concessions from the bourgeoisie is not by 'bargaining' with it, not by 'adapting' ourselves to its interests or prejudices, but by preparing the revolutionary forces of the masses against it. The larger the section of people we convince of the justice of revolutionary high taxation rates and of the need to fight to secure such rates, the sooner will the bourgeoisie make concessions. And we will utilise every concession, however small, in the unswerving struggle for the complete expropriation of the bourgeoisie" ("Tasks of Left Zimmerwaldists").

While recognising the fundamental laws of modern socialism as justified, Ashok Mitra perhaps will say: the realisation of this is possible only in the distant future, a future which for all practical purposes is quite out of sight. Thus, for the present, one has to have recourse to mere social patchwork. But patchwork does not solve the problem; agrarian reform, even of the most radical type, does not remove poverty — the whole history of agrarian reform will bear it out, that it helps to develop capitalism in the countryside and consequently class struggle. Lenin said, "If you refuse to believe the flowery talk about the 'interests of the people' and try to delve deeper, you will find that you are dealing with the out and out ideologists of the petty bourgeoisie, who dreams of improving, supporting and restoring their (people's in their jargon) economy by various innocent progressive measures, and who are totally incapable of understanding that under prevailing production relations the only effect such progressive measures can have is to proletarianise the masses still more " ("What the Friends of the People Are"). Articles and statistics that appear in the *EPW* prove the correctness of the observation. We do not altogether deny the possibility of partial concessions and do not say that we shall not take advantage of them. But in no circumstances should we forget the role of 'concessions' as an instrument of deception and corruption. There is only one way to make the reforms, however small, play a revolutionary democratic role — it must be effected on the revolutionary initiative of the masses by revolutionary means in an 'illegal' way so as to train the masses in 'disobedience', for the revolution is most illegal and authoritarian. That is a frightening prospect and the very word revolution is anathema to the CPI(M) leadership. Not class relations but Centre-state relations is its central preoccupation. The 'Marxist' state is the most peaceful state in India and Ashok Mitra in his list of firsts should have included this too. But when Ashok Mitra claims, as he did in his maiden speech as Finance Minister, that his budget will have taken away the sleep of the capitalist class in West Bengal, it is difficult to remain calm.

With an air of triumph he challenges the *EPW* to make its choices. Indeed it is time *EPW* did it. Either expose the economic theories that by means of timely state action in fields of fiscal and monetary policy and industrial planning society can be made to work well, expose the hollowness and hypocrisy of bourgeois economics or paraphrase them into 'socialist' economic theories.

Calcutta, December 14 — A Reader

Unofficial Ban?

CHITEGU CHINTE, a political satire made in Kannada by Director M S Sathyu was suddenly taken off the screen from all the cinema houses in Karnataka after it ran for a short time. The event and the circumstances surrounding it have left the film-goers disappointed and puzzled.

Although *Chitegu Chinte* did not fare too well at the box office, it was not the kind of film to collapse in just a couple of weeks. Some of us who went to see the film on Thursday (November 30) found an impressive attendance in the 'Nartaki' and 'Uma' cinema houses, and could not quite understand why suddenly an old Hindi film (on a second run and without prior advertisement, at 'Nartaki') should be on show the next day. This raises several doubts:

> Is it true that political pressure was brought upon the producers and the distributors of the film to cancel the shows throughout the state?
>
> Is it true that government offered to "compensate" the producers appropriately?
>
> Has the state government refused to accept the verdict of the Central Censor Board and consequently imposed an unofficial censorship on the film?
>
> Is politics the monopoly of the politician? Does not the artist have the freedom to criticise or parody the political situation?

B K Chandrashekhar, M S Thimmappa, G S Shivarudrappa, G K Govinda Rao, S Diwakar, Sumatheendra Nadig, K N Shivathirthan, U R Ananthamurthy, M Gopalakrishna Adiga, Siddalingaiah, Prasanna, K G Krishnaswamy.

Bangalore, December 4

The Familiar Patterns

Romesh Thapar

THE bank clerks are on the rampage, and with the officers not too far behind. The Life Insurance workers are preparing to follow suit. Travel by the Indian Airlines or the railways, and all the schedules are in shreds. Delhi transport, never known for simple efficiencies, jams up the traffic on the roads because some union leaders sedulously spread false rumours of police victimisation. A Calcutta businessman (a friend of Sanjay!), up for trial in Lucknow, takes his supporters with him, expels the judge and "captures" the court. All this is apart from our daily dose of officially-condoned dacoity, racketeering and what have you.

The patterns are terribly familiar. The individually powerful, and those who are well-organised in the strategic areas of economic life, are using the opportunities of freedom as if these were exclusively available to them for their very own betterment, advancement and consolidation. They seem to imagine that the country is for them, and policies only make sense so long as the elite — and that includes its labour aristocracy carefully organised in a monopolistic public sector! — can batten on them. We have been living with this downable "culture" for many years, and no one has really challenged its crystallisation.

Indeed, when the system by which we govern ourselves was tottering to an unsteady standstill, Indira Gandhi decided that she would attempt a propping up operation by the declaration of the Emergency. It saved her temporarily, protected her son, and imposed disciplines of some sort through fear, jailings and atrocities. The healthy revulsion of the people in the 1977 general elections held out the promise that the disruptors of democratic life would be isolated and that new forms of participative functioning would evolve. The Janata party's failure to restructure this new democratic way, and the contentment of its aged power-seekers with the wretched *status quo ante*, which surrounds us and suffocates us, has again brought to the surface the authoritarians of the Emergency.

Indira Gandhi and her determined group of well-financed operators (under the command of son Sanjay!) are active in exploiting every major and minor breakdown, and particularly the violence in the streets, not to suggest remedial solutions but to recall by contrast the glories of the peaceful and ordered days of the Emergency. Non-governance is contrasted with personalised, tough leadership as if these are the only two alternatives before the people of India. There is not a mention of the principles of organised, principled and thoughtful government — for which, incidentally, the people voted memorably in 1977.

The tragic dimension of this deteriorating situation is the politicians' drift into these equations of thinking. You have only to listen to a discussion of the current scene between Congress folllowers (Indiraists, Swaran Singhites and so-called Third Forcers!) to realise that they are obsessed with surface signs and reluctant to enter the crisis-torn system by which we organise our lives. The Congress dialogue influences the somewhat subdued debate in the Janata party and in other political formations, including, alas, those which call themselves communist. Populism has so taken hold of us that all issues are sought to be buried.

Add to this, the problems of the Scheduled Castes, the middle castes and the Muslims and we have the full flavour of the Indian political cocktail. These powerful groups hope to use the prevailing vacuum to push demands which might otherwise be denied priority. Politically, the pressure for decentralising the polity, even working for smaller and more manageable states, finds sustenance in the strivings of these sizeable segments of the population. If the embryonic kisan sabhas are able to lead this discontent and to link it more throughly with federal problems, we may yet see more healthy political action.

Apart from Charan Singh's disgruntled elements, who were able recently to mount a well-organised kisan rally in the Capital (a rally whose discipline and organisation put to shame the activity of supposedly sophisticated urban agitators!), there is a general failure of mobilisation on this front. Maybe, we will have to wait for the Hindi-speaking "heartlands" to experience the changes that the South has already witnessed in caste equations and balance before we can expect any forward movement on the solid social and economic issues which are awaiting the country's attention.

The crazy merry-go-round in the Janata party to find bridges between the three old men who are holding it to ransom needs to be replaced by a sustained exercise to find an alternative leadership — drawn from all the constituents in the most representative manner — and with a captain acceptable to all. This search has not been pursued with vigour, partly because the three old men show no inclination to hand over power to those who are more relevant in today's situation.

How long will we have to wait for the Janata party to move to maturity? And will the situation hold while this maturity builds? Or must the familiar patterns repeat and repeat — until we drown again? Loaded questions, but there is no easy way out of them.

January 8

Industrial Finance—II

ASSISTANCE SANCTIONED AND DISBURSED BY TERM-FINANCING INSTITUTIONS

(Rs crores)

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
I All-India term-financing institutions (IDBI, IFCI and ICICI)								
(a) Loans								
(i) Rupee loans*								
Sanctions	102.8	162.8	138.5	218.1	253.0	301.8	584.6	808.6
Disbursements	69.6	101.5	92.1	154.5	210.0	216.0	348.8	413.2
(ii) Foreign currency loans								
Sanctions	34.6	25.3	34.3	39.0	44.8	49.8	88.3	29.3
Disbursements	23.8	23.9	32.1	29.3	32.6	42.5	42.3	49.5
(b) Underwriting and direct subscriptions								
(i) Ordinary and preference shares								
Sanctions	6.6	19.2	10.2	16.4	13.3	16.7	50.8	43.9
Disbursements	7.4	3.4	7.6	8.2	4.3	10.7	9.2	13.9
(ii) Debentures								
Sanctions	5.4	1.5	6.4	1 6	4.8	8.9	7.7	5.3
Disbursements	1.8	0.2	2.9	1.5	1.9	1.5	6.0	7.4
(c) Total assistance								
Sanctions	149.5	208.8	189.4	275.0	315.9	375.4	661.2	882.0
Disbursements	102.1	129.4	134.7	193.6	249.0	270.7	401.3	484.0
II State term-financing institutions (SFCs and SIDCs)								
(a) Loans								
(i) Rupee loans								
Sanctions	66.1	79.8	102.4	120.7	153.9	174.8	196.2	213.8
Disbursements	42.6	49.7	57.3	70.2	97.2	114.7	124.5	183.4
(ii) Foreign currency loans								
Sanctions	—	—	—	4.4	8.6	13.2	9.0	8.4
Disbursements	—	—	—	—	2.0	4.8	5.0	3.4
(b) Underwriting and direct subscriptions								
(i) Ordinary and preference shares								
Sanctions	2.8	7.8	9.7	5 7	12.8	11.7	11.1	16.9
Disbursements	2.0	4.2	5.1	5.0	7.1	7.7	10.5	14.2
(ii) Debentures								
Sanctions	—	0.1	0.1	—	—	—	1.2	0.8
Disbursements	—	—	—	—	—	—	0.1	0.1
(c) Total assistance								
Sanctions	68.9	87.7	112.2	131 0	175.3	199.6	217.4	239.6
Disbursements	44.6	54.0	62.4	75.2	106.3	127.1	140.1	151.1
III Industrial Reconstruction Corporation of India (IRCI)								
(a) Rupee Loans								
Sanctions	—	6.6	6.1	7.2	7.6	5.3	10.0	11.5
Disbursements	—	1.1	3.5	5 2	8.0	4.6	10.8	9.4
IV Unit Trust of India								
(a) Underwriting and direct subscriptions								
(i) Ordinary and preference shares								
Sanctions	1.9	3.2	3.2	4 0	3.2	1.9	1.9	4.4
Disbursements	1.1	1.0	1.6	2.2	1.7	2.7	1.5	2.5
(ii) Debentures								
Sanctions	8.9	11.8	7.0	3 7	3.8	5.2	7.1	22.1
Disbursements	4.0	0.6	4.0	5.5	5.9	2.5	4.5	4.4
(b) Total assistance								
Sanctions	10.7	15.0	10.2	7.7	7.0	7.1	9.0	26.5
Disbursements	5.1	1.6	5.6	7.7	7.6	5.2	6.0	6.9
V. Life Insurance Corporation								
(a) Rupee Loans								
Sanctions	2.0	14.1	9.5	17.1	21.2	29.2	49.9	41.4
Disbursements	2.7	0.9	2.0	10.6	43.8	22 8	27.9	32.7

Continued

Assistance Sanctioned and Disbursed by Term-Financing Institutions
—Continued

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
(b) Underwriting and direct subscriptions								
(i) Ordinary and preference shares								
Sanctions	8.4	4.7	4.8	4.9	5.6	5.6	4.4	8.8
Disbursements	2.7	2.5	3.9	3.7	4.6	4.5	3.0	4.5
(ii) Debentures								
Sanctions	12.4	4.3	3.7	4.0	17.0	26.2	2.5	2.7
Disbursements	2.7	1.9	5.1	5.6	5.7	0.2	8.5	5.6
(c) Total assistance								
Sanctions	17.8	23.1	18.0	25.9	43.8	61.0	56.8	52.7
Disbursements	8.1	5.3	11.0	20.0	54.1	27.5	38.9	42.8
VI All term-financing institutions								
(a) Loans								
(i) Rupee loans								
Sanctions	170.9	263.3	256.5	363.1	435.8	511.2	840.6	1070.3
Disbursements	114.9	153.2	154.9	240.4	359.2	358.0	506.5	586.7
(ii) Foreign currency loans								
Sanctions	34.6	25.3	34.3	43.4	53.4	63.0	47.3	37.7
Disbursements	23.8	23.9	32.1	29.3	34.6	47.2	47.3	52.9
(b) Underwriting and direct subscriptions								
(i) Ordinary and preference shares								
Sanctions	14.7	34.9	27.9	31.0	34.7	35.9	48.2	73.8
Disbursements	13.2	11.1	18.2	19.2	17.8	25.6	24.2	35.1
(ii) Debentures								
Sanctions	26.7	17.7	17.2	9.3	25.6	38.2	18.4	30.4
Disbursements	8.0	3.1	12.0	12.6	13.5	4.2	19.1	17.5
(c) Total assistance								
Sanctions	246.9	341.2	335.9	446.7	549.6	648.3	954.5	1212.2
Disbursements	159.9	191.4	217.2	301.6	425.0	435.2	597.1	694.2

* Refinance by IDBI to state term-financing institutions is excluded to avoid double counting.

Source: Reserve Bank of India, "Report on Currency and Finance, 1977-78".

SICKNESS IN INDUSTRY — I

A Case Study of Deliberate Management Policy

Jayati Ghosh

THE phenomenon of industrial sickness is as frequently discussed as it is rarely studied. This note attempts to study the causes leading to the sickness (in this case, continued losses and financial non-viability, leading to ultimate closure) of a single unit controlled by a large business house. The attempt has been to locate the main factors responsible, in an effort to find out whether "sickness" was in this case the result of the conjunction of several unfortunate circumstances, or the result of a certain pattern of corporate behaviour. While this does *not* provide the basis for any broad generalisations about the causes of industrial sickness, it provides an insight into management behaviour and methods of business of one unit of a large business house, from which some general conclusions could be drawn.

The Company in question manufacturing potteries and other ceramic items in eastern India was started in 1905. It was incorporated as a limited company in 1919, and was acquired by a professional ceramist in 1934 and substantially expanded and diversified. As the need for funds for expansion grew, the large house acquired majority interest, with the ceramist keeping a minority interest.

By this time, the Company was the major producer of porcelain in the country, and was the first to start production of fine China and decorative crockeries. In the late 1950s a second factory was set up to produce high tension and low tension porcelain insulators, the major purchasers of which were the Ministry of Defence, Government of India, public sector electricity Boards and various other State undertakings. The fine China produced by the Company had a commanding position in the domestic market and did not face major sales problems in the sixties. In the case of insulators there was competition but this was not severe, and from 1967 a beginning was made in the export of insulators.

From the late 1960s, the Company started facing problems of rising costs and discontinuous production along with various other problems, and started making losses. The situation gradually worsened, with frequent closures, nonpayment of DA and bonus, arrears of wages, and nonpayment of taxes and electricity bills. The financial results showed losses continuously from 1968-69 onwards barring a single year. In spite of a massive reconstruction operation undertaken by the IRCI, and various loans from other public financial institutions, the financial position steadily deteriorated until 1975 when both factories were closed, throwing about 5,000 workers into the ranks of the unemployed. In September 1976, the management of the Company was taken over by the Government of India under the Industries (Development and Regulation) Act.

Analysis of the balance sheet data reveals that the Company first started making losses in the financial year 1968-69, after which the operating results were unsatisfactory throughout. To understand the causes which led to this pattern it is proposed to undertake a fairly detailed financial analysis of the Company's working from 1963-64 onwards.

To consider first the causes advanced by the management as leading to the breakdown: the major factor stressed was labour unrest, due to inter-union rivalry. The labour agitation which culminated in closure of the factories for about four months from July 1969, and the subsequent go-slows, work stoppages, etc, were alleged to be the primary factor behind the poor performance of the Company from 1969. Furthermore, the workers' demands entailed a steep rise in costs because wage costs went up from 33 per cent of the gross value of production in 1968 to 51 per cent in 1970.

Table 1 shows the total wage and salaries costs (including bonus) in the period 1964-72, as a proportion of total costs. (All Tables are based on data from Company balance sheets.) From the Table it is apparent that while wage costs did go up, they did not show any qualitative increase after 1969. In fact, in absolute terms wage costs decreased from 1968 to 1970. The jump in wage costs as a proportion of gross revenue mentioned earlier was largely due to the sharp fall in sales that year, rather than to an increase in wage costs.

It is undeniable that labour unrest and frequent work stoppages disrupt production. However, in this case it is worthwhile to look into the factors influencing labour unrest. The Company employed about 5,000 workers. Compared to any other industry in the eastern region the wages were poor. (Cf statement of the then Additional Labour Commissioner, West Bengal.) Furthermore, over quite a long period the workers' PF and ESI contribution money was spent by the management without prior knowledge of the workers. In some years the Life Insurance Premium and CDS deductions from the wage were also spent. Working conditions were poor. Because inadequate attention was paid to maintenance and replacement of machinery, the task of running the machines became more difficult and taxing. It would therefore appear that the workers' agitation was more a *result* of the various problems besetting the company than the major cause of it. Obviously however it is true that strikes and other disruptions of production did aggravate the problem.

The management has further alleged that the erratic availability of power and city gas also contributed to the difficulties of the Company. Examination of claims of the Oriental Gas Company (suppliers to the Company) reveal however that the Company had neglected to pay bills for gas since much before 1969. In 1971 five cheques (amounting to Rs 163,498) issued by the Company were dishonoured. Around the middle of 1971 the Company obtained an interim injunction order from the Calcutta High Court restraining the Oriental Gas Company from disconnecting the gas lines to the factory in spite of non-

TABLE 1: WAGES AND SALARIES COSTS

Year	Wages, Salaries and Bonus (Rs)	Total Wage Costs as a Proportion of Total Expenditure (Per cent)
1964-65	82,93,011	23 4
1965-66	76,90,905	25 7
1966-67	1,05,56,550	29.2
1967-68	1,22.21 811	33.0
1968-69	1,24,83,588	32.8
1969-70	1,14,36,099	34.0
1970-71	1,33,63 946	34.5
1971-72	90 78,724	27.5

TABLE 2: RAW MATERIAL COSTS

Year	Raw Material Costs (Rs)	As a Proportion of Total Expenditure (%)	As a Proportion of Total Sale (%)
1964-65	35,26,188	9.9	11.3
1965-66	24,55,329	6.4	8.9
1966-67	26,10,531	7.2	7.2
1967-68	58,25,057	15.2	18.4
1968-69	51,44,959	13.5	17.8
1969-70	37,85,745	11.2	18.2
1070-71	44,35,534	11.2	20.8
1971-72	36,55,043	11.1	16.7

TABLE 3: DIVIDEND POLICY

Year	Dividends Paid Out	Net Profit	Dividends as a Proportion of Net Profit (%)
1962-63	6,30,000	6,85,079	91.96
1963-64	3,03,795	3,61,785	83.97
1964-65	6,07,590	6,99,180	86.90
1965-66	4,97,119	4,88,057	101.85
1966-67	4,97,119	5,17,611	96.03
1967-68	4,97,119	2.05,345	242.09
1968-69	None	Loss	—

TABLE 4: FIXED CAPITAL POSITION

Year	*Net Value of Fixed Capital (Rs)*	*Change over Year (Rs)*
1965 (June)	1,15,73,906	—
1966	1,10,08,128	−5,65,778
1967	1,12,49,513	+2,41,385
1968	1,09,99,709	−2,49,804
1969	1,04,34,291	−5,65,418
1970	97,28,364	−7,05,927
1971	1,06,96,813	+9,68,449
1972	1,01,56,457	−5,40,356

payment of dues. However, since then the gas supply to the Company was extremely erratic since efforts were made by the suppliers to cut down the supply of gas to the Company. The dues upto the time of lock-out in 1975 amounted to Rs 30,98,230.

A further factor mentioned by the management was the increase in raw material costs, especially resulting from the devaluation of the rupee in 1966. This was largely because essential raw materials required for efficient production had to be imported at much higher cost. This particular argument is validated by the data, as Table 2 illustrates. It has been alleged by trade union leaders of the workers of the Company that defective raw materials were purchased at unreasonably high prices as part of the corrupt practices of the management, but this is difficult to verify.

The above factors in themselves are, however, clearly not enough to explain the extremely poor performance of the Company, because similar conditions were being faced by several other units which did not show such poor results. One example that springs to mind is that of a rival company in northern India which emerged as a major competitor of the Company in the field of crockery, and has since displayed a significant growth of production and sales. It is evident that the former would also have faced problems of increase in raw material prices, but this did not have a major disruptive effect on its operations. So the main reasons for the Company's sickness must be sought elsewhere.

A careful study of the balance sheets indicates that the Company's problems had their roots much earlier than 1969, and were in fact the result of various management policies which could have had no other logical outcome. From the mid-sixties, the controlling group displayed a remarkable ignorance of the most obvious and basic rules for corporate survival as far as this unit was concerned.

The first indicator of such a pattern is given by the dividend policies of the Board of Directors of the Company. That an extremely high rate of dividend was paid out annually prior to 1969 is obvious from Table 3. The possibility of paying out dividends greater than the net profit came into being with the new system of appropriation begun in 1965, of entering, net profit into the General Reserve and paying dividends out of the General Reserve. This made it possible to achieve the incredible ratio of 242.09 per cent of dividends to net profit in 1967-68. Even prior to this, the dividends paid out had been an extremely high proportion of net profit, leaving a very small proportion for appropriation to Depreciation Reserve and General Reserve. The implications of such a policy in terms of building up reserves for further investment and expansion of production or overhauling of machinery and techniques are obvious. The main gainers from such a dividend policy were the primary shareholders, the large house with the majority interest.

In fact there was very little replacement of obsolete machinery or purchase of new machines from the mid sixties. Table 4 shows the changes in the net value of fixed capital (i e, additions minus depreciation). The net value of the fixed capital owned by the Company actually *declined* between 1965 and 1972. Furthermore, the machinery was kept in poor condition and in a state of ill-repair. The system of an annual overhauling and maintenance of machines during a special 15 days Dussehra-Diwali vacation was stopped, resulting in serious breakdowns and disruption of production.

The most glaring example of managerial apathy to the welfare of the Company was the commission to the sole selling agents, which was a subsidiary company wholly owned by the main shareholders, the large house and the ceramist's family, jointly. This firm of selling agents was paid an abnormally high commission on sales, even though it played no role at all in the sale of insulators which was organised directly with the buyers, generally government undertakings. Even as far as the crockery section was concerned, the parent company paid for the publicity, exhibition and freight and delivery expenses separately, so that it is difficult to see what function the selling agents played. Table 5 shows the percentage commission given to the selling agents as a proportion of sales, as well as the other selling and distribution costs borne by the Company.

In 1967-68, a commission as high as 11.14 per cent of sales was given to the sole selling agents; and the percentage had been increasing over the past two years; this in spite of the fact that the brunt of the expense of selling and distribution was borne by

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TABLE 5: COMMISSION TO SOLE SELLING AGENTS

Year	Total Sales (Rs)	Selling Agents' Commission as Per Cent of Total Sales	Other Selling Expenses as Per Cent of Sales
1964-65	3,10,64,189	7.4	4.35
1965-66	2,76,06,835	6.76	4.4
1966-67	3,59,68,704	8.45	3.85
1967-68	3,05,05,417	11.14	4.55
1968-69	2,68,34,109	6.3	5.55
1969-70	2,08,41,203	1.5	5.34
1970-71	2,12,79,501	1.78	6.26
1971-72	2,17,86,993	1.69	5.56

TABLE 6: SECURED LOANS

(Rs lakhs)

Year	PNB	IFCI	ICICI	
1964-65	55 3	8.0	32.2	—
1965-66	54.5	6.0	29 7	—
1966-67	52.3	4.0	32 0	—
1967-68	83.7	0.85	27 2	—
1968-69	112.3	—	25 2	—
1969-70	118 2	—	24 0	—
1970-71	139 3	38.5	24.0	—
1971-72	155 4	22.2	25.2	14.06 + 38.5
1972-73	—	28.4	25 9	
1973-74	—	28.4	24.6	—
1974-75	—	—	—	61.0
Totals	731.06	141.36	270 88	113.86

Grand Total Rs 12,56.86 lakhs

the Company itself Besides this, there were more indirect methods of transferring funds from the Company to the selling agents. Often, products (amounting to a large proportion of the sales every year) were declared defective or sub-standard by the Company and therefore sold at much reduced prices to the selling agents, who made no commensurate reduction in the market price, (*Cf* evidence of the firm of auditors to Company, appointed by the Company, before the Committee of Investigation appointed under the IDR Act to look into the affairs of the Company.) The sole selling agents thus served as a very effective *via* media for transferring funds out of the Company.

Besides these major lapses, there were other instances of Company funds being wasted or illegally appropriated through various means. It was alleged by the trade union leaders of workers of the Company that there was corruption in the purchase of raw materials, non-arrival at the factory of various essential spare parts and of coal, whose purchase had been listed in the stock books, increase in expenditure made in shifting materials from the railway station to the factory because of the directors' interest in the transport agency concerned; overstaffing and maintaining domestic servants at the officers' homes at the expense of the Company; and so on. Although the evidence for these instances is largely circumstantial and must be treated with caution, it would appear that such instances of corruption also played a part, however minor, in aggravating the ills of the Company.

One interesting aspect of industrial sickness in India is that it is generally far more expensive for the government financial institutions than it is for the shareholders of the unit concerned. Vast sums are spent by the various public financial institutions to support financially non-viable units and somehow maintain employment in such enterprises. This Company is no exception to this rule. Since the major crisis beginning with 1969 and ending with the lock-out and closure of 1975, the IRCI alone had pumped about Rs 113.56 lakhs into the Company, with no significant improvement in the functioning and operations of the Company. The total loans secured by the Company since 1964-65 from the PNB, IFCI, ICICI and IRCI amount to Rs 12,56.86 lakhs, a large part of which has not been repaid. Table 6 shows the loans granted to the Company by the various financial institutions since 1965. Also, the Company had defaulted in payment of statutory dues from 1969 onwards. At the time of closure, the statutory dues amounted to about Rs 2.5 crores.

Table 6 shows that heavy loans were taken throughout the period 1964-68, to the tune of nearly Rs 4 crores, in spite of the fact that, as we saw earlier, over this period the value of fixed capital actually declined and inadequate provision was made for depreciation. This was also the period in which the dividends paid out were never below 89 per cent of net profits and on one occasion even amounted to 242 per cent of net profits. It is difficult to see why the management would behave this way if it were at all concerned with the long term interests of the Company.

It is apparent from Table 6 that the various financial institutions had spent a large amount (in terms of granting loans) on the Company and had nevertheless not made any impact on the functioning of the Company. This makes it clear that problems of rising costs, labour trouble, etc, were not the major causes of sickness but rather the logic of management policy led to such a conclusion.

Bad management is often advanced as a major reason for industrial sickness. While this sort of explanation is so general, superficial and inadequate as to be extremely misleading, on one level it can be argued that, in the case of this Company the management was instrumental in aggravating the ills of the Company. Certainly, if one follows the cannons of sound business management, it is wrong to shift funds out of a company, to fail to re-invest or replace old machinery, not pay employees' benefits taxes or bills, and to generally encourage (even if only by default) every sign of decline in the company. But to attribute all this to managerial inefficiency is to show a certain amount of naivete regarding the politico-economic phenomenon of industrial sickness. The decline and ultimate collapse of an industrial enterprise controlled by one of the oldest and largest business houses in the country, whose other concerns are showing booming growth, can only be part of conscious policy. The thesis being argued here is that an industrial unit of large business house need not (and most probably will not) face problems of long-term illiquidity and financial non-viability unless the oligopolists concerned are sufficiently disinterested in the unit, or else find it profitable in the long run or in the interests of their industrial empire as a whole, to allow it to do so. One can locate several other instances, where a large house has one or two "model" units which show significant growth in sales and profits, and others in which

The profits are made, euphemistically speaking, through management. This thesis is too complex to be argued here on the basis of only one instance and without considering other more general problems, and therefore must only be suggested as a possible explanation for the peculiar vagaries of policy of the management of the Company examined. To understand this in its larger context, it is necessary to probe much deeper into the nature of oligopolistic behaviour in India and to review similar cases of sickness of individual units owned and/or controlled by large business houses. But the thesis presented here is that in certain circumstances one or two units are chosen by the large house for purposes of "milking" where the overall financial stake of the large house concerned is not very high, and where growth would depend on innovative changes which may eat into current profitability. To an extent, therefore, this also points to the neglect of long term interest for short term gains with reference to a single unit, which has not been an uncharacteristic phenomenon in the history of Indian industrial growth.

[The author is grateful to Prabhat Patnaik and Arun Ghosh for helpful comments.]

SICKNESS IN INDUSTRY — II

Role of Government Policies

(By a Special Correspondent)

IN discussions of spreading 'sickness' in industry, not enough attention is paid to the contribution of the government's own industrial policies, especially the many liberalisations and relaxations effected in licensing policies since the beginning of the seventies. In a number of industries, capacities very much in excess of demand have been created in the name of removing administrative delays, of inducing investment, of encouraging higher production, of enabling fuller utilisation of capacity, of promoting exports, of bringing about the development of backward states and areas, and so on and so forth.

This trend has been further encouraged by the emergence of the so-called 'joint sector' in industry. The licensing authorities at the Centre have very liberally issued letters of intent and licences for all manner of industries to the state industrial development corporations (SIDCs) of the various states — often for no better reason than that one or more states have already been issued licences or letters of intent for the industry in question. The SIDCs have then set about locating private sector collaborators for implementing the projects. For the private sector collaborators the attraction of this arrangement has been the ready availability of letters of intent or industrial licences as well as the numerous advantages which flow from the involvement of the SIDCs in the projects, especially the quick receipt of official sanctions and permissions and the greater readiness of the financial institutions to finance the projects (quite apart from the SIDCs' own 26 per cent contribution to the equity of joint sector companies).

This note briefly examines a not untypical instance of both the above tendencies — over-licensing of capacity and the encouragement of this process by the joint sector form of corporate enterprise — from the borax industry. Till the beginning of 1976 there was only one producer of borax in the country. This company has a licensed and installed capacity of 17,000 tonnes of borax per annum. However, because of insufficient demand, production had always been substantially below capacity. Nevertheless, a letter of intent for manufacture of borax was issued to the Tamilnadu Industrial Development Corporation (TIDCO) in October 1971. TIDCO set about implementing the project in collaboration with private sector parties and in June 1972 a company was formed which we shall here refer to as Company X. TIDCO's letter of intent was transferred to Company X and was in July 1974 converted into an industrial licence for a capacity of 15,000 tonnes of borax per annum.

Company X made a public issue of shares in mid-1975 to finance its project. The project was then estimated to cost Rs 94 lakhs, which was to be financed through equity capital of Rs 40 lakhs and term loans of Rs 54 lakhs. TIDCO's contribution to equity was Rs 10.40 lakhs. In addition, it was also to provide term loans of Rs 30 lakhs. TIDCO thus put up nearly 43 per cent of the project cost of Rs 94 lakhs as originally estimated, compared to the less than 11 per cent proposed to be contributed by the private sector collaborators. This was only the beginning, however.

By the time Company X went into commercial production at the beginning of 1976, the cost of the project had escalated to Rs 148 lakhs. The entire increase in cost was borne by the financial institutions. The company's annual report for 1976-77 indicates that as at the end of June 1977 its total borrowings stood at Rs 180 lakhs, of which Rs 56 lakhs was unsecured. TIDCO's share of loans had mounted to Rs 69 lakhs from the original Rs 30 lakhs and scheduled commercial banks had provided the remaining Rs 111 lakhs. TIDCO's total contribution thus rose to over 53 per cent, whereas the contribution of the private sector collaborators — who control the management of the company and hold the positions of managing director and executive director — to the increased cost of the project had shrunk to less than 7 per cent.

These are interesting facts and are not unrepresentative of the methods of project promotion and financing in the private sector generally and in the so-called joint sector in particular. But even more significant is the subsequent performance of Company X, which has been the direct consequence of the licensing and setting up of production capacity for which demand quite simply does not exist in the country. Against its installed capacity of 15,000 tonnes, it produced 2,658 tonnes of borax in 1975-76, its first year of commercial production, and 3,097 tonnes in 1976-77, giving capacity utilisation rates of 18 per cent and 21 per cent, respectively. However, taking account of unsold stocks at the end of June 1977, as indicated in the company's annual report for 1976-77, it would appear that it was able to find a market for only about 70 per cent of its minuscule output of borax in the first two years. Naturally, this situation has been reflected in the financial performance of the company which had, at the end of June 1977, accumulated losses of Rs 67 lakhs before making provision for depreciation, compared to its paid-up capital of Rs 37 lakhs.

The entry of Company X has also had its inevitable impact on the existing producer of borax, whose sales of borax dropped from 11,927 tonnes in 1975 to 8,552 tonnes in 1977-78. Taking the two units together, utilisation of their total capacity in 1976-77 may be roughly estimated (since the accounting years of the two companies are different) at no more than around 41 per cent. This has been the achievement, in this case, of the government's licensing policies.

An interesting sidelight of this case study is how companies make facile and unrealistic assessments of their prospects while making public issues of their shares. Company X's prospectus, in connection with its public issue of shares in 1975, had claimed: "Looking at the growth rates of the consuming industries it is anticipated that the demand for borax will far outstrip the supply. The total indigenous supply even after the plant commences production will hardly be in a position to meet the demand." It was further claimed: "The prevailing market prices have increased manifold in the last two years and on a very conservative estimate the project is expected to earn good profits and ensure a fair return on the capital employed from the second year of production."

Equally interesting is the standard of reliability, as seen in retrospect, of the feasibility report prepared for Company X by a professional consultancy firm. Since feasibility reports have become an article of faith with term-financing institutions and a whole host of others involved in the promotion of industrial projects, it is instructive to note that in this case the feasibility report prepared in the latter half of 1972 estimated, in all seriousness, that in 1974-75 the demand for borax in the country would be 51,700 tonnes. The combined sales of the two companies even in 1976-77 were not one-third that figure. What is more, Company X, TIDCO, the term-financing institutions and the commercial banks, for whose supposed scrutiny the feasibility report had been prepared, no doubt at considerable expense, had all accepted the report without question,

People's Science Movements

A Vaidyanathan

N Krishnaji

K P Kannan

THERE has been a growing realisation among scientists and social workers that science and scientific research in India, as presently taught and practised, has acquired an elitist character with little or no relevance to or concern for the needs of the people. This has led to the emergence of a number of voluntary organisations ranging from those explicitly oriented towards the 'popularisation of science' to those which seek to inculcate among the masses a scientific approach to understanding society and social change as a necessary pre-condition for progressive social transformation. These groups, spread all over India, vary in size and scope ranging from small groups working on particular problems in a limited area to a mass movement like the Kerala Sastra Sahitya Parishad (KSSP). A significant feature of these new activities is that they have begun to attract highly trained scientists and technologists who have become disenchanted with the relevance of what they have learnt and what they are doing in the 'scientific establishments' to the needs of the people. So far, these initiatives by different groups have remained highly localised with very little communication between them. In order to establish contact among such groups and provide an opportunity for them to learn from each other's experiences, the KSSP organised an All-India Convention of People's Science Movements in Trivandrum. The three-day convention (November 10-12, 1978) was attended by over a hundred workers from all over the country.

Those who participated in the Convention include the following groups: Science Education Group, Sastra Sahitya Parishad, Shramik Sanghatana, Bhoomi Sena, Indian Institute of Education, Bhim Sakti Tarun Mandal (Maharashtra), Grain Vikas Mandal, Science Circle, ASTRA, ASHA (Karnataka), Association for the Promotion of Science Education (Tamil Nadu), Vidushak Karkhana, Kishore Bharati (Madhya Pradesh), Vikshan, Scientific Workers' Forum, Bangiya Vigyan Parishad, Science and Technology Committee, Health Education and Policy Group (West Bengal), CSIR, Society of Young Scientists (Delhi) and Programme for Community Organisation and CSIR Regional Complex (Kerala).

The discussion at the Convention was focused on the following general themes: (1) formal and non-formal education; (2) people's health movements; (3) scientific research and technology; and (4) 'science for social revolution'. The discussions were based on theme papers on each topic as well as detailed presentations of the activities of each of the participating groups. Besides formal plenary sessions, there were numerous opportunities for informal exchange of views among the participants. The proceedings of the Convention will be published shortly; this brief review is meant only to bring out some of the main highlights of the conclusions emerging from the Convention.

The discussion on formal education noted that the weaker segments of the population get little benefit out of the system: few of their children get into it and a distressingly large proportion of them drop out easily; the system itself is far too elitist and fails to impart skills relevant and useful for the livelihood of the vast majority of the people, not to speak of inculcating the habit of identifying problems. These deficiencies call for a drastic reorientation and seeking solutions to the present system, which is the essence of the scientific attitude. The Convention felt that such reorientation should, among other things, have a built-in vocational bias, make vocational pursuits compulsory for all students at the secondary stage, tailor the vocational orientation to the needs of the people and build on the existing indigenous skills and knowledge. Following this approach, some of the groups represented at the Convention had initiated innovations in curriculum, pedagogy and teaching materials, especially in the teaching of natural sciences. But such efforts even when successful have to overcome powerful vested interests before they can be spread widely. In any case, the basic purpose of people's movements is to cater to the masses who remain outside the formal system and hence their focus will have to be much more on non-formal education.

Non-formal education has a dual role: first, it has to take care of the large majority of the people who are not reached by the formal education system; and second, it has to act as a supplement to the existing formal education system. It is recognised that the conventional notions of education will not be relevant in the realm of non-formal education. There is no teacher and the taught; the people who come to learn are not ignorant and there is no given evaluation method. Non-formal education must create an awareness in each man of his social conditions. It should consistently strive to demolish all myths of 'modern society', myths which are perpetuated by the formal education system and the mass media. In short, it must lead to a new outlook on life and the world and an attitude of self-confidence and assertiveness. The non-formal education approach could embrace different sections of the population: adult illiterates, women, workers, and the public at large. A variety of pedagogic methods, depending upon the local situation and having sufficient flexibility in content, should be built into the programme of non-formal education. Bureaucratisation in a non-formal education programme is apt to make it not only ineffective but also counter-productive. The present attempts at non-formal education vary from the use of audio-visual methods to focus the attention of acute social problems like housing among the poor (as employed, for example, by Science Education Group in Bombay) to the method of study classes, quiz competitions, classes for skilled and semi-skilled workers and adult literacy centres (as employed, for example, by Kerala Sastra Sahitya Parishad). The role of voluntary organisations in the non-formal education programme was recognised to be a crucial one.

A lot of time, both in formal and informal sessions, was devoted to the need for a people's health movement. The present health delivery system in India caters to the needs of the richer sections of the population. That the majority of the people do not receive adequate health care from the existing system and that the system has built up a very high cost structure leading to the emergence of powerful and interconnected pressure groups of medical practitioners and the pharmaceutical industry was emphasised. In initiating a people's health movement, care should be taken to look at the objective social, economic and political conditions under which the majority of the people live. Therefore, health

also is a means through which the majority of the poor should be helped to come out of their social and economic backwardness. The Convention underlined the need for a new outlook among the medical practitioners. There is need for a debate on the ills of the existing system and the search for alternatives in satisfying the health requirements of the people. There exist a number of voluntary groups, both national and international, who have been working towards an alternative health care system capable of reaching the poorest sections in the society. With the material already available, a well thought out document giving an alternative approach to the present health care system should be prepared and circulated among the medical practitioners and others connected with it. At the same time, a meaningful discussion on the various health sciences should be initiated so as to relate them to the objective conditions of the country. In such a discussion, the preventive and curative aspects and also the urban and rural orientation of different systems should be brought out. The example set by the People's Health Centre in Bangladesh was highly commended and the Convention felt that that example should be subjected to a closer study and analysis as it offers a great deal to those who are concerned with people's health.

The awareness that research in science and technology must be of relevance to people's needs led to the question: Who are the people? Since the irrelevance is mainly in relation to the poor people, the groups identified in answer to the question are the following: agricultural labourers, poor and small peasants, rural artisans and craftsmen and the urban workers.

It was recognised that a reorientation in the direction of research in scientific and other 'establishments' towards the needs of the people is not possible unless a radical social change takes place. But in the meantime scientists, who are aware of the misdirected and irrelevant research, have an important role to play in breaking the total isolation of the 'establishments' from the people. For this purpose, it is necessary above all for scientists to reject the elitist idea that they can solve people's problems from 'outside' and instead be prepared to learn from the people and from their perception of the problems. This would require a vigorous interaction between scientists and the people.

Considering the social and political constraints which operate in our society, it was also recognised that there are limits to what the scientists can hope to achieve through their commitment to relevant research. From this point of view, a distinction has been made between the generation of technologies appropriate to people's needs and their actual implementation and diffusion. The generation of technologies suited to the needs of the people and within their means was recognised as an important first step in the struggle for their implementation, for such knowledge about the existence and technical feasibility of means for raising the living standards of the poor people is important to the process of the struggle itself.

This led to the question of the political struggle and the necessity for scientists to establish communication with mass movements encompassing both political parties and such organisations as the KSSP. Accordingly three forces — scientists committed to research on people's needs, voluntary groups such as those represented at the Convention, and mass movements of the people — were recognised as the three constituent elements of a movement for bringing about the desired change in research. Mutual interaction among the three groups will not only bring 'relevant' problems of research to the forefront but also ensure that struggle takes place in favour of solutions offered.

The 'problems' of the people vary from region to region. An action programme, however, can be thought of in terms of the basic needs: those relating to housing, domestic energy, health and craftsmen. The precise content of the underlying research must be left to the people and the scientists working with them.

The slogan 'Science for Social Revolution', adopted by the KSSP raised many questions that deserve serious study. A theme paper on the subject (which follows) dealt not only with the role that science movements can play in bringing about radical social change but also with the precise character of *the movement in Kerala. While accept*ing modestly that the KSSP is a mass movement only in the sense that it reaches the masses on a wide scale, those associated with the KSSP noted also that there are trends within the movement which could make it revolutionary in orientation.

It was for the first time that a number of voluntary groups came together in a common forum to discuss questions relating to their involvement in the process of social and economic change and share their experiences. The very act of coming together was a rewarding experience for many.

Science for Social Revolution: The Kerala Experiment

Md Anisur Rahman

THE purpose of the following is to stimulate reflection and investigation about a phenomenon which deserves serious study to answer the many questions it raises.

SEEDS OF AN INTELLECTUAL AWAKENING?

A convention of this scale on 'people's science movements' is a significant event. It asserts that a culture of 'people's science' is emerging, or at least is seeking to emerge, in this region in South Asia; that knowledge created in institutions alien from the people is returning to the people. It may be questioned whether this has yet taken on the character of a 'movement', except in Kerala where a mass movement of scientists to go to the people *is* indeed visible, and the slogan 'science for social revolution' has been popularised. But it may be questioned what kind of 'social revolution' such a movement can be expected to promote.

Last August an account of the people's science movement in Kerala was presented by the convener of this convention to the cadres of poor peasants' movement and organisation in Maharashtra engaged in intense struggle with moneylenders for liberation from bondage, for reclaiming land illegally alienated to the latter, and for obtaining legal minimum wages. The cadres asked: "what is the relevance of such initiatives for the poor's struggle against exploitation"? The same cadres had been asked earlier how much conscious attention their organisation was giving to the development of productive forces in their area. To this they had replied that this was an academic question: their struggle at this stage was political, and the oppressed peasants would take to productive initiatives *only* when they would see the need for them to fight this political struggle; moreover, this consciousness would have to emerge from their concrete struggle and not from abstract analysis.[1]

As against this the popularity of the science movement in Kerala among the masses of its people is perhaps beyond doubt. Apparently, the masses are seeing in it a means of satisfying some of their felt needs — perhaps an access to knowledge that they must be seeing as useful in terms of their current aspirations. Whether this is true of the entire cross section of the masses in Kerala, in particular of the poorest strata of its society, may be questioned. The general popularity of the movement does *nevertheless* suggest that there is a basic difference between Kerala and other areas in the sub-continent, which has generated and sustained such a science movement here and not (yet) elsewhere.

The two situations touched upon above are perhaps two extremes. Other 'people's science' initiatives on smaller scales have been taken in other parts of the sub-continent, and a number of these have been sustained over significant lengths of time. Whom they are benefiting, and exactly in what way, are questions for in-depth investigation. But does one discern in these various initiatives the seeds of some kind of an intellectual awakening, a search for a new identity emerging from among the intelligentsia, manifest in a common urge to go to the masses of the people and seek to be of direct service to them as intellectuals equipped with *scientific knowledge* and a power of scientific analysis?

THREE TRENDS

In terms of the objective conditions prevailing in the region the generation of such an awakening is not surprising. The typical syndrome is: (a) perpetuation and aggravation of mass poverty; (b) continued polarisation of property, income and privileges through openly exploitative and often oppressive processes; (c) failure to develop the productive forces particularly in the rural society, notwithstanding continued advancement *of science and* technological knowledge; and (d) humiliating dependence on foreign aid, embodying among other things foreign knowledge and technology.

Intellectual frustration under such conditions may not be surprising. A people-ward intellectual movement under such conditions, however, can have an indeterminate combination of the following three trends: humanitarian; nationalist, and radical. A mixture of these three trends can in turn generate a variety of 'people's science' initiatives:

(a) *Frontier challenges*: going to the people and enquiring what their material needs are, and applying scientific and technological knowledge to meet them at costs within the means of a greater number of people;
(b) *Knowledge transfer*: mass education in science and technology;
(c) *Stimulating mass creativity*: working together with the masses to devise 'appropriate technology', in the process stimulating technological creativity of the masses;
(d) *Technology as a tool in political struggle*: devising technology to serve as a tool in the political struggle of the exploited masses against their exploiters; more 'self-reliant' technology from the point of view of the poor, through which they may have greater control over the production process;
(e) *Conscientisation*: seeking to raise the capacity of the poor to analyse their environment scientifically and bringing to them scientific knowledge of wider reality to help them take appropriate courses of action to change reality in their favour.

As far as appearances go, the first three varieties are consistent with the first two trends (humanitarian and nationalist). The third of these may not be inconsistent with the radical trend and may be seen to overlap with the fourth. The fourth and fifth are explicitly radical (note however that 'conscientisation' in improperly motivated hands can be reactionary or reformist, aimed at preserving or marginally improving, the societal *status quo*).

FROM ISOLATED INITIATIVES TO MOVEMENTS

None of such initiatives can have any social significance as long as they are limited to isolated efforts of local *dimensions*. *If they* do develop into wider movements, however, they introduce a new social culture and mode of social communication. The result can be socially significant, and may even go beyond the intended or apparent motivation of the initiators by generating new social dialectics which may take courses charted out by its own momentum.

To develop into a movement such initiatives require (a) appropriate subjective conditions in terms of (i) urges among the intelligentsia to go to the masses, and (ii) urges among the masses that respond to the specific initiative that the intelligentsia choose to take; and (b) objective conditions that make it possible for these initiatives to fulfil *significant aspirations* of the

cases. For example, an 'appropriate technology' may be devised or knowledge and skills acquired through scientific education; but these may not be marketable on a wide scale until there is a fundamental change in the pattern of income distribution. On the other hand, attempts at political 'conscientisation' may fail because the masses do not see social contradictions to be sharp enough to give priority to political action over, say, economic action that could immediately benefit them and for which there may still be room.

The Movement in Kerala

To what kind of 'social revolution' the people's science movement in Kerala may contribute? By its explicit objectives and what reports we have,[8] it includes more of the first three varieties than the last two. If the movement is widely popular, it apparently satisfies the subjective conditions (i) and (ii). These subjective conditions themselves should in turn be rooted in the objective reality of Kerala: there is poverty and there is exploitation; but is the state of exploitation so acute, the situation so oppressive, that the masses feel they have no hope in the social system as it is evolving? Note that there has been a succession of effective reforms in the state in the recent past and the transition from feudal and semi-feudal production relations to capitalism is at a relatively advanced stage. Once capitalism really emerges, the situation does not become immediately 'revolutionary' again: there is room available for the development of productive forces without another change in social relations. Furthermore, income and consumption disparities, the difference between town and country, in short, the gap between privileged and underprivileged — these seem to be less in Kerala than the general situation one sees in the rest of India. If this reading is correct, then the situation in Kerala today is not 'revolutionary' in the classical sense. Does this explain why people's science initiatives without a political struggle content are finding response among the masses in this state? Is it that the masses aspiring only to be better incorporated into the emerging capitalist system find in the science movement an easier access to the knowledge and skills that they feel they need to fulfil this aspiration?

I leave it to those more familiar with the situation in the state, and to more scientific investigation, to answer these questions. On these answers will rest the character of 'science for social revolution' that is in the cards in Kerala within the near future. If the situation is not ripe for another structural change yet, the only 'revolution' that can occur is a cultural one, culture conceived in its broadest terms including technology and the modes of social communication. Such a cultural revolution could speed up the process of 'quantitative development' of the society by broadening the base for creative initiatives that a scienticisation of mass culture and an integration of the intelligentsia with the masses could provide. In a process of capitalist development, this would essentially mean an alliance between the bourgeoisie and the direct producers to share the responsibility for innovation (as a trade-off for a wider sharing of the benefits of capitalist development that the socially conscious masses insist on getting). As a by-product, this may also make capitalism in Kerala more humane, where people would care more about people.

In thus speeding up the process of 'quantitative development' such a cultural revolution may contribute to the advancing of a subsequent 'qualitative transformation' of the society. But it would be too early to speculate on this at this stage.

Bringing the intelligentsia to the masses can have another by-product in reducing the distance between intellectual and manual labour, a fundamental class division in societies that has transcended many structural transformations. The accomplishment in this regard will vary according to the nature of the initiatives taken: the taking on of 'frontier challenges' to help the poor implies only a tangential contact between the intelligentsia and the masses, and the basic division of labour and its premises remain; so is it in the case of initiatives to transfer scientific knowledge to the masses. Possibilities of greater integration of intellectual with manual labour are however generated in initiatives of the latter three varieties.

Science in More 'Revolutionary' Situations

Elsewhere in India the situation is different. To go to the other extreme, what is the role of the intelligentsia in situations where the state of exploitation and oppression is acute, and a pre-capitalist mould prevails in which productive forces are unable to develop further, short of major structural change? The objective situation then is revolutionary, and the task is to mobilise the people to make the revolution. The enormity, and the many dimensional challenge, of the task is unquestionable. But, and precisely because of this, a scientific (intellectual) input into the process is critical. What should however be the character of this input?

Here ideas, as well as practices, differ. One trend assumes that intellectuals know 'what is to be done', and 'revolutionary intellectuals' have to mobilise and lead the masses for structural change and social reconstruction. While structural change may thereby be accomplished, the question remains whether dependence of the masses on the intellectuals will not continue, and the fundamental objective of radical action, namely, to liberate and develop creative mass energy, will not be frustrated; and whether, fundamentally, the alliance between 'revolutionary intellectuals' and the masses to accomplish structural change will not split later into a new class division, with the intelligentsia (technocracy) ruling and deciding things for the masses.

The other trend, perhaps still in the process of emerging, believes that the process of bringing about structural change is as important as the change itself, and this process should be dominated by conscious and organised mass action if structural change is not to degenerate into elitist rule by technocracy over the masses. The fundamenal task of revolutionary intellectuals with this perspective is to initiate process of conscientisation and organisation of the masses through which not only structural change may be accomplished, but conscious and organised mass power countervailing to the formal power of institutions, offices and specialists entrusted with specific tasks may also be created with the capacity to resist the abuse of such formal power.

Neither of these two trends is practised in its purity, nor is this possible to do so in reality. The first — elitist trend in revolutionary practice — is usually mixed with spontaneous mass initiatives in response to events that go beyond leadership or central designs. The second trend — mass-line in the very process of mobilisation for structural change — has to compromise in reality with the need for centralist impositions according to exigencies of circumstances. But 'revolutionary intellectuals' need to clarify their ideas as regards their basic commitment which will determine their strategy

where there are options, and this is essentially a choice between leading the masses towards social revolution and raising the capability of the masses to make one, in alliance with the intelligentsia but not in subordination to them.

The role of science in raising mass capability to make a social revolution is critical. It consists, first and foremost, of generating a scientific attitude and culture of scientific enquiry among the masses, so that they can move from sensory perceptions of their social experience to conceptions and analytical frames and from fatalistic prejudices to a realisation of their power to change reality in their favour; adopt systematic methods of investigations of their problems; learn to synthesise experience and consider alternatives systematically. The second important role is to bring to the masses systematic knowledge of the wider social structure of which their immediate environment is an organic part but to which the masses are less exposed, a knowledge that is critical in choice of strategy for social action. A third is to bring to them the experience of initiatives to change society taken elsewhere.

When combined with such a role, initiatives to develop 'appropriate technology' analytically determined jointly with the masses, in accordance with the requirements for the struggle for social change, can be of considerable value. Struggle for social change is a hard course to take, and a combination of economic initiatives to give greater staying power to the masses in this struggle, if possible, will certainly help. Search for 'appropriate technology' with this political perspective is therefore valuable. The involvement of the masses in technological innovation — if there is scope and time for it in their struggle for social change, or still better, if they are stimulated in this by the struggle itself — may be even more valuable, by demonstrating to them that it is in their power not only o change the social reality but the physical reality as well, thus giving them a consciousness and personality that may stand them in good stead if there is a [illegible] of technocracy taking over the [illegible] the new social system.

[illegible] is a vast country, and the objective situation in various areas differs widely. What is the appropriate role of science in people's development in situations which are less clearcut than either of the above — for example, in situations where exploitation and oppression is acute but room still exists for economic (technological) initiatives to improve the material status of the poor, at least upto a point? Many persons will deride such initiatives as 'reformism'. But can the masses be easily mobilised for exclusive political action for structural change if scope for economic improvement within the existing structure still exists? Should progressive forces stand aloof allow such opportunities to be siezed by real reformists thereby distracting mass attention from the need for fundamental social change for a more sustained improvement of their lives? Or should a combination of economic and political mobilisation be attempted, which would hence give wider scope for people's science initiatives to apply a fuller kit of its tools?

The Movement Must Continue

While these questions are debated, the 'people's science movement' should continue. This for three reasons: first, the debate would be abstract, at the level of mere intellectual gymnastics, if it were confined to conventions and seminars amongst intellectuals only. The people must be involved in the debate, and for this alone the intelligentsia must go to the people and discuss with them how best they can contribute to a revolutionary release of people's creative energy. Secondly, the debate must also be rooted in social practice; initiatives have to be taken in order to find out what kind of initiatives would be most appropriate. The process of life and social dialectics is dynamic and no static knowledge is appropriate to steer it towards progress; one must learn to take the best feasible initiative to start with according to existing knowledge and reality, and adjust action thereafter to new knowledge and changes in the course of reality that the initiative itself may generate. Finally, 'revolutionary intelligentsia' is not a closed, static set either: it is a set that is continuously created and recreated by social processes, through which new elements are added and some old ones become obsolete. If elite intellectual life itself is producing 'drop-outs' who seek an identity with the struggle of the oppressed, one may expect only more of such consciousness to emerge in intellectuals from a direct contact with the people. We have been told that in the Kerala science movement itself scientists initially motivated simply to transfer knowledge to the people have started seeing the social dimensions of the problem of mass poverty. Seeing the real dimensions many will undoubtedly fear to 'cross the line'; but some will, and 'one will split into two', as in China's 'May Fourth Movement, releasing a stream that will reinforce and enrich the revolutionary trend.[3] Such positive potentials of the process will be larger, the larger the movement can become, besides the direct positive contents of such a movement as suggested earlier (broadening the base for creative initiatives and reduction of the gap between intellectual and manual labour). It is difficult, indeed, to think of a richer cultural base for a social revolution than a massive contact of the scientific community with the broad masses of the people.

Notes

[This paper, written in the author's personal capacity, was presented at the All India Convention of People's Science Movements, Trivandrum, November 10-12, 1978.]

1 See G V S de Sylva, Niranjan Mehta, Anisur Rahman and Ponna Wingnaraja, "Bhoomi Sena, A Struggle for People's Power", (pre-publication draft), 1978, pp 98-99, note.

2 "Science for Social Revolution", *EPW*, June 26, 1976.

3 See Chow Tse-tsung, "The May Fourth Movement, Intellectual Revolution in Modern China", Stanford, 1960, for the fullest account and analysis of the movement. Also see Mao Tse-tung, 'The Culture of New Democracy', in "Mao Tse-tung on Literature and Art", Peking, 1967.

Stovec Screens India

STOVEC SCREENS INDIA has turned out good results for the fifth year ended September last, with a gross profit of Rs 35 lakhs against Rs 21 lakhs in the previous year following higher sales of Rs 92 lakhs against Rs 66 lakhs. Net profit is even more impressive at Rs 26 lakhs (Rs 12 lakhs), for as yet there is no tax liability in view of the brought forward unabsorbed depreciation and development rebate and claim under section 80 J of the Income-tax Act. This outcome has occurred despite lower production of 26,787 metres of perforated rotary screens as against 29,340 metres produced last year and the installed capacity of 48,000 metres per annum. The company is diversifying into manufacture of photosensitive chemicals and lacquers and has obtained an industrial licence as also a licence for the import of basic ingredients required in their manufacture. Regular production is expected to commence shortly.

Search for Stable Exchange Rates

Ramesh Jaura

WHEREAS West German Chancellor Helmut Schmidt and French President Giscard d'Estaing have reason to rejoice over the coming into operation of the European Monetary System (EMS) on January 1, as scheduled, Indian officials in Bonn and Brussels fear that the new system will have adverse effects on the value of Indian exports to the EEC. In fact, the EMS has been causing concern not only to India and other underdeveloped countries but also to the US.

At the heart of the EMS is the European Currency Unit (ECU). The ECU is a basket of currencies, the amount of each currency included reflecting the distribution of trade between the members of the Community. The Indian fear is that the introduction of the new accounting unit would negatively influence the quotas reserved for the country under the general scheme of preferences (GSP). Details of such effects are being studied by the Indian mission to the EEC at Brussels. Official sources are, however, optimistic that the expected adverse effects could be neutralised by pressing for an increase in quotas, particularly those for textiles, sea food and tobacco.

The EMS is more or less an exclusive creation of western Europe's two major countries, West Germany and France, which have been coming closer to each other for reasons of their own. Both Schmidt and Giscard want western Europe to play an important role in the world, conforming to its growing economic strength. An effective first step is to defend the western European currencies against the vagaries of the dollar. By promoting currency stability, they hope to create a climate of confidence for investment and economic recovery in the EEC countries.

Bremen Blueprint

The idea was initially discussed at the EEC summit in Copenhagen last April between West German and French leaders. The fact that other EEC partners were not consulted gave rise to much resentment. However at the EEC summit last July in Bremen, the Nine agreed to draw up a blueprint for maintaining exchange relationship between the EEC currencies that wanted to participate in the proposed scheme. Britain and Italy expressed reservations, though they did not oppose the plan. The Bonn economic summit of the world's seven topmost industrial nations did not go farther than taking notice of the blueprint evolved at Bremen.

The Bremen blueprint was further discussed at a Franco-German summit in Aachen, which resulted in a compromise on the exchange rate mechanism. A broad agreement on this compromise formula was reached among the EEC finance ministers when they met in Brussels in mid-September. The sole opponent was Britain whose Chancellor of the Exchequer, Denis Healey, seemed quite taken aback by the turn of events, especially as he was under the impression that the French supported the British view.

The Franco-German compromise accepted by the finance ministers combined elements of two proposals under consideration for linking EEC currencies. The first, known as the 'basket system', envisaged denomination of currencies in terms of floating unit such as the European unit of account. The second envisaged a 'parity grid' in which currencies would be linked directly. The basket system was initially advocated by Britain, France and Italy. The parity grid was urged by West Germany and Netherlands.

The compromise proposal generally accepted in Brussels leans closely on the previous mechanism — the 'snake' of jointly floating currencies. But at the same time it seeks to prevent at the outset the possibility of weaker currencies dropping out as they did in the case of the snake. This is sought to be achieved by using the basket system as an 'early warning system' which would necessitate consultation between monetary authorities without automatically leading to intervention. Such intervention would be determined essentially by upper and lower limits of fluctuation fixed in parallel parity grid. However, once one currency reaches its upper limit and another automatically the lower, monetary authorities responsible for both currencies would be obliged to intervene.

The decision on EMS is undoubtedly the most important decision of its kind since the Bretton Woods System agreed in 1944 broke down in 1972. But there are quite a few even outside Britain who question the wisdom of regarding floating exchange rates as the root of world economic problems. The talk about 'stable rates', they point out, is in fact nothing but [illegible] fixing [illegible] rates by a political [illegible] of a market process.

No Panacea

Further, the fervent supporters of stable exchange rates theory as a panacea for international economic problems are all persons who were finance ministers at various stages of the breakdown of Bretton Woods. All of them took some personal knocks as the old system crumbled and now see it as a lost paradise. These leaders, it is pointed out, tried to be their own economic advisers. The finance ministers did not attend the early December summit in Brussels which decided to give birth to the EMS.

There is indeed a lot of relevance in this criticism. Even if the EMS should succeed in stabilising the exchange rates of western Europe's leading countries the basic imbalances in the international economy would remain. Developing countries of western Europe would continue to suffer at the hands of more advanced countries. Their problems could be solved at best only partially by borrowing from the more advanced countries like West Germany or from the European Monetary Fund which is to be set up in the next two years. The gap between the trade and level of economic development of the rich like West Germany on the one hand and Italy, Ireland as well as Spain, Greece and Portugal at a later stage, when they join the EEC, on the other, would continue to widen.

Instead of a two-tier Europe of which Schmidt and Giscard would perhaps go down in history as architects the coming years would see at least a four-tier Europe, divided among the rich, the less rich, the poor and the poorest. The European Monetary System, even if it succeeds, would put all but a break on this pending division.

Besides, it is doubtful if the EMS in operation would succeed in achieving European unity which EEC has been striving in vain for the last 20 years. Whether on economic, fiscal or political issues, the Nine are not prepared to forgo their national ego for the sake of larger continental interests. Britain has shown that during the course of the birth of EMS. But Britain is not the only defaulter. The French who since the days of de Gaulle have been zealous advocates of greater independence for western Europe *vis-a-vis* the US are all but prepared to shed their national pride in favour of a genuine European unity. Despite all that Jacques Chirac has to say about France's sell-out, Giscard has shown himself to be a tough bargainer on the EMS.

Beyond the 'Islamic Republic'

In the continuing, irreversible revolutionary explosion of the Iranian people it is becoming more and more impossible to deny both the spontaneous readiness of the people to fight against the Shah — which is what gives the struggle its breadth and tumultuousness — and the existence of organised Marxist revolutionaries who are giving it a disciplined backbone.

Yet the Western press has been trying. From beginning to end the people's struggle has been depicted as one guided by emotions of religious fanaticism, directed as much against the Shah's 'modernisation' programme as against his tyranny. Martin Wollacott in the *Guardian* agonises about the paradox that "blue-jeaned girl students follow the flags of a religious movement which, if it could, would thrust them back into the homes from which they have only just escaped" (November 28, 1978). Iranian society is pictured as one of depoliticised mutually hostile classes — a small cosmopolitan elite whose liberalism the Shah unfortunately gave no scope to, an alienated and traditionalistic petty trading class, an atomised proletarianised lower class thrown off the land and festering without expression in the cities — all of them with presumably nothing to organise them or hold them together but religion. The conclusion? The Shah must be clung to, at least for some time until a more viable alternative can be built up; or else there will be chaos and a wave of Muslim fanaticism or military dictatorship worse than "the relatively innocent variety now imposed".

Who and what forces are in reality presenting the opposition to the Shah? Muslim traditionalism is only part of this, in spite of the fact that the main political personal alternative to the Shah at present is a religious leader, Ayotollah Khomeini, an intransigent, orthodox, anti-Western leader of the millions of Shia Muslims. Khomeini has indeed defined his ideal as that of an 'Islamic Republic' and in interviews reproduced by his Iranian supporters has firmly repudiated any alliance with any sort of Communists: "We will not collaborate with the Marxists even in order to overthrow the Shah... We are opposed to their ideology and know that they will always stab us in the back."

Why really is such a man unacceptable to the West, which has learned to accommodate very well the anti-Communist 'Muslim fundamentalists' of Saudi Arabia and elsewhere? The reason is that if Khomeini does indeed 'come to power' he himself will be unable to control the revolutionary ferment among the people.

Khomeini recognises this, which is why he is forced to speak in the language of democracy. "Our ideal is the creation of an Islamic state. Nonetheless our first concern is the destruction of this autocratic regime.... In the society that we wish to establish the Marxists will be free to express themselves, because we are convinced that Islam has the answer for the needs of the people". These are brave words, but in fact Khomeini can do little else, cannot prevent the Muslim masses he claims to lead from collaborating with revolutionary guerillas, can do nothing else if he replaces the Shah than to allow the democracy that is the minimal demand of the people.

It is irrelevant in the present conditions whether Khomeini himself wishes to put women back under the veil, deprive the West of its oil supplies and investment outlets or whatever. What worries the Western powers is his inability to hold back the revolution. And that revolution, fuelled by the hatred of the people for the Shah's tyranny, by the frustration of the Muslim petty bourgeoisie and the revolt of the growing Iranian working class against their hitherto unchecked exploitation, is a revolution that has been and is being organised by revolutionary guerillas.

The revolutionaries of Iran — the 'communist extremists' whom the Shah constantly accuses of allying with Muslims in a red and black reaction' — are not the Iranian Tudeh Party (the "Masses" Party, i e the official pro-Moscow communists) The Tudeh party has little standing inside the country, having functioned almost entirely in exile since the coup against Mossadegh in 1953, and has been unable to maintain any real links with the masses. Even its Maoist splits took place in exile and the 'Marxist-Leninist' organisations have also developed entirely abroad, though they have tried to implant guerillas inside the country. The result is that while the 20,000-member Iranian Students Association in Europe and the US was split five ways over debates about whether the US, the USSR or both superpowers were the 'main enemy', the revolutionaries in Iran functioned without paying them much attention.

The two revolutionary organisations that count today are the Fedayeen (Guerilla Organisation of Devotees of the People of Iran, or *Chirikha-ye-fadayee-i-Khalq*) and the People's Combatants (Iranian People's Combatant Organisation, or *Mojhidin-i-Khalq*). Neither organisation has extensive international contacts (except with some Palestinian groups and the revolutionaries of Dhofar, the latter of whom they aided when Iranian troops were sent to put down that revolution) or publications Formed in the late 1960s in an utter vacuum of any functioning communist movement, they are new revolutionaries, with respect for both the Chinese and Russian revolutions but not bound by the organisational hegemony of the parties which now speak in their name. The fact that some publications now describe them as 'Regis Debray' type groups only shows the inability to conceive of an autonomous revolutionary development. Basing themselves on Marxism-Leninism, they have nevertheless developed autonomously in the new condition of societies in the grip of post-colonial imperialism.

The two organisations have their differences. The People's Combatants were founded first, in 1965, as an 'Islamic Marxist' organisation but have become progressively less bound by Islams while the Fedayeen have described themselves as Marxist-Leninists from the beginning But the two work closely together and share a common orientation to the necessity of armed struggle. The rationale for organising as a guerilla fighting force was clear: only a power which could strike some blows against the regime could grow, and a communist organisation which held back from action under the theme of 'survival' and 'preserve the cadres' would have no contacts with the masses, would not grow, would be guilty of liquidating the party. And the only kind of blows that could be struck against the Shah's dictatorship were armed ones.

The guerillas were never under any illusion that their 'small squad' activity would lead to immediate mass uprisings. Rather, as it was put in one of the few surviving articles by Amir Parviz Pouyan, a Fedayeen founding member, the beginning point was the utter isolation of revolutionary intellectuals from the workers: "Our situa-

tion is not like the example of fish living in the sea of the peoples' support. Rather, it is the case of small and scattered fish surrounded by crocodiles and herons". But the reason for the isolation was not simply the repressive apparatus of the Shah, but the culture of helplessness and alienation it had created among the workers who remained 'manageable sheep' because they saw no way to act. In this situation continuing guerilla blows delivered by even a small vanguard would not merely demonstrate to the proletariat that the vanguard could act, but would stir the proletariat to a consciousness of its own power and break the hold of the oppressive culture which pictures the enemy as absolute. "The proletariat will think of the vanguard with passion not only because it sees that, for its sake, a small group has gone into battle with an enemy equipped with an extensive arsenal, but all the more so because it sees its own future directly aligned with the future of this group.... The spell breaks and the enemy looks like a defeated magician."

So wrote Pouyan, only some months before the first guerilla actions were initiated and defeated in the forests of northern Iran and only about a year before he himself was killed in action in a gun battle in Teheran. But it is clear that from the beginning the revolutionaries saw guerilla activity not as an alternative to organise the working class on its immediate economic as well as political and cultural needs, but as a way of organising the working class. And it is also clear that the present explosion taking place among that working class, which has put forward political demands (time for study classes in their factories; release of political prisoners) as well as economic ones, is a vindication of the willingness to fight of the early isolated few.

Both the Fedayeen and the Peoples' Combatants see themselves as working towards the formation of a revolutionary party and are still developing their full political line. Both see the Soviet Union as revisionist, but consider US imperialism and the Shah to be the main enemy. Apparently the Peoples' Combatants tend to emphasise the 'semi-feudal' nature of Iranian society more than the Fedayeen do. The latter have put forth a brilliant critique of the Shah's 'agrarian revolution' in which they argued that feudalism in Iranian agriculture was indeed destroyed, with the result that impoverished peasantry were driven off the land to constitute a proletarian reserve army available for capitalist exploitation — and also for revolutionary mobilisation. According to this pamphlet, the Shah and the ruling class are a 'comprador bourgeoisie'; thus this event (the Shah's 'agrarian revolution') consisted of 'imperialism (i.e, via the compradore bourgeoisie) destroying feudalism'. This is not an orthodox position according to any traditional Soviet or Chinese analysis which continues to treat such an event as an impossibility by definition; thus though the Fedayeen are using orthodox terms such as 'comprador' and 'national' their analysis appears to have been moving in a different direction.

The Fedayeen and the Peoples' Combatants not only survived the years of tyranny and the unspeakable tortures of SAVAK, but have continued to grow and develop their skills of organisation. How much they have been behind the current upsurge is, in the nature of things, impossible to say. But whoever has some familiarity with not only the fighting spirit but the very culture of secrecy and the organising ability of Iranian students abroad should have no difficulty in suspecting that some oganisation lies behind both the repeated, massive street demonstrations and the concurrent working class strikes which have halted oil productions and are causing nightmares to international capital.

It is also unclear how the guerillas will cope with the situation if Khomeini should form a government and a period of 'democracy' should actually come into being. How will the previously underground groups functioning in an atmosphere where no dissent could be expressed deal with the need to create an open, clear revolutionary political alternative? However, their ability should not be underestimated. Already the released prisoners — whose release was demanded by mass demonstrations and oil workers' strikes — are on the streets and the fighting people have become able to see starkly and fully just who has been fighting for the last ten years and what the cost of that fight has been. It is no wonder, perhaps, that the Western powers as well as various elements of the Iranian upper classes, including religious 'moderates' and liberals, are trying to cling to the Shah. The alternative they fear is not that there is too much chaos in Iranian society, but that it may be very well organised indeed.

DOCUMENTS

Levels of Food Consumption

IN response to a request from the Food and Agriculture Organisation (FAO) for its project to collect information on levels of food consumption in different countries, the National Sample Survey Organisation (NSSO) took up the tabulation of NSS consumer expenditure data for providing estimates of calorie intake of the people of different states in India from the information on quantity of different food items available in NSS schedule of enquiry on consumer expenditure. The results were based on the consumer expenditure survey of the NSS 26th round (July 1971-June 1972). The complete set of results have been published (NSS Report No 238) in two volumes. Volume I contains the technical details of the survey, the procedure adopted in deriving the results presented in the report and the results for the rural areas and Volume II contains the corresponding results for urban areas. The summary of findings of the report is reproduced below:

The average number of persons per household in India was 5.26 (5.39 for rural and 4.72 for urban). Correspondingly the number of consumer units per household was 4.29 for rural, 3.81 for urban and 4.19 for all-India.

The ratio of number of consumer units to the size of a household was found to be fairly stable — fluctuating within a very small range about the value 0.80. So for all practical purposes 0.80 may be used for conversion from per capita to per consumer unit or *vice versa*. At the all-India level, the ratio was 0.79 both for the rural and the urban areas in the lowest per capita expenditure class (Rs 00-15) which slowly increased with expenditure level and assumed the value 0.81 in rural areas and 0.84 in urban areas at the highest expenditure class (Rs 100 and above per capita per month).

At the all-India level the average calorie and protein intake per consumer unit was found to be 2,719 cals and 77 gms, respectively. While the calorie intake was slightly lower than the minimum requirement of 2,750 cals per day per consumer unit, the level of protein consumption was considerably higher than what is considered to be the minimum requirement. Thus the estimates show that the total food used for domestic consumption could provide nearly the minimum energy requirement for the population as a whole. From the results it is also observed that the major part of the nutrients is derived from the first two

TABLE

	Rural			Rural		
	Percentage of Households Consuming less than 2700 Cals	Intake of Calories		Percentage of Households Consuming less than 2700 Cals	Intake of Calories	
(1)	(2)	Median* (3)	Mean (4)	(5)	Median* (6)	Mean (7)
(1) Andhra Pradesh	54	2588	2666	61	2508	2617
(2) Assam	55	2605	2665	55	2626	2616
(3) Bihar	51	2667	2732	44	2814	2763
(4) Gujarat	45	2840	2822	53	2641	2625
(5) Haryana	22	3450	3652	45	2820	2789
(6) Himachal Pradesh	33	3038	3190	38	2946	2823
(7) Jammu & Kashmir	13	3419	3490	44	2789	2772
(8) Kerala	74	1928	2023	67	2113	2103
(9) Madhya Pradesh	37	3101	3536	46	2780	2850
(10) Maharashtra	59	2514	2567	59	2539	2502
(11) Meghalaya	61	2587	2577	52	2669	2623
(12) Mysore	51	2678	2839	63	2432	2372
(13) Orissa	57	2516	2533	46	2778	2737
(14) Punjab	27	3437	3711	40	2989	2806
(15) Rajasthan	38	3092	3213	42	2899	3006
(16) Tamil Nadu	64	2295	2394	68	2293	2239
(17) Uttar Pradesh	32	3180	3198	50	2697	2616
(18) West Bengal	71	2250	2311	61	2551	2431
(19) Delhi	34	2935	3040	53	2651	2579
(20) Goa, Daman & Diu	58	2553	2350	54	2622	2614
(21) Manipur	39	2941	3109	34	2985	2948
(22) Pondicherry	66	2343	2391	56	2533	2410
(23) Tripura	47	2751	3027	51	2691	2857
(24) All-India	49	2730	2724	56	2584	2699

* Computed by applying. Lagrange's interpolation formula to three consecutive cumulative percentages of households by per consumer unit per day calorie intake groups.

food groups which are mainly composed of foodgrains — cereals and pulses. So, from the observed results, it can be inferred that the quantity of foodgrains actually consumed by the population of the country could almost meet the minimum requirement. Some further studies are however needed before any firm conclusion could be made. In spite of this, it is also observed from the results that a large section of the population in most of the states do not get enough food. The real problem seems to be distributional imbalance where more food than necessary is consumed by some, while a good number of persons are forced to remain satisfied with inadequate food which they are able to procure for their consumption.

It is well known that in our country, the major part of nutrients in food is derived from cereals and starchy roots. Of the total calorie intake, more than 82 per cent in rural areas and 71 per cent in urban areas is derived from cereals, starchy roots and sugar. This proportion declines progressively with rise in per capita expenditure level, both in rural and urban areas. For the other food groups, an opposite trend is observed. In urban areas, comparatively higher proportions of nutrients are derived from food rich in good varieties of protein (milk, meat, egg, fish, etc) while in rural areas the share claimed by the group 'pulses and nuts' was larger.

Proportion of households below the required level of calorie intake which has been taken to be 2,700 cals per consumer unit was found to be 49 and 56 per cent for all-India rural and all-India urban, respectively. Generally the proportion was low for the states where the average per consumer unit calorie intake was high. Rural areas of Haryana, Jammu and Kashmir and Punjab with high level of calorie intake (above 3,400 per consumer unit) had respectively 22 per cent, 13 per cent and 27 per cent of the households having per unit consumption below 2,700 cars per day. Kerala and West Bengal reported very low calorie intake of 1,928 and 2,250 for the respective rural areas. More than 70 per cent of households of these two states reported consumption less than the minimum level. Per consumer unit intake of calorie was above the minimum requirement in Gujarat (2,840), Haryana (3,450), Himachal Pradesh (3,038), Jammu and Kashmir (3,419), Madhya Pradesh (3,101), Punjab (3,437), Rajasthan (3,092), Uttar Pradesh (3,180), Delhi (2,935) and Manipur (2,941). On the other hand, the rural areas of most of the eastern and southern states of India reported levels of calorie consumption well below the minimum requirement.

The pattern was however slightly different in the urban areas. In general for the states where the calorie intake per consumer unit in rural areas was considerably higher than the minimum requirement, the corresponding level in the urban areas was much lower. Similarly states with low calorie intake in rural areas recorded higher intake in urban areas. Urban areas of Rajasthan reported the highest level of 3,006 calories per consumer unit among the urban areas of all the states. Although for Kerala, the per consumer unit calorie intake in urban areas was higher than that of the rural areas of the state, the level (2,103 cals) was much below the minimum requirement. The level of calorie intake was of the same order for all-India rural (2,724 cals) all-India urban (2,699 cals). Over the states, the distribution in urban areas thus shows much less variation as compared to variations observed over the rural areas of the states.

The Table shows the percentage of households consuming less than 2,700 cals per consumer unit per day, the median value (50 percentile point) and the mean calorie intake per consumer unit per day for the rural and urban areas of each state and union territory of India.

Standard Chartered Bank

STANDARD CHARTERED BANK's trading profit for the six months ended September 1978 improved to £ 67.2 million (Rs 108.5 crores), from £ 62.5 million for the corresponding period of 1977, an increase of 8 per cent. But for the appreciation of sterling against the currencies of many of the countries where Standard Chartered operates, the improvement would have been of the order of 17 per cent. After providing for taxation (£ 32.5 million), minority interests (£ 5.4 million) and extraordinary items, profits attributable to shareholders is £ 28.6 million (corresponding period last year £ 26.6 million). The Directors have declared an interim dividend of 8.5 pence per share (12.69 pence before tax) which will absorb £ 5.9 million, leaving £ 22.7 million to be retained in the Bank's books. The Standard Chartered Bank Group is the UK's largest independent overseas bank, with over 1500 branches in some 60 countries, and its Head Office is in London. In India the Bank operates as The Chartered Bank.

Steel Frame of Obsequiousness

C S

British Bureaucracy in India: Status, Policy and the ICS in the Late 19th Century by Bradford Spangenberg; Manohar Book Service, New Delhi, 1976; p 380, Rs 75.

BRADFORD has engaged the ICS in a strip-tease. A formidable achievement, no doubt; considering that few contemporary myths have found securer lodgement in human gullibility than the one relating to the Steel Frame. To talk of integrity and efficiency in connection with the ICS has for long been considered tautological. Surviving the Raj, the myth has been transmitted to the unlettered millions in the successor nation-states through oral local history. Possessing the intelligentsia also, it has wormed its way into learned treatises on the subject. Post-1947 continuation of the myth has, among other causes, much to do with the contrast between the *experienced* present and the *remembered* past.

Thus, to offer but a couple of examples, K K Aziz would have us believe that British India was better administered than Great Britain herself. (See "The British in India: A Study in Imperialism", Islamabad, 1976.) And for B B Misra — significantly, the only historian for whose assessment of the British Indian bureaucracy Spangenberg has some respect — the future of India would be determined by the extent to which it can extricate itself from its old traditions and move along the lines of rationality and morality provided by the imperialistic bureaucracy. (See "The Bureaucracy in India: An Historical Analysis of Development up to 1947", Delhi, 1977. But Spangenberg is relying on Misra's "The Administrative History of India 1834-1947" which, in terms of general orientation and basic conclusions, is not different from his full-fledged study of the bureaucracy.)

Holding on to some perspicacious insights offered by George Orwell in "Burmese Days", Spangenberg deals with, and demolishes, particularly three aspects of the ICS myth: its popularity, in Britain, as a profession; its administrative efficiency; and its self sacrificial *esprit de corps* which made the welfare of the Indian people the primary concern of the British Indian government.

A detailed examination of the problems and pattern of recruitment to the ICS shows that within eight years of the introduction of the competition system, recruitment "fell into a negative syndrome" from which, despite a variety of efforts from time to time, it "could never really lift itself". While contemporary critics lamented the decline in the class origins of the successful candidates, the real indictment of the competition system lay in the progressively depressing educational background of these candidates. Oxford and Cambridge, the "two great universities fell from a position of predominance to one of minimal significance in the competitive programme, while the percentage of positions gained by Irish youth remained relatively high and eventually surpassed that of Oxbridge students". The syndrome may be differently described: "In 1866, sixty-two per cent of the recruits held no degrees while in the following year the proportion of non-graduates rose to seventy-nine per cent." Restricted job opportunities in England rather than the attractiveness of an Indian career determined the quality of personnel.

If the human stuff that could be sent out to India offered a dim prospect, service conditions in India did little to mould it into something better. Maybe, the contrary. The system of officiating appointments and acting allowances produced what Spangenberg describes as "civilian transiency" or "mobility malady". As T C Hope put it: "Everybody is acting for everybody else." Apart from quoting a hilarious excerpt from an official file, Spangenberg concretises this general observation with the help of a table showing the number of times the charge of districts changed in a single year, i e, 1898-99: two times in 61 districts; three times in 49; four times in 27, five times in 23; six times in 6; seven times in 5, and eight times in 2. The evil was recognised. Remedies were known. But, because the possible remedies threatened entrenched civilian interests, the system remained unchanged.

Then there was the problem of provincial consciousness which produced a vertical stratification in the ICS cadre and generated what Ripon called "a bastard *esprit de corps*". This was particularly pronounced in Bombay and Madras. Aware of the relevance of this aspect of his enquiry to post-1947 Indian polity, Spangenberg relates his discussion to the work done by Paul Appleby on independent India's administrative system. But, apart from suggesting historical parallels, he is unable to indicate the course the evolution provincial consciousness took in accordance with the changing political scene.

If provincial consciousness created vertical stratification, inter-service rivalry within the ICS brought about a horizontal stratification that cut across provincial boundaries and affected the character of the Service within each province. While this stratification ranged from the district level to that of the secretariat, perhaps the most acrimonious division of this kind existed between the judiciary and the executive. Whatever the nature of stratification, efficiency was invariably the worst casualty.

All these, however, are the preliminaries of the strip-tease. The climatic operation is described in connection with the covenanted civilian's obsessive concern for promotion, prestige and status. His very psychological sustenance in a strange, noxious land came largely from visible periodical assurances of official approval in the form of promotion, transfer to a coveted station or titles. And, apart from social connections, what brought forth approval was obedience. "It would be bad precedent to reward contumacy", confided Hamilton to Elgin. This was a secret that was known to every civilian in India. Being ambitious and aware that subservience passed for loyalty, he soon learnt to act, at every level except that of the India Council which represented the ceiling of his promotion, as an instrument for his superiors. Hence Kimberley's warning to Dufferin: "In many cases you will get from your subordinates the advice they think will please you, rather than their independent opinion."

Spangenberg substantiates the calculated and opportunistic malleability of even the highest placed Anglo-Indian civilians with case studies, the most detailed and telling being his analysis of the behaviour of Mackenzie and MacDonnell during the chequered course of the Bengal Rent Bill. MacDonnell, for example, championed Ripon's pro-ryot Rent Bill and viewed himself as its saviour when poor Ripon "was getting anxious" "in the face of what he mistakes for public opinion". But when Dufferin decided to so amend the Bill as to favour the zamindars, MacDonnell

was at hand to reassure the new Viceroy "that exaction of excessive rents is not a charge which lies at the door of the Bengal zamindars as a class".

And MacDonnell, it is worth stressing, did not belong to the common run of civilians. Elgin saw him as "the only one among the higher officials who could consider views in a wider framework than his own personal ambitions"; and Curzon, despite his massive contempt for the ICS, singled MacDonnell out as one who "in this pigmy-ridden country ... at least has mental status". This man with mental status was not above slinging mud on persons for whom he was officiating as chief commissioner or lieutenant-governor in order that they might decide against rejoining and he might succeed them as a permanent incumbent. One can imagine how much more myopically selfish the pigmies must have been.

This was not mere human failure. As Spangenberg concludes, the "covenanted civilian did not live in a frame of reference conducive to an idealistic conception of his role". And, paradoxically, those at the helm of affairs who lamented the dearth of calibre and initiative within the ICS and were in a position to initiate reforms ensured the perpetuation of what Spangenberg picturesquely calls "the steel framework of obsequiousness". Here is a departure that provides a corrective to the existing historical perspective on bureaucratic behaviour in India.

Equally significant is the fact that the very bureaucrats who "trembled at the nod of the Viceroy" could, in the event of a real or imaginary threat to their security, stand up to him and frustrate his efforts either by disregarding an impugned measure or by so interpreting it as to make nonsense of it. The Ilbert Bill, local self-government scheme and Indianisation of the civil service are some of the cases studied by Spangenberg to illustrate the recurrence of bureaucratic recalcitrance.

Without writing from a radical perspective, Spangenberg offers at least one radical angle when he observes about the much vaunted rule of law: "There may have been less marauding under the British rule, but literate and powerful classes used the alien legal system in a subtle fashion to exploit and to undermine the position of those less knowledgeable or less powerful. Vast numbers of peasants or landholders had seemingly as little (perhaps less) security of land tenure under British law as under previous regimes."

In a work of such significance factual errors like the Raja of Benares being a Muslim and Dadabhai Naoroji a Bombay lawyer may be overlooked. So also, perhaps, its literally countless printing errors.

What is really perplexing is a recurring lack of clarity about the designs of the British Indian administration. We are told, for example, that beneath the impressive facade of the British Raj it was often the indigenous elites who actually ruled while civilian transiency rendered impossible the location and redressal of injustice. This assertion is made without reference to the distinct possibility that at the local level these 'petty' injustices were not intended to be redressed; a possibility that, interestingly enough, figures in Spangenberg's observations regarding the maintenance of the *status quo* with its delicate balance between the landlord, bania and the cultivator (*cf*, pp 74, 130, 188, 198, 213, 236). After all, the local elites, being wedded to the Raj, were not meant to be weakened.

Studying Politics in a Vacuum

Ignatius Chithelen

Party and Democracy in India by S N Sadasivan; Tata McGram Hill; pp 536; Rs 87.

THE book contains a vast amount of information including dates and places of origin of well over a hundred parties, brief accounts of the personalities involved in them, their purported aims, splits and factions. Hence it could serve as a useful source for data.

However in the analysis of data presented the right inferences are seldom drawn. For instance, in a chapter entitled 'Party and Finances' contributions made by some large industrial houses during the 1967 general elections are listed. Such donations and their fall-out ("leading entrepreneurs having a number of industrial undertakings like Birla, Dalmia and Goenka, long time sympathisers of the Congress, with their newspaper combines and chains, established stronger monopolies than before ...") should have had to lead to important conclusions about the functioning of democracy in India. But the author makes no such attempt. He states that the RSS believes in "the efficacy of unselfish and benevolent single supreme leadership ... No doubt the parties of Hindu persuasion have many things in common with fascism, yet there are in them many elements which are opposed to and despised by fascism". While the qualities that such parties have in common with fascism are listed those believed to negate their fascist tendencies are not mentioned. The appropriate conclusion is once again not drawn in this verbal tight-rope walking exercise.

The author asserts in his preface that the work has been hailed "as original and scientific in its approach, design, content and treatment". One would except a scientific study to correctly account for past events and, in the realm of politics, broadly outline the likely course of future events. In both these respects the book fails.

Several vital events in the Indian policy have not been satisfactorily accounted for. For instance, in states where the Congress could not form ministries, President's rule was imposed 10 times between 1951-66 and 22 times between 1966-73. This, the author says, is "a heavy imperialistic prescriptive" but he fails to see the connection between imposition of President's rule and the Congress party structure. "Taken by its form and content, the democratic nature of the Congress is found only in its ideological plane ..." But what does such a formulation mean when the author also writes that "the Congress has the unique capacity to create a state promising possession to the poor and to defend simultaneously, elements engaged in dispossession them"?

In the author's reasoning the imposition of Emergency was just a minor aberration that temporarily jolted the even flow of democracy in India. The brutal suppression of the railway strike in 1974, the rigging of the assembly elections in West Bengal in 1972 and the subsequent gagging of democracy there are among the important political events overlooked by the author. If India had indeed evolved a democratic polity since 1947 — this is the underlying assumption of the study — then the crucial question of how such a 'democratic' policy was so suddenly transformed into "asphyxiating authoritarianism" has not been answered.

The book also abounds in some absurd formulations. Thus, parties like the Jana Sangh are supposed to lack popular support in the South because "the South is endowed with a rational outlook .... In the discriminating eyes

of the South the Congress itself is a gigantic Hindu party ... the South, with its few concentrations of wealth favours by and large, a socialistic and egalitarian society".

The base weakness of the entire study is in theoretical framework. Tracing to India the path laid out by political sociologists like Duverger Bluntschli, Michels, Grazia and others, Sadasivan studies parties in a vacuum, ignoring the economic factors and their vital link to politics. In keeping with the structural-formal approach of most political sociologists, he postulates a theoretical edifice and then allocates to a party a fixed place in it. He has thus classified parties "horizontally" into 14 groups on the basis of their ideology — social democratic, Marxian, religiocentric and other groups. Each group is again sub-classified, this time "vertically", into major, medium, minor and sub-minor parties. Thus for example the Congress has been pigeon-holed as a major social democratic group.

The emphasis of the study is therefore almost exclusively on intrigues, factions, expulsions and mudslinging. The composition of the mass base of the major parties, the shift in voting loyalties and the reasons for it, the impact of these parties on state and national politics and their likely influence in the future and, most important of all, the threat of re-emerging authoritarianism or, more correctly, the authoritarianism ingrained in the policy of underdeveloped countries, are all issues that are avoided. Perhaps attempts to understand them would have meant disturbing the meticulously constructed theoretical edifice.

The study is thus more of the formal and superficial aspects of Indian parties rather than a deep analysis of their interaction in a fast changing political situation. The author takes pride in mentioning that the "work is amongst the first of its kind in political sociology". One hopes that very few will follow the lead.

Books in Brief

A Pugwash Monograph Based on the Symposium Held in Dar-es-Salaam, Tanzania June 2-6, 1975 edited by W K Chagula, B T Feld, A Parthasarathi; Ankur Publishing House, New Delhi, Rs 30.

TWO points need to be made. One is that the volume is important because it is a Pugwash Publication. Pugwash is a movement of scientists that had its origins in their distress over the cold war and the arms race of the late 1950s. Since then, its interest has shifted to other areas, but it remains a movement that, so far as issues of poverty and development are concerned, derives its importance from the individual eminence of the people that constitute it, rather than for any specific policy it stands for.

The second point pertains to the world view implicit in Pugwash on self-reliance. Self-reliance is seen as something that will result from international collaboration, especially co-operation among the developing countries. This is both romantic and utopian. Co-operation is desirable, but co-operation between the rich and the poor or between the not-so-poor and the poor, takes place, almost always to the detriment of the poor.

This is only to be expected because they belong to classes with conflicting interests, and the rich are the rulers. By missing this vital point, contributors to the Pugwash Symposium rely on intentions and statements, not on actual policies and results. The way to hell is indeed paved with good intentions — and academics must learn that intentions are not enough. And the Pugwash scientists, if this volume is any indication, have yet to take the lead in action

— Vinod Vyasulu

Joint Sector Projects : Concept, Problems and Projects edited by Majur C Shetty; Management Development Institute New Delhi, 1978; pp ix+123; Rs 20.

THE joint sector was the brain-child of the Dutt Committee on industrial licensing and policy. Joint sector projects have been mostly promoted by State Industrial Development Corporations (SIDCs) in collaboration with private industrialists. In a typical joint sector project the SIDC holds 26 per cent of the shares and the private sector collaborator 25 per cent. The Dutt Committee saw the *joint sector* as a device for ensuring a say to the public financial institutions in the private sector units assisted by them and for preventing private industrialists, the large houses specially, from building up industrial empires with the resources of the public financial institutions.

The publication under review comprises the proceedings of a seminar organised by the Management Development Institute, New Delhi, in December 1978 and attended mainly by representatives of the SIDCs and state governments. Though the participatants in the seminar constituted themselves into four working groups for "in-depth deliberation", the outcome, going by the summary of the panel discussions and reports of the working groups presented here, contained nothing that even a layman was likely to find new. The three formal addresses delivered, respectively, by the chairman of the Management Development Institute and the heads of two all-India term financing institutions are equally inane. Typical is the statement by the head of one of the term-financing institutions that a review of joint sector projects assisted by his institution had yielded the conclusion that the "performance of the joint sector was quite comparable with the performance of both the public sector and the private sector" What really is one to make of that?

The most, in fact the only, useful part of this monograph is the paper on the operational problems of joint sector projects by J Viswanatha Murthy Not surprisingly, the facts presented by Murthy do not square with the polite noises made by the grey eminence of the financial institutions. For example Murthy points out that while in theory the SIDCs are supposed to follow certain "rational criteria" (e g, local, resource endowments, employment potential), in identifying projects to be taken up in the joint sector, "it is not rare to come across examples when projects are selected on the arbitrary rationale of 'not being left behind' ". In this context, he quotes the following observation by a spokesman of one of the SIDCs: "We apply for a letter of intent because all the other states have already applied for and obtained letters of intent for that project. We applied for a TV project because other states applied for it; similarly we applied for a scooter project because other states had already obtained one; so also for nylon project."

And what about the objective of fostering new entrepreneurs and preventing concentration of economic power? Here Murthy's finding is that "in the cases of almost all the SIDCs interviewed for this paper, the private collaborators were invariably those with proven industrial experience".

On the whole, the main achievement of the joint sector has been to make it possible for private industrialists to [illegible]

mote large projects with relatively little investment of their own. Under cover of the joint sector, they have gained entry into industries ordinarily deemed out of bounds for them and also got, on the strength of the association of the SIDCs with the projects, other concessions which they would not have got otherwise. And since the managing directors of the joint sector projects are always nominated by the private sector collaborators, control of these projects remains firmly in their hands.

In any case, the organisational resources of the SIDCs are too tenuous for them to make any major contribution to the joint sector projects sponsored by them. As Murthy points out, "In Andhra Pradesh which is handling 43 projects in the joint sector alone, apart from numerous projects in the private sector and a few in the public sector, the total technical staff strength is around 13 only, whereas in Karnataka which has assisted 107 projects and promoted 5 joint sector projects, the total technical staff strength is only 3". Clearly, professionalism does not grow under the banyan tree of IAS overlordship of the SIDCs.

Reminiscences of an Engineer by Kanwar Sain; Young Asia Publications, New Delhi/Stockholm, 1978, pp xii + 493, Rs 95.

IF ever proof were needed that a life full of great achievements need not necessarily be narrated in a manner becoming of those achievements, the present book would provide such proof. Kanwar Sain has been a very distinguished engineer-administrator, with a long and successful career behind him. A truly 'self-made' man even at the age of 80, and after many official retirements, he has refused to 'retire' and rest on his laurels; he continues to teach three hours a week at the IIT, Delhi. There is perhaps not a single major irrigation project undertaken in the country in the last fifty years or so with which Kanwar Sain has not been associated in a senior capacity and the book itself has interesting, though disjointed and rather gossipy accounts of his association with the Damodar, Bhakra, Hirakud, Kosi, Nagarjunasagar, Farakka and Narmada projects.

Such a life, spent in harnessing the powers of great river systems for human good, is obviously a most interesting life; but the narration is marred in many ways. One can overlook the bad writing, though in this case a good editor's services could have immensely improved the narration. But what is more sad is that such an undoubtedly gifted, resourceful and highly successful engineer, should have been given to such repeated recourse to flaunting testimonials to his ability, especially so when there are such living proofs to that ability in the movements which he has helped to build.

Our Crumbling Federal Finance System

Seventh Finance Commission's Award

Bhabatosh Datta

The Seventh Finance Commission's recommendations, while making all states richer in non-Plan resource than they had probably expected to be and despite the intention of securing 'progressiveness' according to needs, have in fact increased the inequalities among the states, as compared to the position under the Sixth Commission.

The reason for this, despite the acceptance of a more equitable formula for distributing the Central excise, is the much greater dependence on tax-shares than on grants.

There is a conflict here between two principles. From many standpoints, it is desirable to give the states as much as possible through the tax-shares, but as long as uniform rules are applied for allocating the tax receipts, large inequalities are likely. Grants on the other hand are fixed and they may be used as equalisers. There has to be a compromise between the two extremes.

This means that the Planning Commission will have to start where the Finance Commission has ended. If an equitable distribution is wanted as a final result, then, as a minimum condition, the Plan plus non-plan expenditure on the developmental services per person below the poverty line should be the same all over the country. This is yet far from being achieved and the Seventh Finance Commission has shifted the full responsibility to the Planning Commission.

THE first reactions to the recommendations of the Seventh Finance Commission have been much more favourable than normally expected. Every Indian thinks first in terms of his own state and the most prominent fact this time is that every state has received a substantial increase in the non-Plan transfer from the Centre over what it got under the last award. It may not be incorrect to say that the amounts received are in most cases larger than the amounts really expected. The fact that the awards fall considerably short of the demands from the states is not of much importance, for it is quite normal for such demands to be made as large as seemingly justifiable.

Apart from the size of the total transfers, there are other features in the new award which have made the state governments happy. The first is the fairly liberal provision for the upgradation of salaries and allowances of the state and local bodies' employees and of teachers. Questions will be raised about the logic of the principle of maintaining constant the relative difference between the Central government salaries and those adopted as the norms for the states at the 1972 level, but the broad fact stands that while all the states together wanted Rs 2,909 crores for this, the Commission has allowed as much as Rs 2,208 crores (Report, p 42). (All the figures, unless otherwise stated, are for the entire five-year period, 1979-80 to 1983-84.) Some states have been given on this account more than they had wanted. These include not only most of the new hill states, but also Andhra Pradesh, Bihar, Haryana, Karnataka and Rajasthan. The norms have been determined by taking the all-states averages of comparable salaries and there is in addition further provision for dearness allowances equivalent to the two Central instalments sanctioned after January 1, 1977. The relevant date for Kerala will however be January 1, 1978, as that state had been following the Centre in the matter of dearness allowances.

Debt Relief

The second important feature is the gain to the states from the debt relief measures. At the end of 1978-79, the total debts of the state governments are estimated to be Rs 18,785 crores, in which the liabilities to the Central government would be Rs 13,463 crores and the market loans Rs 2,572 crores. The residual amount comprises negotiated loans, compensation bonds, etc, provident funds and other unfunded debt. The Commission has estimated that Rs 943 crores out of the total debts to the Centre represent unproductive loans, in the sense that they are not expected to yield any financial returns. These include the loans used for public works, roads and bridges and also for education and social welfare. This no-return debt is to be written off. The states benefit unequally from this, because the loans of this category constitute ranging percentages of their total debts to the Centre. These percentages are naturally high for the new states. Among the other states, the percentages vary from zero in the case of a number of major states to 25 for Kerala and 45 for Assam (p 113).

The remainder, except the small savings loans, is to be consolidated into one loan and then divided into two parts. One part, classified as 'semi-productive', ie, not yielding adequate returns, is to be repaid in 30 equal annual instalments from 1979-80, and the other part, designated 'productive', is to be repaid in 15 annual instalments. The rates of interest on these consolidated debts will be 4.75 and 5.00 per cent respectively. All these together will mean a substantial relief to the state governments, both in interest payment and in annual repayments. Leaving out the hill states, one finds that the five-year relief on this account will vary from Rs 38 crores for Haryana to Rs 368 crores for Uttar Pradesh, the total for all states being Rs 2,156 crores.

The Commission also recommended that the states' shares in the small savings collections outstanding at the end of 1978-79 should be consolidated and then converted into 'loans in perpetuity'. This would mean that the

liability of the states to pay interest will continue, but the liability to repay the depositors will be borne entirely by the Centre. The idea is not as novel as one of the members has felt; the undated non-terminable government loans of the old days could in effect be loans in perpetuity. The Central government has not accepted this recommendation, though there is considerable strength in the argument of the Commission that the small savings loans are not given to the states for specific purposes and are therefore not classifiable and also that the state governments play a 'vital role' in mobilising the collections of small savings. The Central government has however agreed to grant a five-year moratorium on the repayment of these small savings loans for five years, thus leaving the Commission's operative estimates undisturbed.

Natural Calamities

The third important feature, welcomed by all states, is that relating to the financing of the expenditures on account of natural calamities. The Sixth Commission recommendation, which now operates, provided that the amounts granted by the Centre in excess of the amounts included in the non-plan revenue expenditure estimates should be regarded as advance Plan assistance, to be set off against future Plan disbursements. This was bad in principle, because it did not differentiate correctly between the consumption and investment elements in the so-called relief expenditure. To the extent such expenditure is protective, preventive or developmental, there is every reason to include it in the Plan outlay. But a very large part of the expenditure immediately following a calamity is not of this nature. If such expenditure is set off against future plan outlay, the whole plan structure is likely to be distorted. This is particularly true in the case of a calamity of such dimensions as the recent Andhra cyclone or the West Bengal floods. The Centre has tacitly recognised this by not insisting on the setting off of the amounts given to Andhra Pradesh against the plan assistance to that state and by assuring West Bengal that its plan will not be disturbed.

The Seventh Commission has very rightly distinguished between droughts which do not destroy productive assets and the other group comprising floods, cyclones and earthquakes which require large asset-reconstruction outlays. The expenditure estimates for the states include a normal provision for all types of natural calamities, varying in the case of the major states from Rs 1.47 crores per year for Haryana to Rs 13.60 crores for West Bengal and totalling Rs 100.55 crores for all the states. The procedure adopted for determining these amounts was the same as that followed earlier — taking the average of actual expenditure over a recent series of years — and it gave figures which were nearly double the amounts provided by the Sixth Commission. In the case of excess requirements for drought relief, the affected state government is to contribute not more than five per cent from its plan. This will be taken as an addition to the plan outlay and covered by advance assistance from the Centre. If the expenditure goes beyond this, the extra requirement is to be fully covered by the Centre — half as grants and half as loans. The Commission hopes that the "loan burden which a state would take on in such circumstances would act as a factor to discourage extravagance" (p 53).

In the case of excess expenditure on relief, repairs and restoration of public works following other types of natural calamities, the Commission has recommended non-plan grants from the Centre to cover 75 per cent of the requirements. Here also it is hoped that the 25 per cent burden on the state will be a check on wasteful expenditure. The Centre has been asked to go beyond these limits when there is a calamity of 'rare severity'. All this will be welcome to the states and particularly to those which are prone to droughts, cyclones and floods. The only point worth debating is why should the expenditure on account of relief for drought should be regarded as plan expenditure, unless it includes a large element of protective or preventive outlay.

Tax Devolution

All these recommendations provide substantial advantages to the states and, taken by themselves, they are fairly equitable, as the benefits will go in larger measures to the states needing them most. The most conspicuous element in the set of recommendations, is however, that regarding the division of the Union excise receipts between the states and the Centre. The share of the states has been raised to 40 per cent from the current level of 20 per cent, and this at one stroke has increased the divisible pool by nearly Rs 6,000 crores in the five-year period. Compared with this, the increase in the states' share in the income tax receipts from 80 per cent to 85 per cent is of very little significance. The other taxes, the receipts from which are also allocated among the states by the Commission, are not divisible in the sense in which income tax and the basic excises are. The receipts from the additional excises in lieu of the sales taxes on sugar, tobacco and textiles and the estate duty on property other than agricultural land have to be given back to states. The Finance Commission determines only the inter-state allocation. The returning to the states the receipts from the Union excise on electricity generation imposed by the last budget is only a belated recognition by the Central government of the impropriety of encroaching on the states' fields of fiscal operation.

The broad figures which have been widely publicised thus require to be put in their proper perspective. The total of transfers to the states under the new award will amount to Rs 23,063 crores, which is apparently about Rs 10,000 crores more than the transfers under the Sixth Commission awards. A substantial increase in the transfers would have taken place in any case, independently of any decision by the new Commission. There is also the fact that the right comparison is not between the estimated transfers under the new award and the actual transfers under the presently operating scheme, but between the former and what the transfers would be in the coming five-year period, if the Sixth Commission principles were continued unaltered. The total of transfers during 1974-79 as estimated by Sixth Commission was Rs 10,448 crores. It has actually turned out to be about Rs 11,200 crores. If the recent trends were maintained, the continuance of the Sixth Commission scheme would give the states a total of about Rs 16,150 crores. Against this, the Seventh Commission proposals (including debt relief) will transfer an estimated amount of Rs 23,062 crores. More than Rs 5,000 crores of the difference of Rs 7,000 crores is explained by the increase in the states' share in excise duties. The grants-in-aid under Article 275 have, for obvious reasons, come down from Rs 2,510 crores to Rs 1,173 crores. It may be noted here that the total of Rs 23,063 crores comprises Rs 4,791 crores as share in income tax, Rs 11,347 crores as share in central excises, Rs 1,867 crores from additional excise, Rs 81 crores from the railway fare tax compensation, Rs 64 crores from estate duty, Rs 1,146 crores from the new duty on power, Rs 1,173 crores of general grants, Rs 437 crores of upgradation grants and Rs 2,158

[illegible] increase in the total divisible pool. Their individual interest then lies in getting a large share out of the pool. This is dependent in the first instance on the estimates made by the Commission of their non-Plan revenue gaps. After these gaps have been estimated, the Finance Commission normally proceeds first to allocate the tax shares. Some states emerge with surpluses, which they would be expected to carry over to their Plan budget. Others, who will still have deficits, get grants-in-aid to fill the estimated gaps. The Seventh Commission estimates of the state governments' revenues and expenditures have in general been favourable to them, though there are wide differences between what they themselves indicated and what the Commission allowed.

States' Non-Plan Gaps

On the revenue side, the important element is the rates of growth assumed for the state tax and other receipts. The rates actually adopted for taxes are generally higher than those indicated by the states in their own estimates, but they are lower in all cases than the long-term growth rates during the 13-year period from 1963-64 to 1975-76 (Appendix I.1). A controversial question always arises in regard to the estimates of the yields from state investments. The Commission has assumed that the departmental commercial undertakings will break even by 1983-84. By that year, it is further assumed, the losses of the minor irrigation schemes would be reduced to half the level of 1979-80. The yield from multi-purpose major and medium irrigation has been assumed to be 1 per cent. The return from the power projects has been taken at 6 per cent per year, but this includes the electricity duties charged by the state and those payable to the Centre. One of the members has differed from the majority on this point, arguing that there is scope for improving the net earnings of the State Electricity Boards. Investments likely to be made after 1978-79 have not been taken into account.

In general, the percentage increases made by the Commission in the states estimates of their revenues have been smaller than the percentage reductions made on the re-assessment of expenditure. The Commission has found the states' revenue estimates more reliable than their expenditure estimates. There are individual items, like state emoluments, where the cuts have been small in most cases, and there have even been increases for some states. But the net [illegible] Plan revenue gaps [illegible] by the Commission are considerably less than those indicated by the states themselves. There is, of course, a natural tendency to under-estimate revenues and over-estimate expenditure, but it is not to be expected that the Commission's estimates of the gaps should in some cases be less than half or even one-third of the state estimates. In a few cases deficits have been re-assessed into surpluses.

Columns (2) and (3) in Table 1 show the surpluses or deficits as estimated by the Commission alongside the estimates made by the states themselves. The Table also shows the final picture after devolution and the statutory grants. It will be noted that the only state which itself showed a surplus is Haryana. On the other hand, Maharashtra's own estimate of a deficit of Rs 1,376 crores has been transformed into a surplus of Rs 1,291 crores on re-assessment, making a difference of Rs 2,667 crores. Other states, whose own estimates of deficits were similarly transformed into surpluses were Gujarat and Punjab. In the case of Karnataka a deficit of Rs 1,743 crores was converted into a small surplus of Rs 1.15 crores. In many cases the large gaps shown by the states resulted from the inclusion of expenditures not properly classifiable as non-Plan, but the fact remains that such wide divergences between the state estimates and the Commission assessments do not speak highly of careful budgeting, or of really intelligent bargaining strategy. Some states seem to be quite happy to have received from the Commission awards less than half of what they had wanted.

The final result shows that 21 states estimated a total deficit of Rs 34,338 crores while one showed a surplus of Rs 229 crores, making a net total deficit of Rs 34,109 crores. The Commission's re-assessment has resulted in a total deficit of Rs 9,040 crores for 17 states and total surpluses of Rs 2,216 crores for five states, making a net total gap of Rs 6,824 crores. The tax devolution recommended has converted some of the deficits into surpluses, and some into reduced deficits, while in the few cases indicated above the estimated surpluses were converted into larger surpluses. The extreme case is that of Maharashtra, whose re-assessed surplus of Rs 1,291 crores becomes a final surplus of Rs 3,005 crores. This is the usual situation resulting from the Finance Commission system, but the position has been glaring this time because of the large size of the devolution. And this brings one to the heart of the question of the [illegible] governing inter-state allocation of the divisible resources.

Central Resources

Before entering into that question, it is necessary to refer to a commendable innovation in the Report of the Seventh Commission.

The Central Government directed that in making the recommendations, the Commission should "have regard, among other considerations, to the resources of the Central government and the demands thereon on account of the expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities". Such a clause was also included in the terms of reference of earlier Commissions. They considered the question and collected detailed information from and had full discussion with the Finance Ministry, but did not report on the subject. The Seventh Commission has for the first time after the first two commissions, devoted a full chapter of the Report on this. Details of the Central government's own forecast of its revenues and expenditure in the next five years have not however been given and it is difficult therefore to evaluate the depth of the Commission's exercise. It is stated that it has "taken somewhat higher rates of growth of revenues than assumed by the Central government, in respect of Union excise duties (7 p c), customs duties (7 p c) as well as the corporation tax (9 p c)". The return from equity investment by the Central government is expected to rise from 4.4 p c in 1976-77 to 7.5 p c in 1983-84. On the expenditure side, the projected expenditures on Police and on Audit have been "moderated". Export subsidies are accepted as estimated, but it has been assumed that by 1983-84, the subsidy on fertilisers would be progressively eliminated and the subsidy on foodgrains would be reduced by 25 per cent (chapter 3).

This re-assessment of the Central government forecast has meant an increase of Rs 4,626 crores during 1979-84 over the original estimate. Raj Krishna in his Note of Dissent (to which further reference will be made later) has reached a higher figure of improvement, on the basis of an 8.1 per cent annual growth in the central excise revenues. This figure is based on three facts: first, the long-term rate of growth of the excise revenues during 1960-1976 has been 8.23 per cent: secondly, the recent growth rate during 1973-74 to [illegible] has been 8.9 per cent; and thirdly, the long-period elasticity of excise revenues with respect to manufacturing income

Table 1: Non-Plan Surpluses and Deficits (*Rs crores*)

States (1)	Surplus or Deficit as Estimated by State Governments (2)	Surplus or Deficit as Re-assessed by Commission (3)	Total Devolution (4)	Surplus or Deficit after Devolution (5)	Art 275 Statutory Grants (6)
(1) Andhra Pradesh	— 2,652	— 580	1,503	+ 923	—
(2) Assam	— 1,113	— 480	497	+ 87	—
(3) Bihar	— 3,552	— 1,058	2,150	+ 1,092	—
(4) Gujarat	— 842	+ 164	964	+ 1,128	—
(5) Haryana	+ 229	+ 370	309	+ 679	—
(6) Himachal Pradesh	— 489	— 317	110	— 207	207
(7) Jammu & Kashmir	— 1,010	— 359	159	— 200	200
(8) Karnataka	— 1,743	+ 1	1,005	+ 1,006	—
(9) Kerala	— 2,021	— 531	766	+ 235	—
(10) Madhya Pradesh	— 2,072	— 423	1,534	+ 1,111	—
(11) Maharashtra	— 1,376	+ 1,291	1,714	+ 3,005	—
(12) Manipur	— 295	— 184	38	— 146	146
(13) Meghalaya	— 246	— 129	36	— 93	93
(14) Nagaland	— 385	— 236	18	— 218	218
(15) Orissa	— 1,817	— 952	815	— 137	137
(16) Punjab	— 643	+ 390	420	+ 810	—
(17) Rajasthan	— 2,115	— 663	883	+ 220	—
(18) Sikkim	— 36	— 36	neg	— 36	36
(19) Tamil Nadu	— 2,363	— 849	1,476	+ 627	—
(20) Tripura	— 305	— 196	59	— 137	137
(21) Uttar Pradesh	— 6,211	— 1,259	3,203	+ 1,944	—
(22) West Bengal	— 3,046	— 857	1,572	+ 715	—
Total	— 34,338	— 9,040	19,331	+ 13,582	1,173
	+ 229	+ 2,216		— 1,173	
	— 34,109	— 6,824		+ 12,409	

Source: Seventh Finance Commission Report, 1978 (FINCOM-VII), pp. 88-89 and Appendix I.28 (There are small discrepancies in the figures compiled from different tables.) The figures for Total Devolution exclude Rs 64 crores of Estate duty, the Statewise allocation of which cannot be completed now.

has been 0.744, which, applied to an assumed 10.9 p c annual growth of such income, gives an 8.1 p c growth in excise receipts. The third element has obvious loopholes, but the broader argument based on the trends of growth is easier to accept. This, along with certain other assumptions, makes Raj Krishna's estimate of the five-year improvement in the Central revenues nearly Rs 6,000 crores. On the whole, one feels that both the exercises are inadequate. This is unsatisfactory, because the inter-state disparities to be generated by the Finance Commission awards will have to be made good at least partially by the Central government through special non-Plan assistance, in addition to the Plan allocations. There is no reason why the Central estimates should not be re-assessed as meticulously as the state estimates and the exact extent of the re-assessment clearly shown.

Inter-State Allocation

The inter-state distribution of the divisible pool recommended by the Seventh Commission strikes new lines. It is particularly necessary to examine how far the new principles will reduce inequalities and will satisfy disparate demands. In regard to income tax, the Seventh Commission continues the existing formula of distribution with a 90 p c weightage on population and 10 p c on collection. The changes made in the case of the minor sources are also not of much importance. The grant in lieu of the tax on railway passenger fares will now be based on the sale of non-suburban tickets in the respective states, instead of on route mileage. The net proceeds of Estates duty (excluding the share of the Union territories) will be distributed "in proportion to the gross value of the immovable property and property other than immovable property taken together located in each state and brought into assessment" (p 121). Any property located outside India will be taken as located in the state in which it is brought into assessment. This is a change from the Sixth Commission formula which distributed the proceeds from movable property according to population. The grant on account of the wealth tax on agricultural property will be equivalent to net collection within each state and not proportional to the agricultural property located and assessed in the state.

The quantitative effect of all these changes will be small. The really important changes concern the central excises and the additional excises in lieu of sales tax. It has to be noted that the outset that while previous Commissions have found that the number of sharing states has been increasing, the Seventh Commission has to cover the very special case of Sikkim. Under the Constitution, both income tax and union excise receipts are to be distributed among the states within which the tax and the duties are leviable. Sikkim does not yet qualify for shares in these. The Commission has therefore given in each relevant case two alternative schedules of percentage shares, one without Sikkim and the other including that state (to be operative when the taxes are extended to it). The difference between the two schedules is however very small (involving only the third decimal place) and in what follows the lists including Sikkim have been taken into account.

Additional Excises

The basic problem is that of achieving some measure of equity among the states which are relatively very strong in their financial position and those that are particularly weak. For any meaningful comparison the "hill states" have to be left out, because their shares would normally appear to be very large compared to such variables as population, but are not very significant in absolute magnitude. All of them together get Rs 420 crores (2.1 p c) out of a total tax devolution of Rs 19,300 crores. Himachal Pradesh and Jammu and Kashmir together get Rs 269 crores and the remaining five only Rs 151 crores. They however get Rs 1,046 crores out of the total grants of Rs 1,173 crores. Taking the additional excise duties in lieu of sales tax first, one notes that the main idea behind all proposals is to distribute the amounts in proportion to consumption. As the necessary data for this are not available, surrogates have to be sought. The Sixth Commission distributed these receipts on the basis of three factors — population, state domestic product at current prices and state output of the relevant commodities, giving them weights of 0.7, 0.2 and 0.1 respectively. The Seventh Commission has set two principles — for sugar on the basis of the average despatches to the states during the recent past, and for tobacco and textiles on the basis of the product of the population and per capita State Domestic Product. The assumption in the case of sugar is that consumption in a state is proportional to the supplies received and in the case of the other group that consumption is proportional to the State Domestic Product.

The first assumption is vitiated when there are movements across the states

[illegible] Additional Excise Duties in lieu of Sales Tax

(Percentages)

(1)	(2) Sugar	Seventh Commission (3) Textiles and Tobacco	(4) Weighted Average	Sixth Commission (5)
(1) Andhra Pradesh	5.245	8.018	7.46	8.39
(2) Assam	2.408	2.297	2.32	2.47
(3) Bihar	5.933	7.219	6.96	9.36
(4) Gujarat	8.742	6.013	6.56	5.91
(5) Haryana	2.656	2.789	2.76	1.94
(6) Himachal Pradesh	0.860	0.734	0.76	0.59
(7) Jammu & Kashmir	0.831	0.744	0.76	0.73
(8) Karnataka	4.901	6.081	5.85	5.62
(9) Kerala	3.783	4.021	3 97	3.58
(10) Madhya Pradesh	6.019	6.419	6.34	6.98
(11) Maharashtra	17.082	13.506	14.20	11,65
(12) Manipur	0.143	0.185	0.18	0.17
(13) Meghalaya	0.029	0.171	0.14	0.17
(14) Nagaland	0.115	0.084	0.09	0.08
(15) Orissa	2.178	3.456	3 20	3.59
(16) Punjab	6.220	4.268	4.66	2.68
(17) Rajasthan	4.729	4.365	4.44	4.17
(18) Sikkim	0.057	0.034	0.04	—
(19) Tamil Nadu	6.449	7.707	7.46	7.27
(20) Tripura	0.172	0.256	0.24	0.25
(21) Uttar Pradesh	13.184	12.544	12.67	16.10
(22) West Bengal	8.254	9.091	8.92	8.30
	100.00	100.00	100.00	100.00

Sources : FINCOM-VI, p 21 (for col 5)
FINCOM-VII, pp 63-64 (for cols 2 and 3).

and the second does not take into account the pattern of distribution of income. This however is not a serious criticism, because any set of criteria will be open to some objection or other. What is really striking is that, despite the over-riding desire to secure more equality in the final picture, the Seventh Commission formula allots relatively more to states like Maharashtra and Punjab and less to states like Bihar or UP, as compared with the Sixth Commission allocation. It will of course be argued that if the sales taxes were continued, the richer states would have earned large amounts, but there is no assurance that the formulae used by the Seventh Commission are better determinants of state consumption than those used earlier. If the ultimate objective of the distribution of tax shares is to reduce disparities, the problem is being accentuated by the inequality resulting from the allocation of the receipts from the additional excises.

A comparison with the Sixth Commission formula will show that for most of the states, the percentage shares have not changed much. The benefits and losses from the new 'consumption-criteria' appear to have been concentrated among a few states only. For making the comparison meaningful, the two schedules given by the Seventh Commission have been combined into a single schedule of weighted averages, assuming that the receipts from the duties on tobacco and textile will continue to be four times the receipts from sugar. Table 2 shows the comparative position under the awards of the two Commissions.

Basic Excises

The positive, but unsuccessful effort of the Seventh Commission in attaining equity is represented by the change in the formula for distributing the basic central excise receipts. The earlier Commissions had all given large weightage to population, with 20 to 25 per cent weight on some indicator of backwardness. The Sixth Commission awarded 75 per cent of the divisible amount to each state on population and the remaining 25 per cent on the product of the population of the state and the distance between the per capita income in the state and the highest per capita income among all the states (i e, the per capita income in Punjab). The Seventh Commission considers this as inadequately progressive and gives its own formula which gives an equal 25 per cent weightage to each of four factors: population, the inverse of the per capita state domestic product; a specially calculated poverty ratio; and a revenue-equalisation factor. The first two of these do not raise any question, apart from the general fact that the per capita state domestic product is not a precise indicator of the per capita income in the state, when it has extensive trade and payments relations with other states. It is the other two, and particularly the poverty ratio, which deserve examination.

Revenue Equalisation

The principle behind the revenue equalisation formula adopted by the Commission is that "states which are less favourably placed in regard to their resource potential should be specially helped in order to place them in a position where they also can take steps more readily for the betterment of the people" (p 87). The method adopted is simple. Leaving out the 'atypical' states of Manipur, Meghalaya, Nagaland, Sikkim and Tripura, the average of the per capita tax and non-tax revenue of each state for 1975-76 and 1976-77 has been regressed on the average per capita income for 1973-1976. The per capita revenue potential of each state has then been derived from the distance between the result of this and the highest estimated per capita revenue among all states — Punjab again — multiplied by the population of the state. As 1977-78 and 1978-79 have not been taken into account, no state is rewarded for failure to increase resources recently, nor penalised for having raised larger revenues. The method is less sophisticated than the alternatives one could suggest, but is less complex also. The important point here is that a 25 per cent weightage on this factor means that in a scheme in which there is a built-in tendency to increase inter-state disparities, this factor will involve a total amount of only about Rs 500 crores per year.

Poverty Ratios

The poverty ratios used by the Commission have been worked out by Raj Krishna (Appendix IV 9). The cut-off levels chosen are the Dandekar-Rath figures of Rs 15 and Rs 22.50 at 1960-61 prices per capita per month for rural and urban areas respectively, in preference to the Planning Commission figures of Rs 18 90 and Rs 25.00. State specific poverty lines have then been calculated for 15 states by using Pranab Bardhan's state indices of rural consumer prices in 1960-61, which were based on the study made by G S Chatterjee and N Bhattacharya. For the urban areas, the three-year average of the working class consumer price index is used The results have then been adjusted to 1970-71 prices by using the consumer price index for agricultural labour and that for the urban working class

These then have been further adjusted upward by adding the per capita monthly public expenditure by each state government on health and family

Table 3: The Divergence Index

State	Shares in Total Transfers (per cent)		Shares in Total Population	Divergence Index	
	Majority	Raj Krishna		Majority	Raj Krishna
(1)	(2)	(3)	(4)	(5)	(6)
(1) Andhra Pradesh	7.31	6.48	8.03	91.03	80.70
(2) Assam	2.49	2.54	2.70	92.22	94.07
(3) Bihar	10.62	14.38	10.41	102.02	138.14
(4) Gujarat	4.62	3.47	4.93	93.71	70.39
(5) Haryana	1.48	0.96	1.85	80.00	51.89
(6) Karnataka	4.82	4.14	5.41	89.09	76.52
(7) Kerala	3.70	3.86	3.94	93.91	97.97
(8) Madhya Pradesh	7.66	8.40	7.69	99.61	109.23
(9) Maharashtra	8.23	5.90	9.31	88.40	63.37
(10) Orissa	4.72	5.36	4.05	116.54	132.35
(11) Pujnab	2.01	1.14	2.50	80.40	45.60
(12) Rajasthan	4.33	4.21	4.75	91.16	88.63
(13) Tamil Nadu	7.21	7.38	7.61	94.74	96.98
(14) Uttar Pradesh	15.90	16.88	16.32	97.43	103.43
(15) West Bengal	7.66	7.66	8.18	93.64	93.67

Sources: Cols 2 and 3 : FINCOM VII, p 145
Col 4 : FINCOM VII, Annexure VII.2.
Cols 5 and 6 : (Share in Transfer ÷ Share in Population × 100).

planning, water supply and sanitation, education, administration of police, jails and courts, roads and social welfare. The "poverty ratio", or the cumulative percentage of the persons below these "augmented poverty lines" have been found by linear interpolation in the relevant expenditure bracket. The number of persons below the line in each state is derived by applying the percentage to the 1971 population. The final "poverty percentage" for a state is the percentage of such persons in that state to the 15-state population of such persons. To take an example, Bihar has a "poverty percentage" of 13.03 and has 10.35 per cent of the total population of these 15 states. *Its share in* the number of poor persons is thus substantially larger than its share in the total population. The states in which the poverty percentage is higher than the share in the total population are *Bihar, Kerala, Orissa, Madhya Pradesh,* Tamil Nadu *and* West Bengal. *For six* of the states other than the 15 covered by the exercise — Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Nagaland *and* Sikkim — the poverty ratios have been assumed *to be the same* as for Assam, while the West Bengal ratio has been taken for Tripura. *Probably* the Assam ratio would have been appropriate for Tripura also.

There are some interesting features in the results of the exercise. *Broadly,* some of the states generally considered relatively rich *show* high poverty percentages. These include Tamil Nadu and West Bengal. On the other hand, the share of Uttar Pradesh in the total number of poor persons is less than its share in the total population. *From a* comparison of the "poverty ratios" within the states, *it appears that these (for rural and urban together) are as* high 64.06 for Bihar, 62.25 for Kerala, 67.50 for Orissa, 60.71 for Tamil Nadu and 62.28 for West Bengal. In some cases, the differences between the rural and urban ratios are quite large. In West Bengal, for example, the percentage of people below the augmented poverty line is 70.82 in rural areas and 36.30 in urban *areas. In Gujarat,* Karnataka, Kerala and Tamil Nadu, *the two* ratios are close to each other, while in Andhra Pradesh, Haryana, Punjab, Rajasthan and Uttar Pradesh, it is the urban poverty ratio which is much higher than the rural ratio.

These figures indicate that if a simple 'poor'-'non-poor' dichotomy is taken, the distribution of real consumption can be very inequitous in states with high over-all *per capita incomes.* The rural-urban differences indicate *that this two-sector distribution pattern* is more equitable in agriculturally developed states and those with an extensive development of *small industry* than *in states* high in the scale of *industrialisation. And a low level of* industrial growth may make the rural-urban *differences small.* The other fact that is brought into light is that the *per* capita benefit from government expenditure is small — *around Rs 4.50* per month. The figure would have been *smaller, if* the expenditure on police, jails and courts were omitted. It could have been noted also that in education and health services there is a disportionately large government expenditure in the metropolitan and other urban areas. The *'augmentation'* for the rural areas is very small.

Raj [illegible]

While Raj Krishna is the author of the poverty percentage criterion used by the Commission, the additive 25 per cent weightage on four factors has been criticised by him in his dissenting note *on the ground* that it is not sufficiently progressive. He is also against giving any weightage to *collection* or contribution and therefore recommends a common formula *for* both income tax *and the basic central excises.* He recommends the distribution of the divisible pool of these taxes on the basis of what he calls the "income-adjusted poverty population" of each state. This is derived by multiplying the population of the state by the poverty ratio (i e by taking the total number of persons below the augmented poverty line) and then dividing it by the per capita income. The revenue-distance, the fourth variable used by the majority, is considered important, but it is brought in only when determining the amounts of grants.

Raj Krishna's formula clearly gives a more equitable distribution than the formula used by the *majority.* The states which would gain substantially in terms of the percentage shares are *Assam, Bihar, Madhya Pradesh, Orissa* and Uttar Pradesh, while the shares of Andhra Pradesh, Gujarat, Haryana, Kerala, Maharashtra and Punjab are reduced. In the other cases the changes *in the shares are small,* but as Raj Krishna's *scheme* involves a larger total devolution of funds, the amounts payable *to these states are* somewhat larger.

Before making a fuller comparison of the results of all this, it is necessary to *note the meaning* of the *Raj Krishna* formula. If the population of a state is *n, the number* of persons below the poverty line is p and the state domestic product is y, then the 'poverty ratio' $r = p/n$ and the "income-adjusted poverty population",

$$\text{IAPP} = \frac{nr}{y/n},$$

which can be put as $\frac{n^2 \cdot r}{y}$ or $\frac{n \cdot p}{y}$.

The '*poverty percentage*' of any state is its own IAPP as a percentage of the *total IAPP* of all states. The share of a state will thus vary directly with either population or poverty ratio and inversely *with its per capita income. It* also follows that if two states have the same total state domestic product and the *same number* of poor persons, their shares will differ according to the their *total* populations. If, however, two states have the same total state domestic product and the *same poverty ratio,* their shares will diff...

[illegible] population. The first of these principles seems fair, but the second case would raise questions. *In fact*, one can ask whether the poverty ratio and the state domestic product are variables independent of the total population and whether the Raj Krishna formula, while more progressive than the majority schemes and also than the schemes of the earlier commissions, retains more emphasis on population than is apparent on the surface. This applies also to the majority formula.

Weightage on Population

The etxent of the effective weightage on poulation can be seen if the shares of the states in the total transfer (devolution plus grants) are compared with their shares in the relevant total population. This can be done by converting all figures to a per capita basis and also, more clearly perhaps, by bringing out in the form of an index the divergence between the shares in the transferred funds and the shares in the population. This index can be calculated by dividing the share of a state in the transfer by its share in the population and then multiplying the quotient by 100. If a state has 5 per cent of the total population and gets 5 per cent of the total of transfers, its divergence index will stand at 100. Table 3 shows the divergence index for each of the 15 major states — both under the majority formula and the Raj Krishna scheme. The hill states are left out because their high index numbers will be unrepresentative. Besides, the two exercises give nearly the same results for these new states.

It will appear from the Table that the divergence ratio is between 90 and 110, ie, within a range of 10 p c either way from 100, for 10 states in the majority scheme and for 5 states in the Raj Krishna scheme. If the range is extended to 20 p c either way, five more states (i e, all the 15 states) come in under the majority scheme while two more are added in the Raj Krishna list. The highest index in the majority scheme is 116.54 for Orissa and the lowest 80.00 for Haryana. The highest in the Raj Krishna scheme is 186.14 for Bihar (Orissa's index is 132.35) and the lowest 45.60 for Punjab. The majority scheme thus retains a substantial weightage on population, directly and indirectly, despite the complex formula. Population remains an important element in the Raj Krishna formula also, almost as important as in the sixth commission scheme.

Per Capita Surpluses

It is necessary to emphasise the difficulty in devising an [illegible] fair formula, which is [illegible] applicable to all states and which can avoid substantial surpluses for some states and deficits (balanced by grants) for others. It will be a challenge to anyone to build up a uniform scheme that, in the present circumstances can avoid a large surplus for Maharashtra and a grant-fed gap for Orissa. The difference between a surplus generated by the Finance Commission award and a zero balance resulting from a grant filling up a gap, is finally a matter of the plan resources available to a state. The differences between the final surpluses of the different states and of the per capita amounts are smaller under the Raj Krishna scheme than under the majority plan. Again leaving out the hill states, the minimum surplus per capita is Rs 15 for Orissa under the majority allocation and the maximum Rs 676 for Haryana (Punjab Rs 597 and Maharashtra Rs 596 near the top of the scale and Rajasthan 85 and Assam 74 near the bottom). Under the Raj Krishna formula every state gets a minimum per capita surplus of Rs 100 and the maximum is Rs 577 for Haryana (p 147). The ratio between the lowest and the highest per capita surpluses is 1 to 45.1 in the majority scheme, while it is only 1 to 5.8 in the alternative plan. Raj Krishna's argument is strengthened by the fact that the standard deviation in the majority-report per capita surpluses around the 15-state average of 278 is 206, while Raj Krishna's scheme shows a standard deviation of 150 around the average of 281.

The reasons given by the majority for not accepting the Raj Krishna formula are not very convincing. There can of course be a constitutional issue as to whether collection can be entirely ignored in the case of distributing the income tax receipts, but that difficulty does not arise in the case of the excises. The majority argument that inter-state differences in poverty are due largely to the differences in the attention given to agriculture cannot be carried very far. And one can ask why then a particular weightage of 25 p c is chosen for the poverty percentage in the majority scheme. It is not also correct to say that higher income states have a lower poverty ratio. There are complex points of interdependence among the variables in both the schemes, but Raj Krishna's formula has the merit of being simpler and more equitable

Recommendations Rejected

The Government of India has followed *the established convention* by accepting the [illegible] majority recommendations. This convention [illegible] not however been honoured in the case of majority recommendation for compensating the states additionally for the full loss resulting from the introduction of prohibition. The Government of India has not even accepted the modified suggestion made by Raj Krishna and H N Ray and has stuck to its decision of fifty per cent compensation. Apart from the assertion that the Government of India "consider it appropriate" that the losses should be shared jointly, the only positive argument is that the successful implementation of a prohibition programme may enable the states to increase their other revenues. It has not been considered that the enforcement of prohibition may increase certain types of administrative expenditure.

The other recommendation that has not been accepted by the government was unanimous. This relates to the small savings loans referred to earlier. The Government of India set an undesirable precedent in 1962 when it rejected a Commission recommendation on the ground that it was not unanimous — thus giving any individual member an effective veto right. The present case of rejecting a unanimous recommendation sets up a precedent which may have more extensive implications in future.

Conflict of Principles

When everything is said and done, it is disconcerting to discover that the Seventh Commission recommendations, while making all states richer in non-plan resources than they had probably expected and despite the intention of securing 'progressiveness' according to needs, have in fact *increased* the inequalities among the states, as compared to the position under the Sixth Commission. The per capita transfers under the Sixth Commission awards were within a smaller range of variation and were higher for states like Orissa, Bihar or Uttar Pradesh than for Maharashtra, Punjab or Haryana. The reason for this, despite the acceptance of a more equitable formula for distributing the central excise, is the much greater dependence on tax-shares than on grants. The Sixth Commission scheme gave 70.12 p c of the total transfer through tax-sharing and 29.88 p c through grants, while the Seventh Commission has given 92.3 p c through tax-devolution and only 7.7 p c through grants. The Raj Krishna formula would have made the proportion of tax-shares 91 per cent. *The grants* under the Sixth Commission

[illegible] came to Rs 2510 crores for 14 states and these were in addition the special upgradation grants for improving administration and social services amounting to Rs 838 crores. The Seventh Commission's gap-filling grants for 8 states come to Rs 1,173 crores and the upgradation grants are also much less at Rs 437 crores. The 8 states getting the statutory grants comprise Orissa and the seven "hill states".

There is here a conflict between two principles. From many standpoints it is desirable to give the states as much as possible through tax-shares. They then come to have an interest in developing the tax-base of the economy and they share in the buoyancy of the revenues. But as long as uniform rules are applied for allocating the tax-receipts, large inequalities are likely. Grants on the other hand are fixed and they may be used as equalisers. The simplest way to make the per capita transfers very nearly equal would be to reduce the proportion of tax-sharing, so that most of the states end up with a deficit. The grants (including special grants) may then the so determined as to make the per capita total transfers nearly equal. There has to be a compromise between two extremes, but if the trends in future continue in the direction set by the Seventh Commission, future Commissions in their munificence may accentuate the problem of disparities in non-Plan surplus.

Planners' Task

This means that the Planning Commission will have to start where the Finance Commission has ended. It is necessary in the first instance to note that the large transfers by the Finance Commission need not mean that the total of transfers from the Centre to the states (non-Plan, Plan and special) would be larger than they have been. According to the expected code of behaviour, the *states gaining surpluses* from the Finance Commission awards should carry these amounts to their Plan budgets and the Planning Commission will decide on its assistance accordingly. There is however no machinery for ensuring that the expected [illegible] surpluses do materialise in [illegible]-to-year operations. And past [illegible] has often been that the [illegible] with the strongest position in [illegible] Plan finances have obtained [illegible] large assistance from the [illegible] Commission. The Gadgil [illegible] inadequate now [illegible] Commission will have [illegible] If an equitable [illegible] the final result, then, as a [illegible] condition, the Plan plus non-Plan expenditure on the developmental services per person below the poverty line should be the same all over the country. This is yet far from being achieved and the Finance Commission has shifted the full responsibility to the Planning Commission.

This is not entirely the fault of the Finance Commission. Under the Constitution, it cannot go beyond certain constraints. More constraints have been imposed by conventions and sometimes by special executive decisions. The operation of the dual system of transfer has now assumed dimensions very much larger than was conceived when the line was drawn between Plan and non-Plan expenditure and conventions established for *their financing. It is time now that* the whole problem was re-examined, with a view to establishing a continuously operating and fully integrated machinery that has [illegible] all finances, that eliminates the need for harmful strategies used both by the Central and by the states in the game of federal finance — bypassing the Finance Commission awards through central surcharges, or engineering large non-Plan gaps in the state budgets — and ultimately reduces not only the disparities among states, but the much more serious disparities between income-groups. Keeping the state governments happy is not necessarily the same thing as increasing the welfare of the people. And the state governments may find later that their total position from year to year is very much different from what it appears to be now. It may be found within a few years that the Seventh Finance Commission, through its honest efforts to help the states, had only served to bring the inherent defects of our federal finance system into glaring light.

Towards a Functional Land Redistribution Programme

R K Rath

Land legislations cannot change agrarian relations according to their professed intentions without the necessary social and material backing. Land ceiling legislation, for instance, presupposes not only successful unearthing of the surplus land and its redistribution but also the creation of conditions of production such that the new allottees can earn a better livelihood from the land. Both these are onerous but necessary tasks in any attempt to create a viable class of small peasant proprietors.

ANYONE with some experience of land tenures and administration of agrarian legislations knows that there is always more than meets the eye. Land legislations have never succeeded in unearthing problems they were meant to solve; they have merely succeeded, in varying degrees, in solving problems that came to the surface. Land laws, moreover, sometimes have the effect of accentuating the very problems they were meant to solve. As Daniel Thorner observes, efforts to change agrarian relationships by law "have almost always fallen far short of their goals or had effects other than those intended".[1] The Permanent Settlement Regulation never intended the exploitation of the raiyat in the areas in which it was in force. The Raiyatwari system which, according to Munro, meant that "every ryot will on his own estate be proprietor, farmer and labourer" had led, before long, to extensive sub-letting; indeed, the Famine Commission of 1880 had to take note of "a considerable class of subordinate tenants... who have no permanent interest in the land, and who pay such high rents that they must always be in a state of poverty."

It does not follow from this that land laws serve no purpose. They formalise the relationship between the government and the landowner, and among such interests in land as can be ascertained. These are important functions. So far as agrarian reforms are concerned, they provide legal sanction for effecting the intended reforms. In order that these reforms are effectively implemented and that problems meant to be solved do not go underground, legislations have to be supported by suitable executive measures. In the absence of such measures, distortions set in, and the reforms programme is before long frustrated beyond redemption.

In the taking over and distribution of land in excess of the statutorily determined ceilings in different states, the cleavage between the administration of the provisions of the laws and the purpose underlying these laws has been patent for some time now. If the cleavage has not been sufficiently recognised, it is because the purpose has been made synonymous with the administration of the law — and thus has been made to lose its identity. The land redistribution programme is basically a programme of creating gainful employment in the rural sector. It can be argued that it does not go far enough and that the allotment to the landless of small parcels of land, usually of low fertility, does not provide them with sufficient income. The critics of the programme however, have been unable to suggest a more viable alternative. The programme, admittedly, does not go as far as one would like it to go, but it does provide a solution, however partial, and hence has considerable merit in a situation of staggering rural unemployment. Of the total, economically active, population of 180.4 million in 1971, 130 million or 72 per cent were in agriculture. What is more, 18.4 million out of the 50.4 million (36.5 per cent) in non-agricultural employment were in rural areas. The prospect, of absorption of a significant section of the rural labour force in non-agricultural employment, is negligible. Non-agricultural employment has not been growing fast enough to absorb the surplus rural labour. There is, as a matter of fact, substantial unemployment in this sector.

The argument that mere transfer of ownership does not generate additional employment or bring about production increases is valid only if there is a *status quo* in the conditions of production; if, on the contrary, these conditions are upgraded, more intensive farming resulting in larger employment should be possible. What is more important, the gains in employment and production would be more equitably distributed. Radha Sinha lists[2] the following further disadvantages of large wage farms in societies with surplus rural labour :

(i) Richer farmers would monopolise the limited supporting services.

(ii) There would be neither any job security nor any guarantee of fair wages.

(iii) There would be a high risk of unemployment during droughts.

There are two major shortcomings in our land redistribution programme. First, the pace of taking possession of surplus land and distributing it among the landless has not been satisfactory. Of the nearly 40.5 lakh acres declared surplus by the end of July 1977, only about 21 lakh acres have been taken possession of. Further, only about 13 lakh acres have been distributed. In other words, a mere 32 per cent of the area declared surplus has been distributed; the remainder of the allottable area still remains with the former landowners. This achievement would have to be discounted further considering that, quite a few cases of reported allotment are said to exist only on paper, the allottees having not been put in physical possession of the land.

Secondly, the land redistribution programme has not been accompanied by effective measures to upgrade the *conditions of production* and correct the low productivity of the land allotted. Conferment of proprietary status on allottees may be an ideological gain, but the programme is relevant as an instrument of economic well-being and must be reckoned as a failure if it does not realise the economic gains built into its design.

The first shortcoming can be corrected by legislative-administrative measures, and the will to accelerate the pace of the programme should yield tangible results. As for the second, a closer review of our policy of creating peasant proprietorships seems to be necessary.

Inability of the new class of peasant proprietors to retain possession of their estates has been the experience of

[illegible] other countries besides India. This seems to have been due to

- (a) the incapacity of the land to provide the allottee with an income higher than what he used to earn through wage employment, and
- (b) the absence of any means of subsistence for the allottee and his family till they can harvest the produce.

Both factors have the effect of preventing the allottees from taking to productive agriculture. Their ability to cultivate the land productively does not increase significantly with the passage of time, since their income does not yield a surplus sufficient to raise the productivity of the soil and meet their consumption expenses till the harvest. Proprietorship, under these conditions, has very little meaning.

A policy of public investment in ceiling-surplus lands prior to their formal assignment to the landless is obviously necessary. This investment will be on permanent improvements such as land development and irrigation, as well as on seasonal operations such as application of fertilisers and pesticides and use of improved seeds. Public management of the lands, during the first three years of vesting in the state, in accordance with a well-conceived project and investments both on permanent and seasonal measures during this period should be preferred to a policy of straightaway conferring proprietorship on the allottees who have no access to resources and who will continue to rely on wage employment in preference to cultivating their own farms. A local body, assisted by an agricultural officer, can be entrusted with management and should be assisted with grants for meeting investment and operational expenses subject to the limits set forth in the project developed for each local area.

[illegible] public ownership of land is [illegible] envisaged, ultimate transfer of ownership to the eligible categories may be recognised; it may further be recognised that public management will be a purely temporary measure, designed to overcome the drawbacks experienced by the small peasant-proprietor. [illegible] of allottees may be finalised before the commencement of public management, but the prospective allottee [illegible] forfeit his right to assignment [illegible] of his failure to work for [illegible] number of days on the [illegible] employment on the farm [illegible] on a wage basis, and the [illegible] after meeting operational expenses should be commuted to cash during the period of public management. This amount may, at the conclusion of public management, be apportioned among the allottees so that they may not turn to wage employment in preference to cultivation of their own farms. The allottees would have been initiated to a better standard of crop husbandry during this period and will, if credit is available, not relapse into indifferent husbandry. It will be necessary to enrol them as members of primary co-operatives soon after formal transfer of ownership to them and to ensure that they are not denied credit.

Public management has been suggested because of the need to make public investments in the land and to provide continued wage employment to the allottees until the land begins to sustain them. An advantage of public management would be the adoption of a project approach. This would be particularly useful where the surplus land is of poor fertility — this is usually the case — and substantial upgradation measures are necessary. It may be necessary to put the land under grass instead of food crops and relate land use to a livestock-rearing occupation.

If public management is not accepted either because the available surplus land is not in compact blocks or because of other considerations, the main ingredients of the public management system can still be incorporated into a peasant proprietorship system with some modifications. These ingredients are (i) public investment in the land, and (ii) provision of the means of subsistence to the allottee until the land begins to yield a reasonable return. Even if the land is privately managed from the beginning, supervised investment out of public funds should be possible. This investment (including investment in seasonal operations) can be administered and supervised by a public employee. In order to guard against misutilisation, the allottee may, for about three years, be given annual cultivating rights; the conferment of full proprietorship should depend on the record of his diligence. During the period prior to acquisition of full proprietorship, he may be paid living wages.

The objection to either of the above systems of land management can be two-fold. The first is that the investment should appropriately be treated as a credit to the allottee and should be recovered from him on easy terms. There would otherwise be a heavy strain on public exchequer. The second objection is related to the first and consists in the fact that the cost would be prohibitively high.

It has been suggested earlier that the entire approach towards the land redistribution programme should be inspired by the goal to create additional employment. The expenditure in connection with investment in the surplus land and wage payments to the prospective allottees should be considered as expenditure on creation of additional jobs. Viewed thus, the expenditure suggested above cannot be considered unduly high.[3] To try to recover this amount from the allottee would mean a diminution of his real income during the critical period, when whether or not he will be self-employed on his estate will be decided. Prospects of self-employment will diminish if his net earning is low. A small fall in the net earning will make all the difference because the total earning from his petty estate will be small.

Expenditure on increasing productivity of small farmers is already being incurred and expenditure as suggested above will not really be a substantiative departure from present policy. The only distinction of this approach would be that the land redistribution programme will come to subserve the objective of employment generation instead of being little more than a statistical account of implementation of land ceiling legislations.

Notes

[The views expressed in this essay are the author's own, and not necessarily those of his employer, viz, the Government of India.]

1. Daniel Thorner, "The Agrarian Prospect in India", 1976, p 8.
2. Radha Sinha, "Food and Poverty", 1976, pp, 53-54.
3. According to the Annual Survey of Industries, 1973-74, the fixed capital investment per worker was Rs 18,485 in the organised sector.

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NEW PERCEPTIONS IN WOMEN'S STUDIES

AGRICULTURAL UNIVERSITIES: FAILED TRANSPLANT

WEST BENGAL PRESS WORKERS' STRIKE

MULTINATIONALS IN ELECTRICAL INDUSTRY

STRUGGLE OF UNEMPLOYED TEACHERS IN PUNJAB

CPI(M) PLENUM

MISLEADING INDEX OF PERFORMANCE

Recently a customer complained to a newspaper columnist about the working of a bank. The columnist commented: "In India millions of satisfied customers never write a letter of appreciation, while the few who have reason to be disgruntled can create an uproar—a misleading index of performance in the ultimate analysis." (Economic Times, November 26, 1978).

These words could well have been written about the Life Insurance Corporation. LIC settles an average 2,000 claims every working day. A very good record. But from the complaints aired in the press, you would think otherwise!

Let's look at the total picture: Last year LIC settled 6.05 lakh claims (value: Rs. 200.26 crores). At the end of March, 1978, only 82,872 claims remained outstanding (value: Rs. 31.26 crores). The ratio of outstanding claims to claims intimated during the year was 13.21 per cent by number, and 15.10 per cent by amount.

Is that good or bad? One way to judge is to look at the ratios achieved by private insurers, before nationalisation. (Some people think the private sector is more efficient than the public sector). The 1954 figures of seven top insurance companies were:

Company	Percentage of outstanding claims to claims intimated (by amount)
Oriental	36.48
Bombay Mutual	42.47
Bombay Life	49.87
Empire of India	53.27
Hindustan Co-op.	54.31
New India	59.41
National	74.70

([illegible] *Indian Insurance Year Book*)

[illegible] claim amounts have [illegible]. Yet LIC has [illegible] down the ratio [illegible] to 15.10 per [illegible]

[illegible]panies doing [illegible]tates? Here [illegible] for 1976.

Company	Ratio of unsettled claims
Prudential	20.10
Equitable	18.01
Metropolitan	16.01

So LIC is not doing too badly. Especially when you consider that the statistics are loaded against LIC. Over 20 per cent of the total year's business is completed in March, the closing month of the financial year. Hence the maturity claims will also be the highest in March. Allow a month to complete the formalities of settling a claim. You will then see that the claims arising in March alone can tilt the ratio against LIC.

But never mind, LIC's top brass themselves admit that the ratio needs to be improved. They now regularly examine why claims remain unpaid. The analysis of claims outstanding on March 31, 1978, showed the following:

Causes	No. of claims
At the LIC operating office	
1. Maturity intimation/ claim forms not issued	7569
2. Further requirements to be intimated	534
3. Payment pending	480
4. Claim investigation incomplete	1748
5. Requirements for admission of claim met but discharge forms not issued	147
Group total	10478
On the policy-holder's side	
6. Age proof to be given to LIC	551
7. Claim forms/discharge forms/policy documents to be sent to LIC	61,378
8. Required information not sent to LIC	3,315
9. Proof of title not produced	2,698
Group total	67,942
Miscellaneous	
Policy-holders/claimants not traceable	2270
Claims pending for other requirements (exchange permit, etc.)	455
Claims under [illegible] (educational [illegible], etc.)	[illegible]
Replies awaited from doctors, etc. (death claims)	[illegible]
Group total	[illegible]
GRAND TOTAL	[illegible]

Thus, 82 per cent of the outstanding claims remained outstanding because the policy-holder/claimant had yet to meet a necessary requirement. Thirteen per cent could be blamed on LIC. The Corporation has taken several steps to improve matters.

1. Formalities are being relaxed in apparently bona fide cases. The requirement of proof of age is being dispensed with for policies of small amounts; small claims are being paid by money order to eliminate the need for an advance receipt; legal evidence of title is being waived if there is no dispute among heirs; attestation formalities have been made easier.

2. A cell has been created within the Corporation to speed up claim settlements. Causes of delay are regularly analysed and rectified where possible. Officials are sent after claimants who do not respond, to help them complete the formalities. (Can you think of any other financial institution which does this?) Several LIC offices now have been given more powers to settle claims quickly.

3. An increasing proportion of maturity claims is now settled on the due date itself. They start corresponding with the claimant a month or two in advance. With all the needed documents arriving well in time, they have no problem issuing the cheque on the due date. (LIC is the only financial institution which goes after clients thus to settle their dues.)

4. A campaign has been launched to make sure that policy-holders know what is required of them—like submitting proof of age, nominating the beneficiary and telling LIC about any change of address.

LIC has been able to bring down the ratio of unsettled claims from 33.99 per cent in 1967-68 to 15.10 per cent in 1977-78—a good record by itself. But the Corporation is not resting on its oars. There is continuous endeavour to improve on this ratio.

Lin

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Mandarins All

THE announcement that government has broadly accepted the recommendations of the Kothari Committee on recruitment policy and selection [illegible] for appointment to all-India services, and the explanations thereof [illegible] by the Chairman of the UPSC on the new system of [illegible]vice examinations, have evoked some 'concern' — especially [illegible] allow candidates to answer the examinations in 'any language [illegible]ed in the Eighth Schedule to the Constitution', in addition to E[illegible]. There have been apprehensions about further weakening of the 'Centre'. The other innovation in the conduct of these examinations is the abolition of the separate categories of examinations that have till now existed to distinguish the IAS/IFS, IPS and other police services, and the Central Services, and the replacing of them with a single, though far from 'integrated', system of two examinations consisting of a preliminary 'objective' examination (which would be of a qualifying nature) and a final written examination to be taken only by those who get through the qualifying round.

The reason for these changes, apparently, is that these would make the civil service examinations more broad-based. Thus, by introducing the preliminary examination which demands little specialised kind of preparation, 'a far larger number of candidates than at present might be induced to have a go' at taking the civil service examination; and by allowing for the questions to be answered in any 'Indian language', the resulting civil service would be less 'elitist', freed from the grip of the presently dominant anglicised sections.

These expectations are truly naive and even pathetic; but perhaps they are not meant to be taken seriously. For, if there were really any concern about the administrative system, something more material could have been done about the presently entrenched bureaucracy itself. Whatever be the other impact of the proposed changes, one thing is certain: there is going to be, as the UPSC chairman himself optimistically foresaw, a vast increase in the number of candidates hopefully having a whack at entering the rarefied world of higher bureaucracy. Since the standards set for passing this 'objective type' preliminary examination are admittedly modest, a very large number of these aspirants will also be taking the final 'written' examinations, thus providing a bonanza for those others who too are part of the whole paraphernalia of the examination system — the examiners, moderators, paper setters, supervisors, chairmen of interview boards, etc.

In fact, there is little justification for any 'concern' about the implications of the proposed changes in the system of civil service examinations. These changes have been introduced mainly to satisfy the demands of various new classes which have become vocal and powerful in the last 30 years, and who also want to acquire the kind of power that is being weilded by the present bureaucracy. But since the changes have themselves been initiated and formulated in their details by that very bureaucracy — a class which has a continuity going back at least to Moghul times — one may expect that the necessary safeguards have also been built into it to ensure that the system will in no way be radically threatened.

This is taken care of in two ways. First, the measure to broaden the class base of the candidates by having a preliminary examination can actually turn out to be a device to weed out candidates otherwise considered undesirable. Secondly, the opportunity provided to candidates to answer questions in English or in any 'Indian language' might actually make it possible for the system to distinguish, at the very outest, the kind of candidates who would effortlessly fit into the category and those who would not.

Too much can be made also of the other novel measure — the abolition of a separate category of examinations for the various services. The ostensible purpose of this measure it to abolish the kind of distinctions which continue to exist among the upper echelons of Indian bureaucracy between the so-called generalists and the so-called specialists — though other claimants to special talents, such as the so-called technocrats belonging to the higher levels of management in public sector undertakings, are also laying claim to being an interested party in the dispute. These distinctions are of course not actually related to any real or imagined special talents required to do the job of a district administrator, or a junior diplomat, or a police officer, or an officer in one of the myraid departments in the government of India. The distinctions are entirely based on the different and carefully graded [illegible]s traditionally offered to perform these varied jobs, and a mere [illegible]

jobs will not remove the festering jealousies in the services.

In one respect, however, the proposals do mark a departure. All the aspiring candidates now should answer a paper carrying 300 marks in one of the languages mentioned in the Eighth Schedule of the Constitution. Till now, no such compulsion attached to the taking of these examinations and many students, especially from the tribal areas who do not speak any of *the 15 languages mentioned in the* Eighth Schedule never experienced any disability on this count. (The total number of persons who *returned* one or other of the 15 languages mentioned in the Eighth Schedule as their mother tongue in the 1971 Census was about 48 crores, out of a total of about 55 crores.) Whether this measure will make them feel even more than they do now that they are not a part of the Indian mainstream merely because they are not proficient in any 'Indian language' is open to question. Indeed, 'Indian language' is defined so arbitrarily that Sanskrit which claims exactly 2,212 speakers (down from the 2,544 who, in 1961, claimed they spoke Sanskrit as their mother tongue) is an 'Indian language' while the many tribal languages spoken by millions of people do not qualify as 'Indian'. Certainly, the latter will suffer even graver handicaps in competing for civil service positions than they do now.

Labour

Misunderstood Case

SINCE the middle of last month when bank employees began their programme of non-co-operation, banking operations in the country have been considerably hampered; at the same time, the fact that even after over a month of such hampering and disruption (including the two-day strike at the end of last year), the economic life of the vast majority of the people has gone on in much about the same manner as before can perhaps give us a clue as to the scale of economic activity that can go on more or less entirely outside the whole organised money system.

The demands of the workers in the banking industry, despite all the talk of their being a labour aristocracy dwelling in high wage 'islands' and perpetually asking for a larger and larger slice of the cake, are not really for an increase in wages, though the time for *a revision of wages has been due for* some time. Shorn of inessentials, these demands boil down to two: a continuation of the existing formula for dearness allowance under which rise in cost of living was being neutralised, though not uniformly, in the case of various *categories* of workers; and secondly, restoration of bonus, a right which had been taken away during Emergency. What the Indian Banks Association is proposing is to radically alter the existing structure of dearness allowance and replace it with a new scheme where, broadly speaking, the 'protection' till now available against increases in cost of living would be eroded and, secondly, the dearness allowance would be delinked from the category of a worker and, instead, linked to the salary drawn by him. Moreover, what the bankers are seeking to achieve is to alter an arrangement existing for about 20 years.

A feature of the current struggle in the banking industry is the extraordinary passions that it seems to have roused among what is referred to in newspapers as the 'public'. There have beeen bundhs and hartals organised by the trading community, statements galore have been issued by spokesmen of organised industry, processions have been taken out against bankmen, and public meetings have been held where the so-called labour aristocracy has been taken to task. In Ahmedabad these 'popular protests' have erupted into violence on a wide scale. At the same time, 'solutions' almost diametrically opposed to one another have been offered — that the industry should be declared an 'essential service', and also that government should order a 'lock-out' of banks. There have also been warnings about an impending chaos with dark mutterings about heavy withdrawals leading to 'liquidity crisis'. And even as these threats and gloomy forecasts are being uttered, proposals have also been put forth that the whole issue should be placed for adjudication before a third party, a suggestion which once again is against the longstanding practice of disputes in the banking industry being resolved on a bipartite basis.

At the same time, if a widespread impression does prevail that the bank workers have been 'holding the country to ransom', and if trade and industry, with the tacit encouragement of government, are able to organise protests and processions against the banking workers, not merely do such actions follow the classic pattern of 'popular' mobilisation against the organised working class, but they also speak of a certain failure on the part of the working class itself to secure on its side what by any account ought to be its constituency. Clearly, if the Indian Banks Association's formula for dearness allowance is enforced and thus whatever protection against rising prices that a section of the organised working class had secured is taken away, and further this action is justified on the astonishing ground that such 'protection' is not available to other sections of the working class, it will not be long before the wages of these other sections of the working class will be subjected to fresh attacks. The workers in the banking industry should have more *emphatically* and convincingly demanded that the kind of 'protection' available to them should be made available to other sections of the working class too, and not merely to the so-called white collar workers, but also to factory workers. They should have more thoroughly exposed the wholly fallacious argument that it is the modest increase in wages that pushes up prices; that the propaganda about workers in the banking industry constituting a 'high wage island' — even if it were the case, which it is not, for about 70 per cent of workers in the banking industry draw less than Rs 565 per month — is really beside the point for these employed do in every case support a large number of unemployed; that far from asking the working class to surrender what it has gained after prolonged struggle, the employers should cut down the extremely lavish salaries and perquisites they have appropriated for themselves; that what is called for is not a cut in wages, nor even a freeze, but increased employment; and that the unemployed youngman who is enjoined to take part in a procession and shout slogans against a section of the organised working class is not advancing his plea for employment one bit. The workers in the banking industry have no doubt demonstrated their organisational strength; but what they have failed to do is to enlist the support and sympathy that should have been theirs.

National Income

Disturbing Trends

THE Central Statistical Organisation released last week its 'quick estimates' of national income for 1977-78 (see Statistics section of this issue). Taking the period from 1970-71 to 1977-78, certain tendencies highlighted by the national income data are worth nothing.

First, in four out of the seven years, per capita income in real terms registered an absolute reduction; and per capita consumption did the same in three years. As a result, the index of per capita income in 1977-78 stood at 108.6 (with base 1970-71=100), showing a compound growth rate of less than one per cent annually. More significantly, the index of per capita consumption stood at just 100.6 in 1977-78 and at 96 in the previous year. Except for 1971-72 and 1977-78, the index of per capita consumption always stood below 100, implying an absolute reduction in the per capita average real consumption over the level of 1970-71. Since there is ample evidence of rise in the consumption levels of the better-off section of the population — for instance, in the impressive rise in the production of goods and services demanded by this section — the stagnant average consumption levels indicate a further deterioration in the levels of living of the poor.

Secondly, aggregate saving has been growing at a faster rate than investment. While the index number of net domestic saving at current prices, with 1970-71 as the base, shot up to 319.4 in 1977-78, that of net domestic capital formation stood at 274.8 in the same year. For the three years from 1975-76 to 1977-78 net domestic saving as a proportion of net domestic product remained higher than the rate of net domestic capital formation. The difference between the two is reflected in the surplus in the current account of the country's balance of payments and the consequential outflow of saving abroad.

Thirdly, in the composition of national product, the decline in the share of agriculture during this period has been accompanied by an increase in the share not so much of the 'secondary' sector as of the 'services' sector. While the share of 'agriculture' in net domestic product at current prices declined from 447.2 per cent in 1970-71 to 39.6 per cent in 1977-78, that ... by 7.6 percentage points, ... the 'secondary' sector rose by only 3.8 percentage points from 19.3 per cent to 23.1 per cent. Within the 'secondary' sector, the share of the registered manufacturing sector limped up from just 8.5 per cent to 10 per cent.

Finally, the difference in the share of different sectors in net domestic product at current prices and at constant prices reflects broadly the shifts in relative prices. The data suggest that relative prices moved in favour of 'agriculture' between 1972-73 and 1974-75, in which years its share in net domestic product at 1970-71 prices was always lower than that at current prices. Thereafter, relative prices have tended to move in favour of the non-agricultural sectors, particularly the tertiary sectors.

Big Power Relations

A New Scenario

THE informal two-day summit of leaders of the US, West Germany, France and Britain at Guadaloupe (January 5-6) has served to highlight some of the Western, or rather, West European anxieties regarding the emerging pattern of relations between the US, China and Japan and, as part of this phenomenon, the possible setback to 'detente', between the US and the Soviet Union — a setback which would have its impact most directly and immediately in Western Europe itself. The Guadaloupe summit took place against the background of such recent developments as the normalisation of relations between the US and China, the apparent setback to the expected conclusion of the second agreement of limitation of strategic arms between the US and the Soviet Union, the putting off of Brezhnev's visit to Washington, the setback (to the West) in Iran and the apparent gains to the Soviet Union in Kampuchea — all part of broad Western security concern.

The United States has been trying to sell the line that its improved relations with China should not be construed as a part of any 'grand design' directed against the Soviet Union. By any yardstick, the kind of accommodation the United States seeks with the Soviet Union is, from the point of view of America's own self-interest, of greater consequence than the gains it hopes to make by normalising its relations ... same time, ... two, not ... points of view on the conduct of big power relations within the present US administration; the one, more conventional, which attaches greater importance to maintaining and improving the present relatively tension-free relations with the Soviet Union; and the other, more 'activist', which sees greater manoeuvrability available to the United States consequent upon the normalisation of Sino-US relations and which wants the fullest exploitation to be made of these new opportunities. There is no fundamental contradiction between these two points of view, and the present US administration is naturally pursuing both these ends — seeking further accommodation with the Soviet Union and, most importantly, arriving at an agreement on limitation of strategic arms and ensuring peace in Europe, and at the same time 'containing' the Soviet Union, especially outside Europe, by forging links with China and Japan, a link which could also well serve as a counter to the increasing economic power of Western Europe.

While no clear demarcation of attitudes was apparent at the Guadaloupe summit, certain broad differences that did emerge deserve to be noted. First, both Britain and France showed a distinct lack of enthusiasm for any move to involve them in a further agreement on limitation of strategic arms because such an agreement would curtail these countries' own nuclear weapon programme. Secondly Britain, which has contracted to sell 80 Harrier Jump Jet aircrafts, and France, which has contracted to sell about two billion dollars worth of anti-air missiles, to China refused to share whatever 'concern' the US and West Germany might claim to have about these huge arms contracts. West Germany seems to have been particularly concerned about these arms sales which, according to West Germany, cannot but be seen as acts of provocations against the Soviet Union. On Iran too, the European countries did not share the faith that the US apparently continues to repose in the Shah's ability to ride out the present storm and retain power.

What however is most interesting about the deliberations at Guadaloupe is the general caution on the part of the three Western powers about future US-Japan-China relations as envisaged by the more 'activist' of President Carter's foreign policy advisers. West Germany in particular seems to be alarmed at the prospect of any set-

back to the easing of tensions in Europe. France and Britain too share apprehensions about the potentiality of US-Japan-China relations — and not 'merely for purely 'political' reasons.

Kampuchea

Re-emergence of Sihanouk

A Correspondent writes:

AN immediate consequence of the overthrow of the Pol Pot government in Kampuchea by Vietnamese-led forces has been the reappearance of Norodom Sihanouk as a spokesman of Kampuchea. On his way to New York as the leader of the Kampuchean delegation to participate in the UN Security Council discussion on the developments in Kampuchea, Sihanouk stopped over in Beijing where he had meetings with Vice-Premier Deng Ziaoping and other Chinese leaders. At Beijing Sihanouk also addressed a six-hour press conference. His analysis of the developments in Kampuchea at the press conference, while of course it represents the views of a partisan in the struggle, is noteworthy for the light they shed on the possible future course of these developments.

On the involvement of Viet Nam in the overthrow of the government of the Kampuchean Communist Party, Sihanouk was categoric. "The Vietnamese are responsible for the aggression against Kampuchea, for the conquest of Kampuchea", he said at the press conference. He also accused the Soviet Union of being strongly involved in preparing and launching Viet Nam's aggression against Kampuchea. He said, "the USSR and Viet Nam had prepared the aggression against Kampuchea together when they signed their bilateral pact. Recently, in Moscow, they had studied the planning for the present aggression, invasion, occupation and colonisation of our country." He added, "Since many months, Russia has been sending everyday ships, planes, etc, transporting weapons... military equipment to Viet Nam, and also sophisticated planes, not only MiG 19s but MiG 21s."

A significant feature of Sihanouk's press conference was his attempt to focus attention on the consequences of the Kampuchean developments for the other countries of Southeast Asia. He said, "How can you be sure that the Vietnamese and Russians will be satisfied with the swallowing of Kampuchea? .... After swallowing Kampuchea, the appetite of the Russians, the Warsaw Pact and the Vietnamese will grow. They will threaten Thailand, and after swallowing Thailand, they will swallow Singapore and Malaysia as this is in the interest of Vietnamese imperialism and colonialism". Referring to Laos, Sihanouk said, "The Vietnamese do not respect the national sovereignty of Laos. And Laos is weak with a small population and a poor country, it cannot do much to safeguard its national sovereignty." From Viet Nam's treatment of first Laos and now Kampuchea, Sihanouk sought to draw the following lesson: "So you see it is very dangerous for Southeast Asia to let Viet Nam stay in Kampuchea and continue to occupy her, because Kampuchea will serve as a strong base for the Vietnamese, with the Russians behind them, to launch attacks against the countries in Southeast Asia".

Considerable interest also attaches to Sihanouk's statements about the Kampuchean Communist Party and the government of Pol Pot since under this government Sihanouk had been deprived of any political role in Kampuchea. Both by implication and even explicitly Sihanouk made it clear that he did not agree with the policies pursued by the Pol Pot government in Kampuchea. However, according to him this aspect of the matter had now receded into the background with the aggression from outside. "So we have put aside the question of human rights... and we unite our efforts in order to avoid the defeat of Kampuchean independence by Vietnamese and Soviet aggressive advancement." In this task he supported Pol Pot since "Pol Pot is symbolic of the legitimate status of Kampuchea". Significantly, Sihanouk also conceded the role of the Communist Party of Kampuchea and Pol Pot, its secretary, in the war against the United States. He said, "Led by the Communist Party of Kampuchea and its leader, Secretary Pol Pot, our people performed great military exploits during the war of national liberation from 1970 to 1975".

In regard to the policies of the Pol Pot government, while it was clear that in his view the government had infringed "human rights", Sihanouk conceded in his press conference: "I have been able to visit some provinces along the big lake. The people there work very hard. They are not unhappy. On the contrary, they smile. I hear songs, not love songs, but revolutionary songs. These songs are not so bad. The children play and freely eat bananas in the gardens of their co-operatives. The food in the co-operatives is not bad, though not as good as mine. The dining rooms are clean and the cooking is good. The people are not lean. They are well fed. The life there is good, really good. The rich are not so rich and the poor not so poor as before. This is a unification of the society and a social justice, and the majority of the people of Kampuchea like it."

'High Technology' in Drugs

THIS has reference to the article "Pharmaceutical Industry: In Quest of 'High Technology'" (*EPW*, September 30, 1978). It is no doubt true, as the author of the article says, that the new drug policy of the Government of India has unnecessarily raised an issue of great controversy by the introduction of the concept of 'high' technology for the maintenance of a higher level of foreign equity by the multinationals. In fact, the concept militates against the FERA guidelines in so far as no such distinction between 'high' and 'low' technology products has been made in the case of the other 18 core sector industries listed in the guildines. Under FERA, only trading companies are required to bring down their equity to 40 per cent forthwith, while others, including those producing low technology items like food-products, biscuits and tooth-paste are allowed to bring down their equity in stages. Even so, any definition of 'high' or 'low' technology, in the very nature of things, is bound to be subjective and arbitrary. No wonder, a Committee functioning under the chairmanship of the Secretary to the Ministry of Petroleum, Chemicals and Fertilisers to evolve a proper definition of what is "high" technology in drug manufacturing is still reportedly grappling with the question.

The concept of 'high' technology in drug manufacture, nevertheless, is only another name for the science of industrial production involving multi-stage processes like vitration, high-vacuum operations, fermentation, etc, and many of the drugs presently manufactured by the international units can come under this definition. Moreover, in the entire process of manufacturing a drug, not all the stages but only the ultimate or penultimate stages. might require technologically high or sophisticated treatment. The problem, thus, would be to restrict the foreign companies strictly to the area of high technology manufacture, to the exclusion of all other (less 'high') stages, in the entire process of manufacturing a drug. The practical application of this concept bristles with immense difficulties. 'High' or 'low' technology, again, has, sequentially, only a relative, and not an absolute reference and relevance; and in this sense, a technology may still be 'high' in a developing country in terms of cost and domestic R and D capabilities (whether innovative, adaptive or assimilative), even though it may have been discarded as 'obsolete' in a more advanced country. And, in the field of drugs and pharmaceuticals, product and process obsolescence is the greatest, needing quick replacement.

Thus, there can be no two opinions on the view expressed by the author that "in any competitive field, the technology employed must be the *best* technology, whether it is 'high' or 'low'". In other words, in a given situation of space and time, that technology may be deemed *best* which helps in realising higher production and productivity, lower costs and prices and, above all, better quality to the consumer — which really are what do matter in a competitive market. Such technology, however, which may be expected to produce the best results in terms of costs and prices, availability and quality, is directly related to the scale of manufacture — a factor which the author seems to have ignored. There is no gainsaying the fact that economies of scale are usually realised in a large organisation and that economic necessities have often tended to drive the smaller units towards merger. In India, however, government policy, over the years, has been wrongly to equate size with monopoly, and thus, to fragment capacities, which, in turn, has led to high cost structure, shortages, and high prices, not to speak of poor quality of products all around. Monopoly or oligopoly has reference only to the non-existence or inadequacy of competition in the economic system. In such a context, not only a large house but even a relatively small-sized firm can be monopolistic or oligopolistic, depending upon its product character, availability and market-sharing. In a competitive economy, however, size has both relevance and justification in terms of economic viability and the impact it makes on productivity, costs and prices, and quality.

Thus, the 'best' technology, (to produce the best results in terms of the above criteria) depends inevitably on the size of the plant and the scale of manufacture. In the field of drugs and pharmaceuticals, the economic size of a tetracycline plant, for example, is 50 tonnes, while the largest plant in the private sector in India today, has a capacity of only five tonnes. Even though the multinational drug firms are having the best technology, (as defined above), they are not allowed to reap the economies of scale on considerations other than economic. Even so, the cost of production of tetracycline, to quote the same example, is at least one-third less in the private sector, today, than that in the public sector, despite the uneconomic size of the private sector plants. In this context, *it is worth reflecting* whether any discrimination in equity dilution of foreign companies based on irrational and subjective considerations of 'high' and 'low' technology will help to bring in any worthwhile technology at all (not to speak of the best), for the further growth of the industry in India. The net result will be that we may be forced to shop around for technology, as the public sector units have been doing, with no assurance whatsoever of getting the best technology or at cheaper prices than through the existing channels of multinational corporations. The best technology is held by a few international corporations; and they are not likely to part with it for no consideration.

Thus, any rigid approach to the question of foreign equity and technology, with its concomitant of sectoral reservation of areas of drug production, as propounded in the new drug policy, may well prove counter-productive, leading to wasteful uses of scarce resources in investment in uneconomical, multiple units which could only result in pre-emption of large capacity licensed for these units on the one hand and high cost and price structure of the industry on the other — as experience in the country thus far has already shown. In fact, the cost of some of the bulk drugs produced in this country — chloramphenicol and tetracycline, for example — are at least 300 to 400 per cent more than the international prices. Again, the production of anti-infectious drugs (antibiotics and others), which is just about 25 per cent of the total production of drugs and pharmaceuticals, falls very short of the prevalence and incidence of diseases in a large country such as ours, mainly because the public sector, to which the production of these vitally needed drugs has been assigned, has failed to deliver goods.

The question, thus, is not whether the technology used is 'high' or 'low', indigenous or foreign, but whether it can be effectively utilised for the purposes in view.

Bombay.

K JAYARAMAN

National Income

NATIONAL PRODUCT, CONSUMPTION, SAVING AND CAPITAL FORMATION

(Rs crores, unless otherwise stated)

At Current Prices

	1977-78*	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71
Net National Product at Factor Cost (NNP) (Rs crores)	73157 (+9 9)	66561 (+8.0)	61609 (+3.9)	59315 (+17.1)	50665 (+25.3)	40422 (+10.0)	36745 (+6.9)	34368
Estimated Population (Million)	629	616	604	591	579	566	554	541
Per Capita Net National Product (Rs)	1163 (+7.6)	1081 (+6.0)	1020 (+1 6)	1004 (−14.7)	875 (+22 5)	714 (+7 7)	663 (+4.4)	635
Net Domestic Saving (NDS) (Rs crores)	14643 (+4.2)	14052 (+25.8)	11165 (+15.5)	9664 (+24.6)	7753 (+53.1)	5064 (+0.1)	5059 (+10.4)	4584
Net Domestic Capital Formation (NDCF) (Rs crores)	13681 (+6.1)	12895 (+16.7)	11048 (+7.1)	10317 (+26.7)	8145 (+51.9)	5361 (−3.2)	5537 (+11.2)	4978
Rate of Saving (Per cent)	17.8	18.7	16.0	14.6	13 8	11.2	12.3	12 0
Rate of Capital Formation (Per cent)	16.6	17 2	15.8	15.6	14.5	11.8	13.5	13.0
Private Final Consumption Expenditure (PFCE) (Rs crores)	59072 (+10.2)	53587 (+1.2)	52928 (+1.4)	52203 (+21.3)	43040 (+22.3)	35189 (+10.1)	31958 (+7.7)	29682
Per Capita Final Consumption Expenditure (Rs)	939 (+7 9)	870 (−0.7)	876 (−0.8)	883 (+18.8)	743 (+19 5)	622 (+7.8)	577 (+5.1)	549
Index Numbers (1970-71=100)								
(1) NNP	212.9	193.7	179.3	172.6	147.4	117.6	106.9	100.0
(2) NDS	319.4	306.5	243.6	210.8	169.1	110.5	110.4	100 0
(3) NDCF	274.8	259.0	212.9	207.3	163.6	107.7	111.2	100.0
(4) PFCE	199 0	180.5	178.3	175.9	145.0	118.6	107.7	100.0
(5) Per capita NNP	183.1	170.1	160.6	158.0	137.7	112.4	104.4	100.0
(6) Per capita PFCE	171.1	158.5	159.7	161.0	135.5	113.3	105.1	100.0

At Constant (1970-71) Prices

	1977-78*	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71
Net National Product at Factor Cost (NNP) (Rs crores)	43395 (+7.4)	40395 (+1.4)	39849 (+9.2)	36504 (+1.0)	36134 (+5.2)	34334 (−1.5)	34865 (+1.4)	34368
Estimated Population (Million)	629	616	604	591	579	566	554	541
Per Capita Net National Product (Rs)	690 (+5.2)	656 (−0.6)	660 (+6 8)	618 (−1.0)	624 (+2.8)	607 (+3.5)	629 (−0.9)	635
Net Domestic Saving (NDS) (Rs crores)								
Net Domestic Capital Formation (NDCF) (Rs crores)	7219 (+3.2)	6996 (+15.4)	6065 (−0.8)	6115 (−0.8)	6165 (+33.7)	4611 (−11.7)	5220 (+4.9)	4978
Rate of Saving (Per cent)								
Rate of Capital Formation (Per cent)	15.1	15.7	13 8	15 2	15.4	11.9	13.4	13.0
Private Final Consumption Expenditure (PFCE) (Rs crores)	34729 (+7.0)	32455 (−0.1)	32502 (+4.3)	31162 (+0.6)	30978 (+2.7)	30157 (−1.4)	30579 (+3.0)	29682
Per Capita Final Consumption Expenditure (Rs)	552 (+4.7)	527 (−2.0)	538 (+2.1)	527 (−1.5)	535 (+0.4)	533 (−3.4)	552 (+0.5)	549
Index Numbers (1970-71=100)								
(1) NNP	126.3	117.5	115.9	106.2	105.1	99.9	101.4	100.0
(2) NDS								
(3) NDCF	145.0	140.5	121.8	122.8	123.8	92.6	104.9	100.0
(4) PFCE	117.0	109.3	109.5	105.0	104.4	101.6	103.0	100.0
(5) Per capita NNP	108.6	103.2	103.9	92.7	98.2	95.5	99.1	100.0
(6) Per capita PFCE	100.6	96.0	98.1	96.1	97.5	97.1	100.6	100.0

* Quick estimates

Note: Figures in brackets give percentage variation over previous year.

NET DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY OF ORIGIN

(Rs crores)

	At Current Prices								At Constant (1970-71) Prices							
	1977-78*	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71	1977-78*	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71
Agriculture	29044 (39.6)	26029 (39.0)	25342 (41.0)	27231 (45.7)	25294 (49.6)	18630 (45.8)	16935 (45.7)	16357 (47.2)	18411 (42.3)	16553 (40.9)	17662 (44.2)	15865 (43.3)	16309 (44.8)	15106 (43.6)	16217 (46.1)	16357 (47.2)
Forestry and Logging	980 (1.3)	852 (1.2)	751 (1.2)	637 (1.1)	509 (1.0)	456 (1.1)	436 (1.2)	403 (1.2)	576 (1.3)	550 (1.4)	491 (1.3)	449 (1.2)	416 (1.2)	436 (1.3)	422 (1.2)	403 (1.2)
Fishing	597 (0.8)	522 (0.8)	515 (0.8)	410 (0.7)	367 (0.7)	285 (0.7)	246 (0.7)	229 (0.7)	293 (0.7)	277 (0.7)	291 (0.7)	275 (0.8)	258 (0.7)	251 (0.7)	244 (0.7)	229 (0.7)
Mining and Quarrying	961 (1.3)	955 (1.4)	852 (1.4)	647 (1.0)	425 (0.8)	371 (0.9)	344 (0.9)	331 (0.9)	473 (1.1)	469 (1.1)	445 (1.1)	396 (1.1)	363 (1.0)	355 (1.0)	337 (1.0)	331 (0.9)
Sub-total : Primary	**31582 (43.0)**	**28358 (42.4)**	**27460 (44.4)**	**28925 (48.5)**	**26595 (52 1)**	**19742 (48 5)**	**17961 (48.5)**	**17320 (50.0)**	**19753 (45.3)**	**17849 (44.1)**	**18889 (47.3)**	**16985 (46.4)**	**17346 (47.7)**	**16148 (46.6)**	**17220 (49.0)**	**17320 (50.0)**
Manufacturing	11648 (15.9)	10737 (16.1)	9645 (15.6)	9164 (15.4)	6938 (13.6)	5771 (14.2)	5197 (14.0)	4712 (13.6)	6459 (14.9)	6232 (15.4)	5711 (14.3)	5579 (15.2)	5365 (14.7)	5059 (14.6)	4851 (13.8)	4712 (13.6)
Registered	7299 (10.0)	6817 (10.2)	6001 (9.7)	5781 (9.7)	4347 (8.5)	3566 (8:8)	3215 (8.7)	2953 (8.5)	4044 (9.3)	3904 (9.6)	3495 (8.8)	3480 (9.5)	3371 (9.2)	3137 (9.1)	3008 (8.6)	2953 (8.5)
Unregistered	4349 (5 9)	3920 (5 9)	3644 (5 9)	3383 (5 7)	2591 (5 1)	2205 (5 4)	1982 (5 3)	1759 (5 1)	2415 (5 6)	2328 (5.8)	2216 (5.5)	2099 (5 7)	1994 (5.5)	1922 (5.5)	1843 (5.2)	1759 (5.1)
Construction	4371 (6.0)	3897 (5.8)	3254 (5.2)	2590 (4 3)	2240 (4.4)	2172 (5 3)	2030 (5 5)	1850 (5.3)	2434 (5.6)	2253 (5.5)	1991 (5.0)	1712 (4.7)	1707 (4.7)	1878 (5.4)	1870 (5.3)	1850 (5.3)
Electricity, Gas and Water Supply	917 (1.2)	836 (1.3)	665 (1.1)	511 (0.9)	391 (0.8)	364 (0.9)	336 (0.9)	314 (0.9)	532 (1.2)	513 (1 3)	451 (1.1)	391 (1.1)	360 (1.0)	350 (1.0)	332 (0.9)	314 (0.9)
Sub-total : Secondary	**16936 (23.1)**	**15470 (23.2)**	**13564 (21.9)**	**12265 (20 6)**	**9569 (18 8)**	**8307 (20 4)**	**7563 (20.4)**	**6876 (19.8)**	**9425 (21.7)**	**8998 (22.2)**	**8153 (20.4)**	**7682 (21.0)**	**7432 (20.4)**	**7278 (21.0)**	**7053 (20.0)**	**6876 (19.8)**
Transport, Storage and Communication	3764 (5.1)	3548 (5.3)	3025 (4.9)	2566 (4 3)	2119 (4.2)	1889 (4 7)	1733 (4 7)	1580 (4 5)	2303 (5.3)	2208 (5.5)	2061 (5.2)	1881 (5.1)	1782 (4.9)	1739 (5.0)	1658 (4.7)	1580 (4.5)
Railways	1034 (1.4)	1003 (1.5)	795 (1.3)	647 (1 1)	481 (0.9)	561 (1.4)	574 (1 5)	522 (1.5)	714 (1.6)	699 (1.7)	638 (1.6)	562 (1.5)	502 (1.4)	557 (1.6)	559 (1.6)	522 (1.5)
Transport by other means and Storage	2169 (2 9)	2043 (3.0)	1857 (3.0)	1593 (2.7)	1353 (2.7)	1078 (2.7)	916 (2.5)	840 (2.4)	1258 (2 9)	1198 (3.0)	1136 (2.9)	1051 (2.9)	1024 (2.8)	943 (2.7)	868 (2.5)	840 (2.4)
Communication	561 (0 8)	502 (0 8)	373 (0.6)	326 (0.5)	285 (0.6)	250 (0.6)	243 (0.7)	218 (0.6)	328 (0 8)	311 (0.8)	287 (0.7)	268 (0.7)	256 (0.7)	239 (0.7)	231 (0.6)	218 (0.6)
Trade, hotels and restaurants	9562 (13.0)	8906 (13.3)	8289 (13.4)	7531 (12.6)	5878 (11.5)	4733 (11.6)	4258 (11.5)	3908 (11.3)	5156 (11.8)	4916 (12 1)	4685 (11.7)	4292 (11.7)	4181 (11.5)	4011 (11.6)	3986 (11.3)	3908 (11.3)
Sub-total : transport, communication and trade	**13326 (18.1)**	**12454 (18 6)**	**11314 (18 3)**	**10097 (16.9)**	**7997 (15 7)**	**6622 (16 3)**	**5991 (16 2)**	**5488 (15 8)**	**7456 (17 1)**	**7124 (17 6)**	**6746 (16.9)**	**6173 (16.8)**	**5963 (16 4)**	**5780 (16 6)**	**5644 (16.0)**	**5488 (15.8)**

Continued

Net Domestic Product at Factor Cost by Industry of Origin

— Continued

(*Rs crores*)

	At Current Prices								At Constant (1970-71) Prices							
	1977-78*	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71	1977-78*	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71
Banking and insurance	2234 (3.1)	2055 (3.1)	1756 (2.8)	1349 (2.3)	1039 (2.1)	859 (2.1)	756 (2.1)	644 (1.9)	1094 (2.5)	985 (2.4)	826 (2.1)	694 (1.9)	764 (2.1)	761 (2.2)	713 (2.0)	644 (1.9)
Real estate, ownership of dwellings and business services	2035 (2.7)	1742 (2.6)	1513 (2.5)	1393 (2.3)	1315 (2.6)	1227 (3.0)	1125 (3.0)	1039 (3.0)	1282 (3.0)	1237 (3.1)	1195 (3.0)	1161 (3.2)	1128 (3.1)	1095 (3.2)	1069 (3.1)	1039 (3.0)
Sub-total : finance and real estate	**4239 (5.8)**	**3797 (5.7)**	**3269 (5.3)**	**2747 (4.6)**	**2335 (4.7)**	**2395 (5.1)**	**1831 (5.1)**	**1683 (4.9)**	**2376 (5.5)**	**2222 (5.5)**	**2021 (5.1)**	**1835 (5.1)**	**1892 (5.2)**	**1856 (5.4)**	**1782 (5.1)**	**1683 (4.9)**
Public administration and defence	3729 (5.1)	3453 (5.2)	3237 (5.2)	2858 (4.8)	2221 (4.4)	1976 (4.8)	1831 (4.9)	1635 (4.7)	2490 (5.7)	2355 (5.8)	2249 (5.6)	2091 (5.7)	1981 (5.5)	1863 (5.4)	1785 (5.1)	1635 (4.7)
Other services	3577 (4.9)	3261 (4.9)	3020 (4.9)	2714 (4.6)	2213 (4.3)	1981 (4.9)	1809 (4.9)	1650 (4.8)	1986 (4.6)	1932 (4.8)	1882 (4.7)	1840 (5.0)	1756 (4.8)	1741 (5.0)	1694 (4.8)	1650 (4.8)
Sub-total : community and personal services	**7306 (10.0)**	**6714 (10.1)**	**6257 (10.1)**	**5572 (9.4)**	**4434 (8.7)**	**3957 (9.7)**	**3540 (9.8)**	**3285 (9.5)**	**4476 (10.3)**	**4237 (10.6)**	**4131 (10.3)**	**3931 (10.7)**	**3737 (10.3)**	**3604 (10.4)**	**3749 (9.9)**	**3285 (9.5)**
Total : net domestic product at factor cost	73389 (100.0)	65793 (100.0)	61864 (100.0)	59506 (100.0)	50990 (100.0)	40724 (100.0)	37036 (100.0)	34652 (100.0)	43436 (100.0)	40180 (100.0)	39940 (100.0)	36626 (100.0)	36370 (100.0)	34645 (100.0)	35178 (100.0)	34652 (100.0)

Note: Figures in brackets give percentage distribution of net domestic product by industry of origin.

* Quick estimates.

Source: "Quick Estimates of National Income for 1977-78" and "White Paper on National Accounts Statistics, 1970-71 to 1976-77", Central Statistical Organisation, Government of India.

Expanding Product Range

Hansavivek

GREAVES COTTON is stepping up dividend by two points to 12 per cent following slightly improved results in spite of labour unrest in one of its major subsidiaries, David Brown Greaves, and also in some suppliers' units for whom the company is concessionaire for their products. Profitability was also adversely affected due to loss of production resulting from shifting to Nasik the company's light engineering division and also in organising an all-India sales division to look after sales of Lombardini engines which are expected to make a sizeable contribution to the turnover from the current year. Looking to the order book, the directors feel optimistic about the current year's prospects. The company's Greavestool division has developed a new type of underground drilling rig which, when put into commercial production, will add substantially to the turnover. It has done well in exports. Greaves light engineering division commenced production at Nasik in April last and is expected to commence contributing to the company's earnings very shortly. The rock bit manufacturing plant at Nasik has been working below licensed capacity as the offtake of ONGC, the main customer, is low due to its holding large stocks of imported bits. As a measure of diversification, the plant has started manufacture of bits suitable for other drilling applications. The project division is negotiating with several government projects for large turnkey jobs and hopes to secure substantial contracts this year.

Among the associate companies, Greaves Foseco has maintained a leading position in the metallurgical industry. Greaves Dronsfield experienced a slight decrease in the offtake of emery fillets. Crompton Greaves maintained output at a high level and its turnover and profits showed substantial improvements despite severe competition. New India Fisheries' operations resulted in a loss. Uncertainties in regard to the future policies of government about the role of the larger business houses will be permitted to play in the development of the deep-sea fishing have discouraged the management from undertaking any major scheme of expansion. However, it purchased the two Japanese freezer trawlers it had obtained last year on a charter. These trawlers operating in the Bay of Bengal are expected to add substantially to the turnover and profitability of the company in the coming years. Greaves Lombardini commenced producion in September 1977 and built 3,000 diesel engines by the year ended June 1978, although it had to face difficulties in getting imported components. Production of indigenous components has been well established and it is expected that by the year-end dependence on imported components will be substantially reduced.

CHLORIDE INDIA has reduced non-resident interest in its share capital to slightly below 51 per cent by issu-

The Week's Companies (Rs in Lakhs)

	Greaves Cotton		Chloride		Golden Tobacco		Mysore Kirloskar	
	Latest Year 30-6-78	Last Year 30-6-77	Latest Year 31-8-78	Last Year 31-8-77	Latest Year 30-6-78	Last Year 30-6-77	Latest Year 30-6-78	Last Year 30-6-77
Paid-up Capital	475	475	552	552	500	500	296	296
Reserves	534	432	346	283	329	313	431	404
Borrowings	799	740	283	134	918	904	384	375
of which Term borrowings	114	122	10	13	22	32	46	61
Gross fixed assets	325	293	646	614	891	791	1264	1151
Net fixed assets	171	180	213	213	390	399	436	409
Investments	343	338	27	27	8	3	21	20
Current liabilities	1340	1552	943	962	531	420	264	365
Current assets	2629	2674	1948	1691	1870	1728	918	1012
Stocks	679	928	789	779	1222	1235	571	539
Book debts	1811	1438	979	826	561	465	336	458
Net sales	6020	6113	3036	2836	2362	2178	1211	1463
Other income	395	379	52	54	12	13	41	50
Raw material costs	5142	5234	1609	1415	251	226	550	694
Wages	327	315	312	283	1682	1618	178	338
Interest	167	150	39	28	56	41	56	53
Gross profit(+)/loss(—)	340	331	643	624	173	138	130	213
Depreciation provision	28	32	42	42	40	40	93	92
Tax provision	150	156	405	386	69	—	24	40
Net profit(+)/loss(—)	162	143	196	196	64	98	33	81
Development rebate provision	—	2	6	6	—	—	25	30
Transfer to reserves	107	94	58	66	14	38	—	21
Dividend	P 4	4	P —	—	P —	—	P 4	4
Amount	E 57	43	E 32	124	E 50	60	E 20	26
	P6.50 & 7.80	6.50 & 7.80	P —	—	P —	—	P 11	11
Rate (per cent)	E 12	10	E 24	22.50	E 10	12	E 8	10
Cover (times)	3.10	3.20	1.44	1.53	1.28	1.63	0.20	1.80
Ratios (per cent)								
Gross profit/sales	5.64	5.44	21.18	22.00	7.32	6.33	12.38	14.56
Net profits/capital employed	16.05	15.76	21.82	23.47	7.72	11 96	4.54	11.57
Inventories/sales	11.27	15.18	22.70	27.47	51.73	56.70	47.15	36.84
Wages/sales	5.43	5.15	10.28	9.97	10.63	10 37	22.95	23.10

ing 9,38,100 equity shares of Rs 10 each at a premium of Rs 10 per share. Of these, 7,43,340 shares were offered as rights to existing Indian shareholders in the ratio 1:3, one lakh shares to LIC, UTI, ICICI, GIC and its subsidiaries and 94.760 shares to employees and the Indian directors. The company has taken in hand various expansion schemes involving a total outlay of about Rs 8 crores spread over a five-year period. These schemes will be financed by, apart from the recent equity issue, long term loans, government incentive and subsidy, and internal resources. Civil construction work for a 100 per cent export-oriented unit at Haldia is expected to start soon and it should be operational by mid-1980. Plans have also been developed for setting up a new unit for manufacture of various types of industrial batteries at Haldia adjacent to the 100 per cent export unit. The company has obtained permission of the state government to transfer existing licensed capacity for manufacture of various types of industrial batteries from Shamnagar to Haldia Construction work has also started at Haldia on the import substitution project for battery separators for captive use. Manufacturing facilities there are expected to be operational by April this year. Work has also been taken up for setting up manufacturing facilities for production of torpedo battery cells at the Chinchwad factory, and a plant for manufacture of battery containers for captive use at Haldia. Meanwhile, the company will be shortly putting the newly developed process for manufacture of a special grade of battery separator to commercial production.

The company has produced satisfactory results for 1977-78, despite production losses from power interruptions and labour unrest. Higher incidence of taxation as a result of disallowance of expenditure on advertising and withdrawal of export market development assistance has neutralised most of the improvement in profits Even so, dividend is well covered The storage battery market is becoming increasingly price conscious, but the company has been able to retain its market share by strengthening after-sales service facilities and maintaining high quality standards for its products. Export earnings increased by 5 per cent to Rs 4.19 crores, with USSR continuing to be the major customer. Chloride and Exide Batteries Eastern), the wholly-owned subsidiary, improved its turnover and profit after tax compared to the previous year, but it did not pay any dividend in view of the need to conserve resources for working capital requirements. The associate company, Mine Safety Appliances, had a successful year and declared a 15 per cent dividend for 1977-78 To achieve greater representation in the board of executives heading the various major functional areas, the company is seeking approval of the Company Law Board for appointment as wholetime directors the present heads of the research and development, manufacturing personnel, marketing and finance functions

GOLDEN TOBACCO produced and sold more at enhanced margins last year and earned a gross profit which was a fourth better compared to the previous year, but the incidence of tax liability has more than syphoned away the increase in profits, leaving a net profit of Rs 64 lakhs against Rs 98 lakhs in the preceding year — a drop of nearly one-third. Accordingly, dividend has been stepped down from 2 per cent to 10 per cent The reduced distribution is covered 1 28 times (1 63 times). The company achieved exports of cigarettes and tobacco of Rs 1 96 crores, against Rs 1 60 crores previously. Current sales have shown a further rise and the chairman and managing director, Chatrabhuj Narsee, expects the company to increase its share of the cigarette market in the country. As against installed capacity of 15,625 million cigarettes, the company produced 11,394 million pieces during 1977-78 and 10,309 million pieces during 1976-77 These production figures include 656 million pieces (449 million pieces) manufactured by others

MYSORE KIRLOSKAR's performance during the year ended June last has been adversely affected by a prolonged strike of 103 days during November 1977 to March 1978 and a power-cut of 55 per cent Sales were lower and margins came under pressure Gross profit fell from Rs 2.13 crores to Rs 1.50 crores, following reduced sales of Rs 12 11 crores, against Rs 14 63 crores, in the previous year Net profit tumbled from Rs 81 lakhs to Rs 33 lakhs and four-fifths of the equity distribution, lowered two points to 8 per cent was shortearned Export sales were Rs 1.97 crores representing 21 82 per cent of machine-tool sales as against Rs 2.06 crores, accounting for 18 per cent of machine-tool sales during the previous year. Export sales during the current year are expected to be better than during 1977-78. The home market for machine-tools and castings is also picking up and the board feels optimistic about the current year's overall results. During the current year the power-cut has been reduced to 30 per cent — which, however, is expected to continue during the major part of the year. Production and sales of the subsidiary, Precision Tooling Systems, is also improving in the current year.

RALLIWOLF, a subsidiary of Rallis India, has recently inaugurated a new self-contained research and development block It contains the latest equipment for measurement, analysis, environmental testing etc and also houses an entire laboratory with attached workshop and a complement of supporting services. The company is designing new products through a programme of research commenced some four years ago. It has already produced tools never before made in India, like the patented wire-wrapping gun, portable tapping machine and other sophisticated motor drives.

Ralliwolf was formed in 1958 through a technical and financial collaboration between Wolf Electric Tools of UK and Rallis India for manufacture of a range of portable electric tools The company steadily increased the indigenous content to 100 per cent in four years. These tools are used by railways, road transport undertakings, defence establishments, power stations large private sector industries, small-scale industries, and even domestic users. The company's products are also recognised for their quality in the UK, Canada, Australia, New Zealand and in the developing countries of Asia and Africa.

Corrections

(1) In the article "Serving God and Mammon in TTD" (*EPW*, January 6), p 15, col 3, line 16 from below, the expression "doctrine of cy pres" was wrongly printed as "doctrine of cypress".

(2) The name of the author, Satyendra S Naik, was inadvertently omitted in the article "Illegal Transactions in Trade and Payments in India: A Reply" (*EPW*, January 6, p 39).

The errors are regretted.

Ed

CPI(M)

Organisation before Politics

Ajit Roy

THE five-day plenary session of the CPI(M) central committee attended by elected delegates from various state organisations ended on December 31, 1978. Except for the last session in the afternoon of the last day, when three resolutions — on Stalin's birth centenary, regional autonomy for the tribal region in Tripura and the contemporary political situation — were adopted, the entire deliberations of the plenum were focused on organisational questions. Even though the political resolution on the contemporary situation represents some important — and welcome — shifts in the Party's political position, the passage of this resolution was rather marked by casualness. Not only did this resolution come at the fag end of the plenum session, no copies of the draft resolution had even been circulated among the delegates present.

The planning, procedure and products of the plenum seem to be based implicitly on the understanding that the CPI(M) has fully solved the problems of its political conduct, the only prerequisite for the Party's advance that is lacking at the moment being its organisational weakness. This reminds one of an earlier episode in the history of the pre-split CPI. In 1952, the then general secretary of the party, Ajoy Ghosh, had written an article in the Cominform organ, entitled "Some of Our Main Weaknesses". The article which was highly acclaimed by the world communist movement at that time as a piece of creative Marxism stressed that "...organisation, more so than ever before, has become a major political factor; it determines the tempo of the growth of the mass movement itself". It further stated:

> Today, . the difficulties are of a different nature. They arise primarily and above all from our organisational weakness. They arise *despite* correct immediate slogans and correct tactics as outlined in the Political Bureau resolution. Therefore, the organisation problem has to be tackled as the biggest political problem before the Party. (Emphasis in the original.)

During the next two or three years, however, it became clear to the leadership that the entire complex of the political formulations of the Party was based on erroneous foundations. The Party at that time refused to recognise the political independence of India; it characterised the ruling formation as "the government of financial sharks and speculators ... hanging on to the will of the British Commonwealth".

Soon thereafter, the Party had to give up the entire understanding, as noted above, and come out with a series of amendments to the Party Programme. From then on, the dominant leadership of the Party moved further towards a more positive evaluation of India's ruling elite on the ground that the government's "aim of industrialisation, defence of peace, defence and strengthening of freedom ... are national tasks which constitute the basis of unity with the bourgeoisie". This in turn led to a sharp division inside the Party between the Right and the Left trends, which ultimately culminated in the split of 1964.

This, of course, is not to suggest that the CPI(M) today faces any threat of a major split. The recent breakaways in Karnataka and Maharashtra are little more than local affairs. Despite the significant volume of dissidence in West Bengal CPI(M) — dessidence centering on minor tactical issues and the mode of organisational functioning — the basics of the present political line are not questioned by any significant segments of the Party. But, again, it should not be forgotten that in 1952 when Ajoy Ghosh had written his well known piece, the entire Party, except for some odd individuals here and there, were solidly united on the basis of the Party Programme, drawn up a short while ago in Moscow under the guidance of Joseph Stalin himself.

Anyway, its casual passage through the plenum session notwithstanding, the political resolution signifies some advance on the Political Resolution adopted by the tenth congress of the Party at Jullunder in April last year. The earlier resolution had discovered a dichotomy between the political and economic policies of the Janata party government: "While the government stands committed to the dismantling of the dictatorial framework, its economic policies announce their anti-democratic content." It further urged that "All democratic forces interested in eliminating the danger of dictatorship must counter the economic policies of the Janata party..." It visualised constructive-critical co-operation between the Janata party governments and the Left and democratic forces. It had laid down:

> The left and democratic forces press the Janata government for implementing the electoral promises *regarding democratic reforms*, for dismantling the framework of the Emergency period, and welcome all measures in fulfilment of these. They at the same time oppose and attack the government's vacillations, backsliding and prevarication and resist fresh attacks on the rights of the people.

The Jullunder resolution further held:

> ... the promises of the Janata party are valuable assets which must be fully utilised in the political struggle. And they can be utilised, because the radicalised sections behind the Janata — the very sections which suffered during the emergency — are not going to lend blind support to compromising policies.

The plenum resolution, by contrast, catalogues the backsliding of the Janata party government *all along the line* — at the political as well as the economic levels — and has rightly concluded that this backsliding has made it possible for the authoritarian forces headed by Indira Gandhi to launch an offensive. It concludes with a full-throated call "upon all Party units to strive for united mobilisation of the people along with other Left and democratic forces ... and thus facilitate the emergence of a powerful Left and democratic alternative".

The plenum resolution has not, however, made a complete break with the Party's previous simplistic understanding of the nature of the Janata party. It still holds: "In the absence of a cohesive socio-economic policy in the interest of the toiling masses ... personal rivalries of leaders had come on top." This betrays some grave illusions, in as much as it suggests the existence of an objective basis for the Janata party to evolve progressive and cohesive policies. Further, it fails to see the conflicts of social forces which form the background to the personal rivalries of the Janata party leaders.

On organisational questions, the plenum has certainly made some contributions. Not only had the leadership seen to it that known critics of the existing set-up had adequate representation in the plenum, the critics were also given a patient hearing. Modalities for a more harmonious working of the Party have also been worked out. All this suggests that the central leadership has asserted its leading role *vis-a-vis* the West Bengal state leadership

to a degree, never witnessed since the formation of the CPI(M) in 1964.

But these organisational innovations cannot significantly help the Party achieve its immediate goal of a major breakthrough in the Hindi-speaking heartland of India. This is so because the political dimensions of this task, viz, a sharpening of the political line and a close integration of the organisational and political work have been neglected by the plenum. Indeed, the priority assigned to the organisational discussion (without having laid a proper background through an uptodate political analysis) and a very formal endorsement of the political resolution at the fag end of the session amount to putting the cart before the horse.

Another rather disturbing development is the plenum's resolution on Stalin and the spate of highly laudatory speeches on this subject on various occasions preceding, during and following the plenum. The resolution and speeches on the whole glorify Stalin and hail him as a great Marxist. Is the CPI(M) leadership fully acquainted with the voluminous work done by Marxists the world over for an in-depth dialectical evaluation of the so-called Stalin phenomenon? There is no evidence at all that at any time in all these years the CPI(M) leadership has made any serious attempt at re-evaluating Stalin. Yet no working class party can succeed in deepening its Marxist character without fully grasping the weaknesses of Stalin precisely *as a Marxist*. More immediately, the present spate of the one-sided glorification of Stalin may even create problems for the realisation of a wide Left and democratic front, set as the tactical goal of the Party.

BOMBAY

Fiddling with FSI

Amrita Abraham

THE population of Bombay has already outstripped the projections on which the development of the metropolis has been planned so far. By 1975 the population had crossed the estimate for 1981. It is now 7.5 million. This fact has not got the government pressing any panic buttons. Officials continue to believe that growth and development, especially of the island city, can be kept within 'manageable proportions'. This means nothing more radical than pegging new construction to "the existing pattern of development and civic services".

One of the instruments in the last twenty years to regulate building has been the floor space index (FSI, the ratio of built up area to plot area). First under the Bombay Town Planning Act 1954 and later under the Maharashtra Regional and Town Planning Act 1966, FSI has been laid down on a zone-wise basis for the city and suburbs. The Development Control Rules now delineate ten zones with varying FSIs. The island city by and large has FSIs of 1.33 and 1.66, the suburbs 1.00 and some areas like Chembur and Powai for reasons of pollution and security have FSIs lower than 1.00.

However, the restriction of new residential and commercial accommodation is not an absolute principle. The government first succumbed to the pressures of the building lobby and booming land prices and extended the area for new construction by land reclamation at the southernmost end of the island city. Then in order to recover the cost of this most expensive real estate it permitted a higher FSI than anything the city has ever known. Despite all the alarms that are being sounded, the situation continues. Backbay Reclamation Scheme Blocks I and II have an FSI of 2.5; Blocks III to VI, Cuffe Parade and a few other areas have an FSI of 3.5. At one point the FSI at Nariman Point was 4.5 before an ordinance in 1965 finally brought it down to 3.5 but this was not before Air India, Nirmal and Express Towers buildings were granted the higher index. Likewise, land reclaimed by the Maharashtra Housing Board in Mahim Creek at Bandra West and similar reclamation in the central commercial zone in Bandra East has an FSI of 2.00.

From this pattern it is clear that overpopulation, the strain on civic services, lopsided regional development and so on are only so many shibboleths and that the government has totally other priorities in mind. The Development Control Rules also make exceptions in the cases of educational, medical, government and semi-government establishments as well as luxury hotels, all of which may exceed the FSI laid down for the zones. The logic here (apart from the hotels) is the need to meet the city's demand for various kinds of services. But since the 'city' itself is not static, the two chase each other in a rising spiral.

Like other controls, FSI has had the effect of providing extremely attractive opportunities for those private builders who can find a way round the regulations. A recent newspaper report shows that residential flats have quadrupled in price in the last five years and this is an indication of how lucrative the business can be for those who know how to capitalise on it. The ways in which FSI regulations have been got round are cloaked in quasi-legal arrangements. As a building engineer said, "There is no way that FSI can be openly violated because once the building is up it is there as concrete proof for everyone to see."

Builders' endeavours coinciding with the government's soft approach to the question have created a vast grey area of uncertainty in FSI regulations. This is exacerbated by the conflict of authority between municipal commissioner, municipal corporation, the Bombay Metropolitan Regional Development Authority and the state government. This is probably why a development officer of the Municipal Corporation said that there can be no violations of FSI, only differences of interpretation.

At present there are two sets of notifications about FSI in force in the island city. One is BMRDA's notification of June 1977 and the other lies in the Development Control Rules.

BMRDA is empowered to decide whether any proposed development by any person or authority within the Metropolitan Region would adversely affect the integral development of the Region. It made two crucial rulings in June 1977. The first was that no construction or reconstruction of office premises or wholesale establishments should take place in the city of Bombay without prior permission of BMRDA. The second laid down that no other construction or reconstruction of any building is to have an FSI exceeding 1.33. The Bombay Building Repairs and Reconstruction Board was exempted as were educational and medical establishments put up by government, local authority or public charitable trusts.

Subsection 4 of Section 13 of the BMRDA Act of 1974 however provides for appeal against BMRDA decisions to the state government. In the year since BMRDA's notification 25 appeals have been upheld by the government. Three of these instances have since

become notorious and highlight the conflict of authority between BMRDA whose chairman is the Minister of Urban Development and the state government, and the difference in the intentions of the two authorities about the development of the southern tip of the city. The government is still committed to continued but 'planned' growth — the restrictions enhance the value of its sole right to waive them as it thinks fit. In the absence of any clearcut policy this means that it is free to exercise power arbitrarily. BMRDA on the other hand is committed in no uncertain terms to a temporary freeze on construction in south Bombay.

East India Hotels applied for permission to build floor space of 30,500 sq m on two plots adjacent to their existing hotel, the Oberoi-Sheraton, at Nariman Point. This would amount to an FSI of 4.5 which together with the present hotel which has an FSI of 5.68, would give the whole complex an FSI of 5.15. The hotel's case for a higher index lay in its argument that the new construction is part of a phased programme, that several facilities such as restaurants, shops, lifts, etc, in the present building would only be fully utilised when additional hotel rooms were built. BMRDA noted however that nearly one quarter of the new construction would actually go in shops, restaurants and an airline office. The airline office alone was allocated 66,000 sq ft which BMRDA said could not be justified as an essential amenity for hotel guests. The strain on transport and other services at this southern end of the city outweighed the hotel's plea of catering to additional tourist traffic and its application was rejected. Scarcely 20 days later and a mere 24 hours before the Assembly elections last February, the government overrode BMRDA and gave the hotel permission to build with an FSI of 4.5.

At that time Vasantrao Patil's government also upheld the appeals of *Free Press Journal* and the Maharashtra Rajya Sahakari Sakhar Karkhana Sangh (a federation of sugar co-operatives). Both applications to build at Nariman Point with FSIs of 3.5 each had been rejected by BMRDA. *Free Press* proposed to build office space for 5,000 employees (not its own) as well as to accommodate some 300 of its own employees and an unspecified expansion of its staff. The MRSSKS proposed to use 1,800 sq m of its new building for its members, rent out 1,500 sq m for a BEST substation and rent out the rest, some 5,000 sq m, as office accommodation.

In both cases it was clear that there were no essential, public or other inherent reasons why these private groups should be given permission to build at Nariman Point. Their major intention, BMRDA's Executive Committee noted, was "commercial utilisation of the FSI".

The former chief minister defended these three cases by saying that BMRDA had no authority to "flout commitments made by the government". The commitments amounted to rentals of Rs 7,500 per sq m that these parties had been paying, Vasantdada is reported to have said. This is a dubious statement. A Janata MLA in the House and the Save Bombay Committee have pointed out that normal procedure for allotting land at Nariman Point is to lease land on an annual rental equivalent to the interest at 6 per cent on the rateable value of the property. This works out to an annual rent of Rs 450 per sq m and is not payable in any case till buildings have come up. Given that BMRDA's notification had changed the situation fundamentally, how tenable are such 'past commitments' which moreover were not formal but apparently were given on an individual to individual basis?

East India Hotels had in its application to BMRDA also used the 'past commitment' plea and the Executive Committee had not found it relevant or tenable in law. The Committee felt that the change in law brought about by its notification was binding on all alike regardless of past commitments from the government or any other person.

None of this carried any weight then. Now the Sharad Pawar government has dropped the former ministry's proposal to increase the FSI in the city and suburbs to 1.66 and 1.33, respectively. But, asked about the cases in Nariman Point, Pawar had recourse to legalisms. "The absence of any provision in the BMRDA Act to review or revoke a decision by the state government" is the reason given to the Save Bombay Committee for BMRDA's inability to do anything. But the law has been known to take account of commonsense viewpoints and it is certainly open to question whether an outgoing cabinet's decisions are *bona fide*.

The issue is summed up by a local architect who said, when asked about violations in FSI, "As long as the final decisions lie with politicians everything is possible under the guise of public interest". An independent tribunal to hear appeals on BMRDA's decisions has been suggested as one way of reducing the scope for corruption and arbitrary decisions.

From an examination of the other 22 cases where the government has overruled BMRDA there appears to be no clear rationale for its decisions. One piece of logic that seems to prevail however is leniency towards projects that will provide residential accommodation. But here two problems have not been resolved. One: what kind of accommodation and for whom? Two: many builders present proposals in which the cost of building residential units is partially offset by the inclusion of some commercial units such as shops or office space. Thus Gokak Patel Volkart have been given an FSI of 2.45 in Colaba for residential accommodation for 60 company executives. Another builder in A Ward has been allowed an FSI of 2.45 for a proposal which will convert existing residential accommodation to commercial use and provide additional construction for residential use.

If the FSI laid down by BMRDA is flouted constantly, even within the terms of the Development Control Rules there are peculiarities. Since the rules provide for exceptions where FSI may be exceeded, projects have come up where they have been redesignated to fit the rules or where multiple-use circumvents the rules. An example of the first type is the new Stock Exchange building at Dalal street. The then Urban Development Minister in the early 70s reportedly persuaded the Municipal Commissioner to designate the Stock Exchange a public utility and it was then given an FSI of 5.2 in an area where it is 2.45.

The Haj building at Bori Bunder is only one of many projects where the multiple-use factor is in operation. As a religious institution it was apparently allowed a higher FSI than the surrounding area. But the project includes provision of a large number of shops, despite the fact that it is located within a stone's throw of one of the major markets in the city. Further, Vasantrao Patil's government had actually toyed with the idea of decongesting that very same area by relocating wholesale cloth merchants at the Bandra-Kurla complex.

The most ingenious example of the multiple-use device is the Ashoka Shopping Centre which is coming up in the premises of the GT Hospital in the high density Crawford Market area. The proposal was to plough part of the profits of the shopping

centre into the hospital's much-needed renovation and expansion. Here was supposed to be a true marriage of public and private interest. The complex consists of hospital, residential accommodation and shops. An FSI of 3.949 has been permitted because medical establishments are exempt from FSI regulations. So, a private builder can put up 53,800 sq ft of shops which are selling at Rs 1,800 per sq ft (on the ground floor) and 80,000 sq ft for residential accommodation, besides getting the contract to build the hospital.

The Bombay Building Repairs and Reconstruction Board is allowed an FSI almost twice that of the building that is to be replaced. This was the cue for private builders to get higher FSIs by designating reconstruction for residentail use quite inaccurately. A new building at Gamdevi was given an FSI of 2.5 (instead of 1.33) because tenants had to be reaccommodated in the new premises. (Here again the feasibility of the project depended on shops on the ground floor.) But the original building did not have any regular tenants at all.

Another loophole in FSI regulations comes about because of commencement certificates. Since there is no bar other than minor penalties for not putting up a structure within a limited period, builders can use a higher FSI even after it has been cut down in a particular zone. This has in fact happened in the case of Naaz cinema which was given permission in 1962 for expansion. In 1977 BMC received penalties for 15 years non-utilisation of the commencement certificate and the theatre continues to have the right to use a higher FSI than 1.66 prescribed for the area since 1966 or so. When BMRDA issued its notification there were several attempts to get backdated commencement certificates lest the new rules come into force.

Heera Panna building at Haji Ali is another example of the grey areas in FSI regulations. The plot falls between two FSI zones 1.66 and 1.33. A former municipal commissioner chose to allow the builders the higher index over the whole plot.

Some of the most ingenious schemes have originated in the business/bureaucratic complex in this city. One such scheme was the floating FSI. Here the principle of FSI as an instrument to regulate growth in all parts of the city was given the go-by and builders were alowed to exceed the FSI laid down for commercial and residential buildings anywhere they chose in return for services rendered to the Municipal Corporation.

In origin the idea was that when the Corporation acquired land for civic purposes (roads, usually), to the FSI allowed on a *contiguous* plot could be added additional FSI equivalent to what was lost on the land taken over by the civic body. But the floating FSI scheme was a conceptual leap that permitted additional FSI anywhere else in the city in compensation for FSI lost by handing over land to the Corporation free and clear of encumbrances somewhere else. From 1969 onwards, for five years, the proposal shuttled back and forth between Corporation and state government over some minor modifications. Even before it was formally sanctioned a former municipal commissioner went ahead and took over gifts of land allowing 16 builders additional FSI anywhere else in the city. A public uproar (stoked, a corporation official said cynically, by the envy of other builders) brought this scheme to a halt. After July 1975, according to an officer in the development office, floating FSI was discontinued. But suspicions about the continuation of the scheme ran well into 1978 and prompted the Save Bombay Committee among others to seek official confirmation of this. Apparently the Municipal Commissioner wrote to the Committee in the last quarter of 1978 saying the scheme was not in operation any more.

Even so, Corporation officials today seem strangely reluctant to disclose details of the scheme, who benefited, what the quality of land gifted to the Corporation was, where additional FSI was put to use, etc. All questions here come up against an edifice of half information, prevarication, and specious argument. A development official in the Corporation would only say that land was relinquished in areas like Andheri, Ghatkopar, Versova and Kurla, and floating or additional FSI was utilised in areas like Bandra, and Kurla, which are the more expensive suburbs. He said categorically that it was not utilised south of Mahim and Sion. In the absence of evidence here a layman can be forgiven for wondering how some high-rise apartment buildings have come up in areas in south Bombay where the FSI is just 1.33.

On being pressed the development office agreed to disclose the location of the plots (survey nos, etc) acquired by them under the scheme and the purposes to which they are being put. Half of the 16 plots have been acquired solely or in combination with other uses for gardens. Other stated uses are roads, public housing, municipal markets, etc.

The office refused to divulge the names of the people from whom the land was acquired because, a Deputy Municipal Commissioner said, there was a case in the High Court concerning one of the plots! However, the office confirmed that all 16 plots were acquired from builders and that all the plots were marked on the Development Plan for civic use (hence indicating that the civic uses were not invented merely for the scheme). It would have helped to know who the builders were because now the suspicion in the city that two or three builders cornered the deal cannot be refuted.

Three plots selected at random from the Corporation's list were checked out from taluka land records. They showed that the plots belonged to private individuals and not to builders' companies. And yet the Corporation said that all had been acquired from builders Therefore, what seems to have happened, assuming that the plots were in fact marked on the Development Plan (which means that their market values had crashed) is that between the proposal submitted to the Collectorate by the Corporation about its intention to acquire the lands and the issue of notification of acquisition under section 4 of the Land Acquisition Act, the builders moved in. The floating FSI scheme was invented, builders acquired the land at rock bottom prices (since private owners could not make monetary use of a floating FSI), handed it over free to the Corporation and used the additional FSI for building in more expensive areas of the city.

One of the reasons why the development office was so shy about revealing details of the FSI scheme has now surfaced. The government has apparently issued a directive to the Corporation early this year to stop the scheme forthwith. The problem is does the ban cover those builders who have already been granted floating FSI but not availed of it yet, no doubt because the value increases at a geometric rate every year? Will the Corporation's past commitments have to be honoured, whether land gifted to it has been developed or not? If the city and its corporators were told which builders have not utilised their special FSI and how many plots the Corporation has developed, it might be possible to resolve this problem before the business/bureaucratic complex comes up with a solution of its own.

CALCUTTA

Press Workers' Strike

Timir Basu

SOME one lakh workers of printing presses and allied industries throughout West Bengal have been on strike since December 13, 1978. The strike has already made its impact. Railings and walls, 'owned' by wayside hawkers, are less decorated with calendars and diaries, and College Street, the centre of the book trade in Calcutta, is virtually on the brink. Most students will have to start their new academic sessions without text-books. Readers of journals and periodicals will miss their copies for weeks to come since the All Bengal Convention of Printing and Allied Industries and the West Bengal Master Printers' Association, the two principal organisations of employers, have reiterated their determination not to start a dialogue over the workers' demands.

The strike has been total. This is the first time that printing workers have succeeded in withholding their labour for such a long time. Had the managements, in effect the Master Printers' Association, shown a little reasonableness the strike could have been averted. The workers' decision to go on indefinite strike was not sudden or unexpected. In fact the miserable living conditions of the workers in this old industry beggers description and is obvious to anyone who takes the trouble to travel the dark lanes and bylanes and near-slum areas where the printing units are mostly located.

West Bengal has some 7,000 printing establishments, of which Calcutta alone accounts for about 3,000, including established big enterprises like Swaraswati Press, Radiant Process, Lal Chand, Calcutta Phototype, Ganges, Hooghly, etc. The West Bengal Master Printers' Association headed by Radiant Process, and the Convention of Printing and Allied Industries under the sway of Swaraswati Press, decide the destiny of the printing industry in the state. The small press owners, though mostly outside these associations, can hardly defy the line laid down by them.

The Press Karmachari Jukta Sangram Committee — a united platform comprising the CPI(M)-led Federation of Printing Press and Allied Firms' Employees' Union, the RSP-led Press Employees' Association and the West Bengal Press Workers' and Employees' Union, having no allegiance to any political party or central trade union body — submitted a 12-point charter of demands in February 1978. The demands include upward revision of pay-scales, house rent allowance, introduction of Employees State Insurance and provident fund in all establishments as required by law, fixation of standard working hours, payment of dearness allowance on a reasonable basis, gratuity as per the Act and abolition of piece-rate system.

The charter of demands, adopted at a joint convention under the auspices of the Sangram Committee, was mainly aimed at regularising and standardising the pay structure and categorising the printing presses, block-making units, type foundry, roller casting, card board box manufacturing, waxing, varnishing, packaging and binding units according to size of business and strength of work force. The Unions have demanded categorisation into four types and fixation of wages accordingly. Small units with one to 19 workers are placed in the lowest group while establishments employing 200 and more workmen have been classified as the biggest units.

The demand for categorisation is the main bone of contention. The big employers are ready to discuss everything except the graded scale. There has been no revision of grades of press workers, despite repeated representations by workmen, since 1948 when the press tribunal awarded a pay-scale with increments at the rate of half a rupee per annum. But even that scale, though ridiculous in the context to current price levels, has not been followed in most establishments.

Meanwhile, the government of West Bengal fixed the minimum wage for printing employees at Rs 30 per month in 1965. This again was ignored by a large number of units. In any case, the minimum wage fixed some 13 years ago should have been revised twice by this time as per the law, but this has not been done. Sensing the growing discontent among workmen, the state government set up a tribunal in 1967 to go into the problems of the workmen of this industry and grant whatever relief it thought fit. But, thanks to the inefficiency of the labour directorate, the very order of reference was quashed on technical grounds before the tribunal got down to its task.

Press workmen, though poorly organised in comparison to their counterparts in other organised industries, launched an agitation for upward revision of wages in 1972, on the eve of the AICC session at Salt Lake The agitation culminated in a strike. The then Congress government declared the strike illegal after nine days, invoking the DIR. At the same time, it announced an interim increase of Rs 16 per month in the wages of workmen. But employers challenged the order in the High Court and obtained an injunction, thereby defeating the interim increase. Thereafter, though workmen agitated time and again, nothing noteworthy happened.

That wages and service conditions in the printing industry, fixed some 30 years ago, need drastic modification can hardly be disputed. ESI and PF are unknown in most units, piece-rating is rampant, working hours have no limits, overtime is unheard of in most units and even the large ones pay much less than the norms, dearness allowance, where paid, is computed on an obsolete basis, there is no security of service and victimisation is frequent. Against this backdrop, the workers began their agitation in early 1978. All attempts to bring about a negotiated settlement proved abortive, because of the non-co-operation of employers. Before resorting to the indefinite strike from December 13, 1978, workers had earlier gone on token strikes on August 29 and 30 without any effect.

The large employers' response to the charter of demands is indeed noteworthy. They want all employers, irrespective of their capacity and size, to implement the Minimum Wages Act and beyond that they refuse to negotiate with the workmen. If you do not have the capacity to pay the minimum wage, you have no right to exist, said one spokesman of the large units recently. This is an alibi for the large units to avoid the workers' major demand, i e, upward revision of the grade scales. And if insistence on minimum wages forces small owners to wind up business, so much the better for the large ones.

In the circumstances, the contradiction between big and small employers has inevitably sharpened, resulting in a split in the Employers' Association. Now

a new organisation under the name of West Bengal Printers' and Binders' Association has sprung up to protect the interests of the small owners The attitude taken by the big units amounts to negation of the demand of categorisation and an industry-wise settlement, irrespective of size, will lead to closure of a large number of small units.

A large number of printing units officially employ just nine workmen, the rest are employed as contract labour to evade the Factory Act and other statutory obligations. Interestingly, even 'communist' owners resort to such unfair labour practices. The British rehabilitated a number of 'terrorists' who abjured violence in the printing industry and these people think they have every right to violate laws and exploit workers, supposedly in the larger interests of the working class.

Printing workers work in unhygienic conditions, have no protection against health hazards, swallow lead poison year after year and destroy their eyesight in insufficient light. And yet the all-inclusive pay of an unskilled worker even in big firms is just Rs 191.20 per month, while skilled hands get Rs 251.20 per month. About the small units the less said the better. There even machinemen earn between Rs 150 and Rs 180 per month. The workers now want the monthly salary to be raised to Rs 370 per month for unskilled workers, whereas employers have so far offered just Rs 10 a month as interim payment.

PUNJAB

Struggle of Unemployed Teachers

Sucha Singh Gill

THE problem of unemployment has emerged as more serious at the end of every successive Five-Year Plan. With the spread of education, the problem of educated unemployment has also assumed grave proportions. In Punjab a section of the educated unemployed have organised themselves under the Unemployed Teachers' Union (UTU) This Union has recently led a militant mass movement for acceptance of the demands of the unemployed and of teachers employed on *ad hoc* basis. There are about 45,000 unemployed teachers in Punjab at present.

The process of organisation of unemployed teachers started in 1972. Some teachers met at Ludhiana and formed the Unemployed Teachers Union, Punjab, with Vasudev Kanwal as its president. Attempts were made to develop the organisation at the grassroots level. A constitution was prepared and a declaration analysing the problem of unemployment and linking it with exploitative economic system was passed at a conference in Jullundur in December 1974.

From the very beginning, a struggle between the two groups, representing two lines, started within the UTU. One group, known as the Rana group was associated with the Employees' Federation and was linked to the CPI(M): the other group, more radical, claimed to be independent Left. The dispute was over the declaration and the constitution of the UTU. The Rana group maintained that there was no need for a detailed declaration. Secondly, it objected to the use of the expression 'social-imperialism' in regard to the Soviet Union. There were also some differences over the constitution. Both the constitution and the declaration were, however, passed by a majority of votes. This led to the division of the Union. Both the groups organised their separate unions under the same name The two unions organised state level demonstrations separately in the beginning of 1975.

Though the organisation was sharply divided, struggles were launched at some district headquarters, the most important being at Ferozepore. The Union organised Jagrata (slogan shouting) at night against the District Educational Officer (DEO) of Ferozepore in front of her residence. The organisation of Jagrata at night has now become a popular form of a militant mass action.

With the declaration of the Emergency in June 1975 and the suppression of democratic rights, the mass movement suffered an eclipse. But the distinction between the two lines within the UTU became clearer. The Rana group, in line with the CPI(M)'s politics, adopted the policy of lying low with the intention of saving its cadres. The other group, though not very active yet, followed a policy of opposition to the Emergency. It passed a resolution demanding unconditional release of the arrested persons and restoration of civil liberties, The resolution was circulated among the teachers and was, along with a charter of demands, signed by 7,000 teachers, and both were submitted to the then Chief Minister, Giani Zail Singh. Mass deputations to DEOs were organised. The Rana group limited itself to submitting the charter of demands to DEOs by its leaders only.

As a result of opposition to the Emergency, the general secretary of the independent Left Union, Gurdial Singh, and the secretary of the Sangrur unit, Jiwan Lal, and 15 other members were arrested under the DIR. The services of Tek Chand Kalia were terminated. Many members were transferred. The group which actively opposed the Emergency faced victimisation in various forms.

With the defeat of the Congress in the elections of March 1977 and lifting of the Emergency, conditions again became favourable for mass movements. Both the Unions began to function openly. But there was mass pressure from below for unity of the movement and the leaderships of the two unions were compelled to hold unity talks Ultimately, a single union of unemployed teachers emerged, headed by an *ad hoc* committee of eight members. The declaration was made briefer and those parts to which the Rana group had objections were deleted. But the constitution of the Union remained the same. The united Union started its first mass action in the form of a dharna in front of the State Secretariat on August 10, 1977.

Elections to the Union were held on November 6, 1977. The contest was between the Rana group and the other group, which had by now begun to be known as the Lambi group. In the elections the Lambi group emerged victorious in seven districts and the Rana group in four districts and in one district the two groups were even. As a result, the Lambi group got a majority in the State Committee and got elected Hakam Singh as General Secretary and Labh Singh as President.

The elected leadership then chalked out a programme. At the first stage, it concentrated on the struggle at the district level, largely related to demands relating to the DEOs. There were some struggles, almost in every district, but those at Ferozepore and Faridkot were more prominent. At both these places the DEOs were gheraoed. The main demands of the unemployed teachers were, however, concerned with the state government.

The Union organised a state-level demonstration at Jullundur on January 22, 1978 in which 20,000 teachers participated. From March 13 to 16, 1978 the Union staged dharna in front of DPI (Schools) in the day and jagrata in front of the residence of the Education Minister at night. As a result of this, the following two demands of the unemployed teachers were accepted:

(1) teachers employed on *ad hoc* basis were given leave of all types on parity with regular teachers; and

(2) it was conceded by the DPI that, for regularisation, the *ad hoc* teachers would no longer be required to submit medical certificates and regularisation would not be subject to ACR (Annual Confidential Report) and police verification.

The Unemployed Teachers Union also supported the struggle of the employees of the Food and Supplies Department to be reinstated at Chandigarh. With the active support of the UTU, these employees, numbering about 200, were reinstated.

Upto April 1978, it was mainly the *ad hoc* teachers who participated in the UTU struggles and the emphasis was also on their demands. But in the second phase, the participation of unemployed teachers, particularly physical education and art and craft teachers, increased. This was reflected in the demonstration of unemployed teachers at Chandigarh in June 1978, in which about 10,000 teachers participated. After this demonstration, the Union launched a struggle in the form of dharna in front of the Punjab Civil Secretariat and jagrata in front of the Chief Minister's residence, which continued from September 11 to 15, 1978. During that time, teachers holding jagrata in front of the Chief Minister's residence began to be arrested even without the promulgation of section 144. After September 15, the teachers continued their struggle in this form on every Thursday.

More than 2,000 persons, including 85 lady teachers and 17 children, were arrested and put in various jails. In this phase of the struggle, about seven organisations extended their support to the UTU through their members courting arrest. These organisations belong to different shades of the Left in Punjab. Apart from active support, various Left and democratic organisations expressed their solidarity with the movement and urged the state government to accept the UTU's demands.

A significant part of the agitation of unemployed teachers has been their struggle in the jails. Before every batch of agitators was arrested, it had an action committee to co-ordinate its activities in the jail. As a result of the pre-planned formation of the committees, the struggle in the jail could start as soon as the teachers were arrested and they had any problems.

The struggle in the jails started after September 28, 1978. A batch of teachers was arrested at Chandigarh on that day, consisting of 48 lady teachers and 190 male teachers, and were sent to Patiala jail. They were treated as ordinary criminals. This was resented by the teachers. The Action Committee organised a mass hunger strike on September 29. All the teachers, male and female, and even children went on hunger strike for 36 hours. Their demands included B class treatment, better diet, etc. The demands were accepted, but all of them were released in the evening of September 30.

All the teachers, along with children, went to Chandigarh on October 1, 1978 and staged a dharna in front of the Chief Minister's residence. This was the first time that peacefully demonstrating unemployed teachers, including ladies, were lathi-charged. Later on all of them were arrested and sent to Ambala Jail. In this jail also, the teachers started their struggle for B class facilities and for open interviews with visitors. When the teachers organised a dharna in the jail, their demands were conceded. Similar struggles also took place in jails in Ferozepore and Sangrur and in all these places the demands of the teachers were accepted immediately.

The exception was Patiala, where the demands were not accepted. The struggle in Patiala jail, therefore, continued. From October 31 to November 3 each day a batch of 25 teachers were on hunger strike. The jail authorities retaliated by keeping all the teachers in total lock up. On November 23 all the teachers, numbering more than 800, staged a mass dharna and the next day they again organised a dharna in the jail. The jail authorities made preparations for mass repression. At about 2.35 pm on November 29 the jail warders armed with lathis along with convicts armed with firewood attacked the teachers sitting on dharna. The unarmed teachers were mercilessly beaten. The members of the Action Committee and the more active teachers were the main target of the attack. To terrorise the teachers further, the alarm siren was sounded and 24 shots were fired in the air. As a result of the attack, 34 teachers were injured seriously and had to be admitted to hospital. More than 100 other teachers received minor injuries and and lathi blows. The teachers also lost many watches, turbans and clothes, etc. The district authorities instituted a magisterial enquiry into the incident. All the teachers went on hunger strike on November 25. The Action Committee was then invited by the jail authorities for a dialogue and all the demands were conceded. The hunger strike was withdrawn after this.

There was outright condemnation of jail authorities throughout the state for the incident of November 24. The Democratic Rights and Civil Liberties Committee has appointed an Enquiry Committee to enquire into the incident. The struggle in the jail has shown that, though jails in Punjab are now called 'sudhar ghars' (reform houses), the attitude of jail staff has not changed. At the same time it also revealed tha repression could not lower the moral of the teachers.

When the teachers started courting mass arrests, they were invited for talks at Chief Minister's residence on September 21, 1978. The dialogue lasted only 10 minutes and failed. Negotiations were again held on November 20, 1978. This time the government agreed to start interviews for *ad hoc* appointments. Secondly, it was also accepted that the headmasters would no longer make appointments. For all such appointments, the selection committee would consist of the DEO, representative of the DC and the District Welfare Officer. But authority to appoint teachers was given to the DEOs, who were allowed to appoint teachers even if no representative of the DC and the District Welfare Officer turned up. The Union, however, decided to boycott such interviews till its other demands were conceded. The Union was successful in getting the interviews completely boycotted and wherever interviews were sought to be held, they had to be cancelled.

The following were the other major demands of the teachers:

(1) Time-bound regularisation by January 15, 1979:

(a) Some teachers had been employed under the half-a-million jobs scheme. The demand was that all those persons who had put in a year's service by 1.1.1973 under this scheme be

regularised.

(b) All teachers who had put in at least one year's service by 31.3.1977 be regularised even though they might have crossed the age limit.

(c) Teachers working on leave and liaison posts and on headmasters posts be regularised.

(d) Nursery teachers be allowed to get admission to the second year of JBT and be regularised.

(2) Teachers who were victimised under the Emergency or in the various phases of the teachers' struggle be granted redressal immediately.

(3) The government should institute a judicial probe into the Patiala jail incident.

(4) New appointments. This has now become the major demand of the Union. According to the existing rules, there is need for 810 DPEs, 1,500 PTIs and 400 art and craft teachers in the various schools. The Union is demanding that these 2,710 posts be filled immediately. The genuineness of this demand is not contested even by the government, but it pleads its inability to concede the demand on account of alleged financial difficulties.

Since the government adopted an attitude of silence towards this struggle it began to be intensified. On November 22, 1978 a mass rally was held at Chandigarh in which about 10,000 persons participated. On November 25 a meeting of various mass organisations was convened in which 25 organisations participated. Various students' organisations became actively involved in the movement. Punjab Students' Union (Randhawa Group) decided that students would also start courting arrest after November 30, 1978.

When the struggle continued both inside and outside the jails, the Chief Minister again invited the leadership of UTU for negotiations on December 4, 1978. This time negotiations were successful. In addition to the two demands already conceded, the government conceded the following demands:

(1) There would be no victimisation of teachers.

(2) All the teachers who had completed one year's service on March 31, 1977 or (in the case of those employed under the half-a-million jobs scheme) on January 1, 1973 would be regularised by January 15, 1979 even though they might have crossed the age limit.

(3) It was accepted that every year about 200 posts of DPEs and PTIs would be created. Government also agreed to create more posts of art and craft teachers in 1979.

(4) All teachers and workers of fraternal organisations would be released unconditionally. Cases instituted against them following the incident in Patiala jail would be withdrawn. The demand for judicial probe into this incident was, however, not accepted The Chief Minister stated that if the teachers were not satisfied with the magisterial enquiry, anoher appropriate enquiry would be ordered.

With these assurances from the government, the leadership of the unemployed teachers announced the withdrawal of the agitation.

The unemployed teachers' movement was the first systematic mass movement launched at the state level in the post-Emergency period. For the first time, a section of unemployed persons has been organised. This has increased the possibility of organisation of other sections of unemployed persons and in future mass pressure may be put on the state to guarantee employment. In this sense, this struggle has a historical value. Another positive point of this struggle is that it has shown a close link and continuity between the student movement and movement of various categories of employees. One may be active as a student and then as an unemployed person and later on as an employed person. In this sense, this movement may contribute to provide the missing link between the student movement and movements of employed persons.

Second, the struggle assumed the form of a militant mass movement. Apart from unemployed and *ad hoc* teachers, the Government Teachers' Union representing more than 70,000 teachers, various Naujawan Sabhas, student unions and various organisations of employees were directly involved in it. A large number of other organisations extended their support to the movement. But unlike the traditional struggles of employees, this became a militant struggle. Various forms of struggle, ranging from demonstrations to dharna, jagrata and gherao, were used. Teachers also successfully got the interviews completely boycotted. Inside the jail, they forced the jail authorities to yield to mass pressure. The Superintendent of the Patiala jail admitted that at one time the teachers had completely paralysed the jail administration. In the whole of struggle, the emphasis was on mass action rather than actions based on a few individuals.

Third, participation by women in the movement is another positive achievement, 85 women teachers along with 17 children courted arrest. Even inside the jail, the women teachers were in the forefront of the struggle.

Lastly, the struggle of unemployed teachers has reflected the unity of the Left. The struggle has shown how such unity can be achieved in action. All shades of the Left from CPI and CPI(M) to different groups of the independent Left participated in the movement.

Since all elements of the Left participated in the struggle, it has also highlighted the sectarian approach of these elements. This movement was led by the independent Left. As a result, the Rana group was not active to the extent it was expected to be. Its attitude was also influenced by the fact that the CPI(M) was extending support to the Akali-Janata coalition in the state and the struggle launched by unemployed teachers was putting the government in an embarrassing position. So the Rana group did not mobilise the people to the extent possible. Instead, it started a whisper campaign against the leadership that while it could struggle, it could not negotiate effectively. The CPI elements were relatively more active to gain ground they had lost. But their participation was also limited. Further, they were more interested in criticising the Rana group. The independent Left, though in leadership of the movement, was itself not free from this weakness. It was also speaking against the Rana group. An extreme situation was observed at the Ambala jail. When CPI(M) Member of Parliament, Bhagat Ram, came to see the teachers in the jail slogans were shouted against him. Pro-CPI(M) elements and independent Left elements, though locked in one jail for the same cause, were not even on speaking terms. Later on the leadership overcame this situation and asked its members not to shout slogans against any one who came to see them in the jail.

The sectarian approach of the various elements of the Left was thus one of the major weaknesses of the movement. It reduced the participation of those elements which were not in the position of leadership. In absence of this sectarian approach, the movement would have become even more widespread.

'Development' for Whom?

(By a Special Correspondent)

IMMEDIATELY after having observed the 'Human Rights Day' with due grandiloquence on December 12, New Delhi accorded a red carpet reception to the dictatorial Prime Minister of Singapore. The fact that a large number of political activists, trade unionists, student leaders, journalists and so on have been rotting in jails in this tiny island republic for about 16 years is apparently as little relevant to our commitment to the lofty ideal of human rights, as is the degraded existence of our own untouchables to the legal-constitutional proclamations of equality of all Indian citizens. Not really surprising, if one remembers that in a class society hypocrisy is an inseparable part of diplomacy and statecraft, sanctified by a Kautilya or a Machiaveli as the case may be.

But what about the classless societies? Marx and Engels of course held that "The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by a forcible overthrow of all existing social conditions". They further enjoined on the working class to "vindicate the simple laws of morals and justice, which ought to govern the relations of private individuals, as the rules paramount of the intercourse of nations". It would appear from certain recent indications that at least in relation to diplomacy in the southeast Asian region, the old bearded 19th century ideologues have become outdated, in the reckonings of the Soviet Union and China.

A *Pravda* article on October 20, 1978 characterised the recent trends in the ASEAN countries as "A Realistic Road for Development". It said that "the members of the Association [of South-East Asian Nations] are becoming increasingly aware of the need for mapping out independent ways for development". More recently, on December 16, the *People's Daily*, Peking, implicitly welcomed "the proposal put forth by the Association of the South-East Asian Nations (ASEAN) for making South East Asia a 'zone of peace, freedom and neutrality' "and rebuked Viet Nam for counterposing to this proposal the aims of "genuine independence, peace and neutrality".

Whose 'development' and 'freedom' are *Pravda* and *People's Daily* talking about? Not of the peoples of these country by any means, since all these states are police states under different garbs. Thailand and Indonesia are under military rule with only varying degrees of disguise; the Philippines is under martial law; Malaysia and Singapore are ruled by exceptional laws whose legality is only fictional.

Some 'developments' undoubtedly there are — but for the benefit of the military machine and US/Japanese multinationals only, no doubt with some fringe gains for the local comprador bourgeoisie. This will be seen from the following list of major economic events that took place in these countries during the *second quarter* of 1978.

In Indonesia, the government 'agreed in principle' to an offer by the US government to set up an M 16 rifle factory in the country.

The US Vice-President Mondale told Suharto that the USA was prepared 'to respond' to the Indonesian request for a squadron of 16 re-conditioned A-4 combat support jets. If it goes through, the deal would then be in addition to the Indonesian purchase of a 12-plane squadron of F-5E fighters.

All this is in addition to the $ 42.8 million of military aid programmed for Jakarta under the US budget for fiscal 1979 and $ 2.5 million that is annually spent by the USA for training Indonesian officers and men in the USA itself.

In the economic sphere, the Indonesian Trade Minister announced in May 1978 that henceforth joint ventures with foreign capital would be permitted in department stores, supermarkets and shopping centres in provincial capitals and in silos and warehouses in rural areas

Caltex Pacific Indonesia, P T Semen Cibinong (a joint venture with the Kaiser Cement and Gypsum Corporation), Independent Indonesian-American Oil Co, were all reported to be expanding their operations in Indonesia during the second quarter of 1978.

In May, a syndicate of banks led by the Bank of America granted a $ 24.5 million loan to the Indonesian government for financing the purchase of television and radio broadcasting equipment from the USA.

Besides, the US Government granted loans totalling $ 60 4 million to the Indonesian Government, at varying rates of interest.

In Malaysia, the Goodyear Tire and Rubber, Morgan Guaranty, Wells Fargo Bank, Chemical Bank of the USA, and the ESSO all expanded their operations during the second quarter of 1978. Launching the American Business Council in Kuala Lumpur, the Malaysian Deputy Prime Minister stated that more than 90 projects, either wholly owned by the Americans or their joint ventures with Malaysian participation, had been approved up to March 1978.

In the Philippines, statistics released in late April 1978 showed that American investments amounting to $ 93 million constituted 57 per cent of the total foreign investments approved in 1977. Direct foreign equity investments between February 1970 and December 1977 totalled $ 801 million, of which the US share was 46 per cent.

The Central Bank of the Philippines announced in April 1978 its policy to permit additional investments by foreign banks in the domestic private commercial banks.

The Government permitted in May an additional $ 20 million by the Ford Motor "to support new manufacturing and marketing programmes". Armco Steel Corpn, Houston Oil and Minerals, Pepsicola, Delta Motor, Occidental Petroleum and some other US concerns were permitted to make fresh investments and/or expand their operations in the Philippines.

Besides, Bankers' Trust Co (Mitsui Bank's New York subsidiary), Chemical Bank, Republic National Bank of Dallas, First National Bank of Dallas, Chase Manhattan Asia Ltd, etc, granted loans of varying amounts for different projects during the second quarter of 1978.

In Singapore, International Harvester, Hughes Tools Co of Houston, Corona Manufactures made new investments during the second quarter of 1978.

Caltex joined British Petroleum to launch a joint venture refinery. Morgan Guaranty Trust bought out all the shares of its Singapore subsidiary to make it wholly owned.

In Thailand, during his Bangkok visit in May 1978, the US Vice-President revealed that the USA had agreed to sell Thailand a squadron of 18 Northrop F-5E fighter-bomber planes worth about $ 90 million

In the economic sphere, Firestone Tyre and Rubber (Thailand), in which 55 per cent share is held by the parent US corporation, decided to make a fresh investment of $ 14 million for expansion of production capacity. Pacific Plastics, a subsidiary of the Dow Chemicals, started production in

June [illegible]. Fluor Corpn. of the USA got a $ 300 million contract for the construction of a pipeline. Siam Cement got a $ 50 million loan arranged by the Chemical Bank and Guaranty Trust of the USA.

Neither these facts nor their implications can be unknown to the Soviet Union and China. The truth is that both the countries are wooing these states in the interests of global strategy, and, in doing so, resorting to time-honoured diplomatic rules, even if they — that is, the Soviet Union and China — may have to overcome in the process their Marxist squeamishness over the Kautilyan or Machiavellian origin of these diplomatic rules.

Malcolm Caldwell and Kampuchea

Gail Omvedt

THE death of Marxist scholar-activist Malcolm Caldwell on December 23 in Cambodia (Kampuchea) is a shocking event, not simply because he was deliberately assassinated as the most well known friend of the Cambodian revolution, but because it happened in the context of a war between the two Indochina countries who had triumphed over the most vicious assaults of American imperialism.

Caldwell was the author of several books, including "Cambodia in the South-East Asian War" and most recently "The Wealth of Some Nations" on underdevelopment in the Third World. He edited "Ten Years Military Terror in Indonesia" at the request of the Indonesian communist party, and was an editor of the *Journal of Contemporary Asia* which publishes articles and documents from liberation movements in Asia. He was not simply a writer, but gave generously of his time and energy in speaking and other fund-raising tours to fight imperialism in Asia and the growing racist and fascist movements in Britain itself.

Before his death Malcolm had written a number of articles, which were undoubtedly preparations for a book, on Kampuchea since liberation. He believed that the Kampuchean revolution was the "most maligned revolution in the world". He argued that because the country had been kept so backward by the processes of colonialism, so 'isolated' from any of the benefits of modernisation, so idealised by Westerners as a kind of untouched land of Buddhist repose and the fairyland of Angkor Wat, that the very speed and thoroughness and overwhelming popular support of the revolution when it came was a worse shock than even the defeat in Viet Nam.

Perhaps a really fitting tribute to Malcolm Caldwell then would be a close look at the development of the Kampuchean revolution and the forces which have shaped it. Even if the imperialist-originated depiction of the revolution — as the most barbaric, extremist and despotic regime in history — has no basis in fact, it is important to understand why such stories could be spread and believed.

French imperialism raped and exploited the Indochinese countryside, turning countries like Viet Nam and Cambodia into exporters of rice and maize to Europe while their peasants starved (two million Vietnamese peasants died of famine during World War II) and while cities like Saigon and Phnom Penh flourished as centres of parasitic bureaucrats and traders who lived in their luxurious villas to the very end. "The Great Prostitute on the Mekong" is what the Cambodian peasants called Phnom Penh[1] where the situation was even more extreme than in Viet Nam because the country was kept under 'indirect rule' (through puppet princes) and no industries of any sort had developed.

American imperialism intensified — deliberately — the parasitic and cancerous growth of the cities. The Americans had early recognised the truth of the saying, "the guerilla lives among the people as a fish lives in water". The 'solution' of course is to drain the water, and this — i e, the removal of the people from their land — is what counter-revolutionary warfare has been about from the beginning. The most 'normal' form, of course, is the familiar 'relocated' or 'protected' village, where the people are taken away from their homes and put behind barbed wire in a new environment where the guerillas can have no access to them; whether Kenya and the 'Mau Mau' or Malaysia or Algeria the story is much the same.

In Indochina, though, the American government took a further step: a deliberate attempt to bomb the people out of the land altogether and into the cities. Total US and allied air munitions expended in Indochina were seven million tons, compared to a total of two million tons expended during the *entire* second world war; an additional seven million tons of ground munitions were also expended. An estimated 20 million craters were created by bombing and 20 per cent of the land surface of Indochina is said to have been contaminated by missile fragments.[2] In Cambodia itself, between March and August 1973, 50 per cent *more* American bombs were dropped than on Japan during World War II, though Japan is twice as big in area as Cambodia.[3]

The effect was to swell the already overgrown cities, and by the end of the war the South Vietnamese urban population had grown to 40 per cent of the total while in Cambodia the single city of Phnom Penh grew from 700,000 to three million. The people of the cities generally could find no productive work but lived instead in service and parasitic occupations (including prostitution, which was said to have employed 400,000 women in Saigon by the end of the war, equivalent to the pre-war population of the city) financed by American dollars. And they were fed, not by the agriculture of their own country which had been shattered by imperialism and war, but by imports of American rice under the ironically named PL-480 'Food for Peace' programme.

The entire social structure of these countries was thus warped, and the withdrawal of American money and American rice necessarily meant a grave, if temporary, crisis — resulting in some decline in living standards and a need for some relocation in the countryside. In Viet Nam, which had after all some industrial basis and infrastructure and a socialist economy in the North, the process could be gradual. Even so, thousands of the frustrated urban dwellers — who had had no experience of country living for 15 years and were unwilling to try and who had been given a mirage of America as the land of unlimited wealth — fled in confusion from the new hardships of socialism, to become the so-called 'boat people'.

Cambodia's situation was worse. Phnom Penh, with three million out of seven million people in the country, had — according to US AID officials — only a six-day supply of rice on hand at the time of liberation and the US departure.

In these circumstances, it is not surprising that the Kampuchean communists chose to vacate the parasitic city, the 'great whore', and take its population to the food rather than *vice versa* and, more important, to give them the only productive work available in the present state of country, that of food production.

The evacuation of Phnom Penh and the setting up of agricultural communes

whose exchange was based on a barter system (little indigenous banking infrastructure existed) was what led to the charges of 'massacres', purges, forced labour, and the general depiction of the regime as some kind of incredibly primitive combination of Asiatic despotism and Orwell's totalitarian nightmare. Such picture has almost no basis of reality.[4] The massacre stories were concocted: the last journalists and priests who left the country reported that they "were not witness to any cruelties". There were unverified Thailand pictures of armed soldiers guarding peasants (Thailand at that time was the most anti-communist country in the area) which were used to prove 'atrocities'. A Vietnamese refugee who crossed the country during three months in 1976, speaking the language, working for food in various villages, heard no atrocity stories till he reached Thailand. It is somewhat dreary to go on refuting baseless evidence, particularly when such stories themselves go on being published in widely circulating dailies after their refutation. The main point is that, while there was undoubtedly some 'force' used in evacuating Phnom Penh, this consisted mainly of the population being told that the alternative was to starve in an empty city. The greatest 'atrocity' of the Kampuchean revolution was probably that the middle class and upper middle class people of the great city were made to live and work like the peasants of their own countryside.

But the evacuation of Phnom Penh was not simply an *ad hoc* response to an objective necessity. It was also a revolutionary strategy. As Malcolm Caldwell argued, "the leaders of the Cambodian Revolution had evolved both short-term tactics and a long-term socio-economic strategy, based upon a sound analysis of the realities of the country's society and economy, in the years before liberation... and the chosen course is a sound one whether one judges it in terms of its domestic appositeness or in terms of its reading of the future of the international economy."[5]

This means that there was a deliberate refusal of an alternative strategy which might have been to stay in Phnom Penh, accept the massive imports of food aid from Russia or China that this would have necessitated, maintain a commercial economy, and maintain their country's ties with the international market. Instead, the Kampuchean leaders chose a peasant-oriented self-reliance, an 'autarkic' strategy of development which involved a temporary but total withdrawal from the world market, an intensive effort to build up agriculture in co-ordination with the industries which served agriculture, and only after their base was well established to slowly extend their attempts to industrialise and re-build their world trade links.[6]

"Our objective is to make our country a modern agricultural and industrial nation", said deputy premier Ieng Sary in a UN speech in 1975. Just as everywhere — but the Kampuchean revolutionary leaders were convinced that this involved basing themselves on and rebuilding the country's devastated agriculture rather than going for faster, more glamorous aid and 'development' projects. This leadership was a peculiar combination of peasant and scholar (there being almost no real working class in the country). Many — most of these of peasant background themselves — had degrees from Paris, like president Khieu Samphan, who had a PhD in agrarian economics from the Sorbonne, working with other marxist scholars there at the time like Samir Amin. The conclusion of their youthful Marxist scholarship was that premature integration into an international economy simply perpetuated the mechanisms of underdevelopment · a theoretical expression of the raw experience of the Cambodian peasant who saw his rice and labour drain from the country into the city and from Asia out to Europe.

From 1971, in liberated areas, the Khmer Rouge began organising peasants to construct intensive irrigation works which eventually made possible double and even triple-cropping, while mutual-aid groups and production solidarity groups were developed into agricultural co-operatives. By 1975, in spite of the ferocious bombing, the absorption of an additional three million people had been prepared for — and the first achievement of the Kampuchean revolution was indeed to be able to feed all its people at a growing level of quantity as well as increasing diversity with new methods of growing fruit, vegetables and raising livestock and fish. With this as a basis, the development of small industries and a growing export programme could begin. According to Caldwell writing in April 1978, the regime's economic policies have been a substantial success and recent evidence — including testimony from a visiting Japanese delegation in August — has confirmed the stability of the regime and a well-organised agricultural and small-scale industrial economy. Malcolm Caldwell himself was undoubtedly preparing much more to say on [illegible]

As far as I know, Malcolm had had very little to say publicly on the growing conflict between Kampuchea and Viet Nam by the time of his death. Like most Western anti-imperialists, he was incredibly pained by developments in Indochina and felt that public condemnation of any country was out of place. Indeed, his mood was to focus more on developments in Britain: the growing anti-racist struggle and his favourite cause of Scottish nationalism. But it is hard to know how he could have avoided saying something about the role of Viet Nam: a popular and ultimately rational revolutionary regime does not crumble before mass insurrection, though it may be driven back into the jungles by superior firepower. In the end, Malcolm did go to South East Asia, and his voice has been silenced. And more than ever, huge question marks hang before the future of the revolutions not only in Kampuchea but in Viet Nam and Laos as well.

Notes

[Much of the information here is taken from the draft of Caldwell's most recent paper available to me: "Cambodia Rationale for a Rural Policy", read at the Seminar on Underdevelopment and Subsistence Reproduction in Southeast Asia at Bielefeld, West Germany April 21-23, 1978. Also see George Hildebrand and Gareth Porter, "Cambodia Starvation and Revolution", New York Monthly Review Press, 1976. Noam Chomsky and Edward Herman, 'Distortion at Fourth Hand', *The Nation*, June 25, 1977 — an excellent critique of the anti-Cambodian propaganda; and Denzil Peiris, 'Cambodian Version of Socialism Strong Rural Bias'. *The Times of India*, May 29, 1973.

1 Caldwell, "Cambodia . . .", p 5.

2 See "Viet Nam: The Legacy of War", a factsheet prepared by the American Friends Service Committee Indochina Programme.

3 Caldwell, "Cambodia . . .", p 21.

4 Caldwell, "Cambodia . . .", pp 32-34, Chomsky and Herman, "Distortion at Fourth Hand". The overwhelming majority of anti-regime propaganda is based on refugee accounts, which are notoriously unreliable by any scientific standards (the refugee not only has natural reasons for exaggerating the brutality of the regime he/she flees from, but also as a helpless sojourner in a foreign land is almost forced to the kind of stories people in power want to hear), and even here Caldwell argues that refugees of worker and peasant origin gave significantly different accounts.

5 Caldwell, p 1.

6 Caldwell, "Cambodia . . ."; see also *Far Eastern Economic Review*, June 2, 1978, pp 40-4. and October 13, 1978, pp 10-11, for some accounts of reopening of international ties.

Transnational Corporations in Electrical Industry

TRANSNATIONAL CORPORATIONS (TNCs) are producing an ever greater share of the world's output of electrical goods. They also account for a very large share of the international trade in such goods, much of which is on an inter-firm basis. A study prepared at the request of the UNCTAD Secretariat by Richard S Newfarmer examines how the behaviour of TNCs in the electrical industry affects the development and trade of developing countries. ("The International Market Power of Transnational Corporations: A Case Study of the Electrical Industry" by Richard S Newfarmer; UNCTAD/ST/MD/13.) Excerpts from the summary and conclusions of the study are reproduced below.

The general objective of this study has been to show how electrical transnational conglomerates mobilise and use economic power in international and foreign markets and to understand its effects upon developing countries. In particular, it has focused attention on formal and informal interdependent behaviour whereby concerted market tactics and uneasy oligopolistic equilibriums replace vigorous price competition in many markets.

International Organisation of the Industry

The electrical industry encompasses a great variety of capital and consumer goods. Capital goods include equipment for the generation, transmission and distribution of electricity, as well as motors to drive machinery. Consumer products range from familiar household appliances to the newest electronic products.

The leading firms usually produce the full range of these diverse products. The companies are huge by any standards, and their sales and production activities straddle the globe. Because they produce in dozens of national markets, they can be termed transnational conglomerates.

The salient characteristic of the international electrical industry is its concentration. Although exact measurement is not possible, it is safe to conclude that the leading score of major TNCs generate the bulk of the industry's sales and control much of its advanced and patented technology. The leading diversified firms meet each other in many national and product markets. Mergers and acquisitions, often encouraged by home governments wanting to restructure home industries, have accelerated concentration within the industry. Besides their multiple contact points in many markets, the electrical TNCs have several extra-market ties. These take the form of equity holdings of each other's stock, joint ventures around the world, licensing arrangements to share the industry's most advanced technology, and consortia and cartels.

Historical Forms of Rivalry and Interdependence

Foreign markets attracted the attention of the dominant firms very early in the development of the industry. After a brief period of expansive foreign investment and trade activity lasting roughly from 1880 to 1900, enterprises began to appreciate the advantages of restraining international competition. From about 1900 to 1930, the world's major firms relied increasingly on restrictive clauses in cross-licences of patented technology for the purpose of dividing up the world market into territories among themselves. The companies attempted to impede the flow of technology and industry to non-producing areas in order to preserve their shared world monopoly.

When the Great Depression came and demand weakened, frantic competition for export markets could only be curtailed by formal international cartels. Major firms entered into "notification and compensation" agreements that successfully cartelised much of the industry's world trade. The cartels included most of the world's dominant firms and lasted at full strength well into the 1940s.

Pre-1945 Restrictive Practices

The market allocation arrangements through licences and cartels after 1900 retarded development in many of the non-producing countries up to the early 1940s. The restrictive provisions of the cross-licensing contracts among the industry's majors raised barriers to entry that were virtually insurmountable to outside firms, including domestic firms in developing countries. First, even if entrepreneurs in developing countries had had favourable economic conditions and a comparative advantage in production, they would have had great difficulty in obtaining the necessary technology. The companies wanted to prevent the growth of independent firms in the non-producing countries which were their export markets. Agreements restricted the diffusion of technology and manufacturing operations. Furthermore, the agreements ensured that exports would not disturb their home markets — including possible future exports from developing countries. Second, if domestic firms in developing countries had been able to obtain the technology through licences, they would still have experienced an absolute cost advantage (*ceteris paribus*) by an amount equal to their royalty payments.

Third, even large firms in developed countries using licences of others were prevented from using the group's technology to begin manufacturing in most of the developing world. In the case of the AEG and GE cross-licences, for example, only when markets were cut off by trade restrictions during the Depression and the Second World War did these two companies permit each other to begin manufacturing in developing countries under their respective patents. Effectively, there appeared to be a tacit recognition that developing countries should remain importers from the industrialised world.

It is clear that the dominant firms wanted to impede the spread of technology to the non-producing countries to preserve their shared monopolies. Consequently, growth in the domestic electrical industry often lagged behind most other domestic manufacturing industries in developing countries by 1930 and even in the 1940s.

Besides implanting an industrial organisation that set the stage for post-1945 control of foreign markets by TNCs, the early restrictive practices allowed these corporations to receive the bulk of historical gains from trade. Territorial divisions of world markets reduced competition and undoubtedly resulted in above normal profits. Collusive pricing for cables, lamps and heavy equipments had the same effects. The absence of vigorous price competition transferred income from consuming groups in developing countries to the owners of capital and their managers. In other words, the concentrated structure of international production and concomitant restrictive practices served to shift investible surplus from the developing periphery to the industrialised centre.

Era of Transnational Conglomerates

In the late 1940s and early 1950s, the major TNCs of the electrical industry invested heavily in the developing countries, following the course of other oligopolistic, technology-intensive industries. Much of this investment was made defensively to maintain a share of markets newly protected by tariffs. Manufacturing abroad replaced trade in some final products. Thus the organisation of the post-war industry soon came to revolve around production units in several countries under the centralised direction of a score of industrial giants. Parents often supplied subsidiaries with intermediate products to be manufactured into final products locally as well as with the latest final products from home to be sold locally. Foreign investment became "the handmaiden of trade".

Strategies of Transnational Corporations

Trade expanded rapidly after 1945, *pari passu* with foreign investment. An increasing proportion of exports from developed to developing countries, however, consisted of sales by

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parent TNCs to their world network of subsidiaries. By 1970, about 20 per cent of electrical exports from the United States were intrafirm transactions of TNCs. As a result, corporate planners enjoyed considerable flexibility in transferring profits around the world through non-market prices. A second change in the organisation of world trade in electrical products was the importance of the growing markets of the developing countries. Nearly one-quarter of electrical exports from home countries went to developing countries by 1973.

Competition in exports to developing countries continues to be characterised by varying forms of interdependence among the major TNCs. Despite a more hostile legal environment for cartels, the home countries' tolerance continues to permit the cartelisation of exports. Electrical export cartels are officially registered in industrialised countries such as the Federal Republic of Germany, Japan and the United Kingdom. Many of those registered European cartels are international in scope and appear to be closely tied to the International Electrical Association (IEA).

Although secrecy surrounds most cartel arrangements, reports and cartel contracts of the IEA reveal extensive collusion in at least nine major product groups of the heavy equipment industry and include at least 37 producers. The cartel is organised into "Product Sections", including Steam Turbines to Drive Generators (Section A), Steam Turbine Driven Alternators (Section B), Water Turbine Driven AC Generators (Section E), Synchronous Condensers (Section F), Circuit Breakers (Section G), Transformers (Section H), Rectifiers (Section K), Rolling Mill Equipment (Section P) and Water Turbines (Section W). The most common provision is a notification clause. Under this clause producers agree to notify each other through the Secretary upon learning of a tender, so that the prospective bidders may collectively set prices and determine which producer will submit the lowest bid. In addition, five of nine agreements contain provisions setting common minimum prices or reference prices. Three agreements contain provisions for the pooling of profits among cartel members. Three contain formal allocation procedures and quotas for the apportionment of bids.

Other cartels covering electrical products exist outside the IEA. The most notable are the electrical cable cartel, called the International Cable Development Corporation (ICDC), and the telephone cable cartel, called the International Telephone Cable Association. Reports on these industries indicate that the cartels set prices, allocate markets, and set quotas for members as well as engage in predatory practices against outsiders. One of the most recent developments appears to be the collective review and approval of new investments in foreign countries undertaken in the ICDC. In this case at least the export cartel plays the part of an "investment cartel".

Explicit forms of market regulation often are combined with informal understandings. Trade patterns show definite spheres of influence, especially evident in the case of cables and transformers. These understandings eliminate any chances of effective competition in the international market and replace it with a virtually shared world monopoly.

Economic Consequences for Developing Regions

From the viewpoint of developing countries, market co-ordination tactics are perhaps more harmful because they are most prevalent in products crucial to industrialisation the heavy equipment side of the industry. Allowing for intrafirm trade, international and national export cartels, and informal concerted behaviour, it is estimated conservatively that at least 35-40 per cent of the international trade in electrical products with developing countries is subject to some form of market power exerted by TNCs.

This market power and trade restrictions affect industrialisation in developing countries through both prices and the national economic structure. Competition-restricting behaviour permits TNCs to raise prices of exports above competitive price levels. Prices of imports into developing countries therefore exceed those that would be charged in the absence of the restrictive practices.

The structural consequences of formal and informal market agreements are perhaps more deleterious to developing economies than the short-run consequences of higher prices. As did the early cross-licences of technology, today's cartels raise barriers to the entry of outsiders in particular markets. They are especially effective against domestically-owned firms in developing countries. The financial base of domestic firms is far smaller than that of cartel members, and because they are less diversified they cannot cross-subsidise losses for prolonged periods. Moreover, cartels often stifle entry by providing for predatory practices against outsiders. Clauses containing rules for predation were reported in the transformer agreement of the IEA, in the cable agreements in the ICDC, and in the local cartel in Brazil. Finally, notification, compensation and allocation of bids among cartel members give them a competitive advantage over non-members.

Besides making formal and informal agreements, leading TNCs protect their spheres of influence when necessary with aggressive price-cutting. If the threat of potential entry is ever present, leaders may price their goods below the entry-inducing level, but as high above marginal costs as possible. If the threat is especially severe, pricing tactics may include selling below cost for short periods. Their subsidiaries may use the same tactics in overseas markets. The overall effect is to delay or to prevent the entry of domestically-owned firms in developing countries into the market for electrical products. In these ways, restrictive practices stunt the growth of an independent, nationally controlled industry in developing countries.

Foreign Investment and International Market Power

The expansion of world trade has been accompanied by a dramatic increase in local production, giving TNCs access to local markets with varying forms of direct control. This study reviewed briefly four related aspects of internatonal market power associated with the foreign investment process: creation of spheres of influence, takeovers of local firms, the impact of concentration and product differentiation upon the profits of firms, and the consequences of denationalisation for vertical integration and exports.

Creation of spheres of influence. Spheres of influence in the markets in which transnational corporations make investments are the logical extension of market allocation arrangements governing trade. The product cycle usually links exports to foreign investment as transnational corporations begin to manufacture locally products they had formerly exported to the domestic market. Consequently, their restrictions on international trade, particularly formal market allocation arrangements, are likely to influence the decision on where to invest.

The few data that exist are consistent with this interpretation, though they do not exclude other explanations. The interdependent electrical major firms have established only tentative beachheads in each other's traditional home territories, and have not expanded aggressively. (The most recent exception is the Japanese entry into the overseas markets for consumer electronics.) In the developing world, United States electrical firms have established an above-average number of their subsidiaries in their traditional spheres, while Western European firms have done the same in their own territories. In the cable cartel, members have reportedly gone so far as to decide which countries are to become cable producers through their foreign investment, and where they would permit new capacity to be installed.

By recognising spheres of operation the transnational corporations are able to export the oligopolistic structure of their home markets to markets overseas. By formally or informally limiting entry into certain overseas areas, transnational conglomerates can reduce the number of competitors in specific markets, maintaining high levels of concentration that would be reduced in the absence of investment forbearance. This forbearance reduces the number of potential entrants into a market, usually the most powerful being excluded. As a consequence, existing producers are able to raise prices to approach shared monopoly levels with less fear of provoking new entry. Mutual invest-

ment forbearance should be added to the list of market-distorting factors that explain why transnational corporations tend to recreate the same concentrated market structures in developing countries that are found in the home countries.

Takeovers and denationalisation in developing countries. Related to the decision where to invest is the decision how to invest, whether by acquisition or by building a new plant. Acquisitions by TNCs in developing countries increasingly are reorganising the ownership of social resources in the electrical industry. This is especially true as development advances and domestic firms come into the market. In Latin America, for example, 42 per cent of United States electrical transnational corporations established their subsidiary operations by acquiring existing domestic firms in the 1958-1968 period. In Mexico, 60 per cent of the United States electrical TNCs established their operations through takeovers. In Brazil, takeovers accounted for nearly all the substantial increase in the foreign share of Brazil's electrical industry in the 1960-74 period. Moreover, a few of the largest takeovers in Brazil had considerable anti-competitive effects. These examples can probably be paralleled in other developing countries at similar stages of development.

Concentration and product differentiation. Once TNCs have established operations in the protected markets of developing countries, they often capture a large market share and advertise heavily to create an image for their trademarked products. The power of TNCs to extract above-normal profits is closely related to the level of concentration and industry advertising. Evidence for developing countries such as Pakistan, Mexico and Brazil shows that the higher the level of market concentration, the higher are a firm's profits, other things being equal. Product differentiation through industrial advertising is also a powerful factor in raising rates of return. Data for Brazil's electrical industry by itself demonstrate that as the degree of concentration and product differentiation rises so do profits generally increase.

Industrial performance in developing areas is adversely affected by the same distortions that market power commonly carries in any market economy. Market power reduces the efficiency of the economy by distorting the allocative function of the price mechanism. Moreover, market power shifts income from consumers to managers and stockholders of firms, usually concentrating income. Also, administered prices appear to exacerbate inflation, especially cost-push inflation.

When high market concentration and product differentiation are associated with high denationalisation (or foreign control), market power leads to an additional distortion in industrial performance. Producers who receive the above-competitive levels of earnings are foreign-based and the flow of domestic resources come under their control. If TNCs remit earnings abroad, then market distortions consume valuable foreign exchange. On the other hand, if TNCs reinvest their profits, they strengthen their position in the market. Increased denationalisation has consequences for industrial performance because foreign firms may behave differently from domestic firms.

Vertical integration and exports. One area in which foreign firms behave differently from domestic firms appears to be that of vertical integration. Electrical transnational corporations generally have less economic incentive to integrate forward or backward than do domestic firms.

The case of the copper exporting countries appears to bear out the view that the internationally integrated foreign-owned industry has no incentive to establish a domestic industry making cables for export. None of the four major copper exporters — Chile, Peru, Zaire or Zambia — has developed cable industries, in spite of their privileged access to the chief raw material. In fact, the four are all net cable importers. Forward vertical integration from refined copper to cables has not proceeded.

Another form of local vertical integration, in this case backward, is import substitution. Data for Mexico and Brazil show that transnational corporations generally have a lower ratio of value added to sales than domestic firms in the industry. Likewise, subsidiaries of TNCs in Peru and Brazil have a much higher ratio of imports to total sales than have domestic firms. As transnational corporations strive to maintain open access to markets of developing countries, foreign investment is a vital means of increasing the home country's exports along with local sales.

Foreign ownership and international market power may affect export behaviour as well. First, an increasing portion of sales by subsidiaries of TNCs abroad are made to subsidiaries of the same parent organisation. As a result, host countries are vulnerable to abusive transfer pricing. Companies may under-price exported components in order to accumulate earnings in the home countries, diminishing the foreign exchange earnings of the host country.

Second, "export platforms" or "offshore assembly operations" may be only a temporary blessing — vulnerable to the move of a pin on the world map of a home office planner when wages rise. More importantly offshore assembly operations benefit only a few countries and do not augur well for increases in electrical exports for the vast majority of developing countries.

Finally foreign ownership may influence the direction of the exports of subsidiaries. Although evidence is not abundant on this point, it is arguable that parents may steer a subsidiary's sales abroad away from their own markets and in some cases away from markets of their principal rivals to avoid unleashing competition.

Enlightening Case of Lamps

The lamp industry illustrates how a handful of producers use trade and foreign investment to control the world market in one product group. The lamp business set the initial pattern of interdependent behaviour among large electrical firms, beginning with the early Phoebus cartel in 1924. The upheavals of the early 1940s brought to an end its complex system of international planning and market regulation. It appears to have been replaced with an informal and perhaps less stable equilibrium among producers.

After the demise of the lamp cartel, market concentration increased and new price competition did not ensue in many of the developed countries. Data for the United States, Britain, France, the Federal Republic of Germany and other EEC countries indicate that the leading lamp manufacturers have established dominant positions in these markets. Moreover, considerable price rigidity and parallel pricing was evident in the 1950s and 1960s in markets of the EEC countries. Because of the defined areas of production established by producers in the EEC, price discrimination is still evident, despite the absence of tariffs. Besides the informal consensus of forbearance, quantity and loyalty rebates bind purchasers to domestic suppliers. These are often agreed upon in manufacturers' associations. They also make it difficult, if not impossible, for independent lamp producers in developing countries to capture market shares in the developed countries.

Foreign direct investment has been an important element of market control in the lamp industry. General Electric, Osram, Philips and GEC are responsible for the great majority of foreign investment in lamps. While Latin America remains the principal territory of General Electric, Osram and Philips, GEC holds a privileged position in Commonwealth (or former Commonwealth) countries.

Joint ventures and other co-ordinated production and pricing strategies in developing countries raise returns to transnational corporations. Evidence from India and Brazil indicates that producers use joint ventures and manufacturing associations in order to control output and prices. In the case of India, agreements among the principal suppliers effectively tied purchases of imports to certain producers, undoubtedly raising their cost to India. At the same time, Indian subsidiaries were debarred from exporting to the main industrialised markets of the world. Thus, in the case of lamps, foreign investment and trade activities have buttressed the control of the world market held by the international lamp oligopoly, and not threatened it.

Unsuccessful Transplant

N S Jodha

Report of the Review Committee on Agricultural Universities, Indian Council of Agricultural Research, New Delhi, June 1978; pp 319 + A-100.

THE state of the Agricultural University Movement (AUM), started in India about two decades ago on the pattern of the American Land Grant College System, once again demonstrates the limits of cross-country transferability of institutional technology.

Following the recommendations of two Joint Indo-American Teams on Agricultural Research and Education (1954-55 and 1959-60), the first agricultural university (AU) on the land grant college pattern was set up at pantnagar in 1960. The number of such universities increased to 8 by 1966, 21 by 1976 and 23 by 1978. Though at different stages of development, in 1975-76, the agricultural universities had 443 research stations, then controlled 46,000 acres of farm area and handled over 1,650 research projects. They had more than 6,000 faculty members and they produced 5,000 graduates and over 1,300 post-graduates in agricultural sciences in 1975-76. Some of them had been the leading partners in generating the HYV-based new technology. However, it was realised that despite its rapid expansion, the AUM, in terms of standards and capabilities, has not spread uniformly through out the country. Most of the AUs were found to be wanting in terms of serving the needs of changing agriculture. This necessitated a critical assessment of the growth and development of AUs. The document under review is the report of the Review Committee on AUs set up under the chairmanship of M S Randhawa in January 1977.

The report is easily one of the best reference documents on agricultural education and research in India. At places, it (unlike several official reports) is quite frank in its presentation. Of course, a number of the issues highlighted and the suggestions offered by the Committee had already figured in one or the other forums, but the Committee has synthesised and formalised them. Depending upon the circumstances, this may help keen individuals to push for some changes. The two key issues which need detailed comment are: the nature of the factors involved in growth of AUM in India and the capability of AUs to produce scientist farmers.

Agricultural University Movement

The committee examines the performance of agricultural universities with reference to ICAR's Model Act (1966) which was designed to guide the setting up and working of AUs. The Model Act embodied the key features of the Land Grant College System (e g, integrated conduct of agricultural research, education and extension as a sole responsibility of the AU; provision of land for commercial production to ensure self-reliance for the AUs, etc). The Model Act besides suggesting one AU for each state provide detailed guidelines for governance of AUs.

However, despite the Model Act and repeated reminders by ICAR, several states have deviated from the provisions of the Model Act. For instance, in place of having one university per state, states like Uttar Pradesh and Maharashtra have three and four AUs, respectively. Nine AUs have three or more campuses. Further, this multiplication is not necessarily guided by agro-climatic considerations. In place of establishing fulfledged, exclusive AUs, states like Rajasthan and Himachal Pradesh (and till recently West Bengal) have only agricultural complexes as parts of general universities.

While in principle all states have accepted the philosophy of integration of research, teaching and extension functions under AUs, in practice most of them have resisted the transfer of research and extension functions to AUs. They plead that their AUs are yet immature to handle these responsibilities. Interestingly, they also use the National Commission on Agriculture's recommendation favouring adaptive research (field verification, trials, and tests) to be a function of state departments of agriculture as an excuse for non-transfer of research responsibilities to AUs. Consequently, states like Tamil Nadu even after transferring the research function to AU, retains 12 out of 14 research facilities at districts. The Rajasthan government took 10 years to transfer the research function to the Udaipur University and yet managed to keep an important research set-up in irrigation command areas. Madhya Pradesh shifted all research activity to AU, but has recently started its own Rice Research Institute at Raipur.

Higher agricultural education is transferred to AUs in all states except in Uttar Pradesh, where a number of agricultural colleges run like arts colleges still continue. Transfer of extension education responsibility is also incomplete in most states. While Punjab and Haryana have given a larger role to the AUs in extension, other states have only a marginal input of AUs in agri cultural extension. Kerala illustrates an extreme case where the university has practically no role in field extension. University scientists do not have freedom and facilities even to conduct front-line demonstrations in the farmers' fields. The place of extension in the present set up of AUs is indicated by its very low share (6 per cent) in the current budget of all AUs put together.

In the matter of governance of AUs and curricula, etc, there is only partial adherence to the Model Act. While most of the rather 'harmless' activities are conducted as per the Model Act, in the case of provisions having implication in terms of controlling power, etc, the model is seriously violated. The provisions governing composition of management boards, selection committees and procedures for choosing vice-chancellors and other senior staff members, etc, fall in the latter category.

A key point to be noted is that most deviations from the Model Act fall in a clear cut pattern and exhibit the state governments' lack of full understanding of the functional requirements of agricultural research, education and extension in the respective states. Most of the state governments seem to treat AUs hardly different from Centrally sponsored projects to be located in their respective territories. They are used both as a mechanism of *effecting transfer* of Central funds to the state and as a means to patronise regional groups within the state by way of setting up multiple AUs and their campuses. Their resistance to transfer of research and *extension to AUs as well as manipulation* of procedures for selection of senior personnel to run AUs, again in a way reflect their tendency to use AUs too as instrument for strengthening established interest groups, including *the bureaucracy of the agricultural departments.*

On the basis of experience of successful universities (e g, Punjab Agricultural University) the Review Committee has described 'state support' as the critical factor in the success of the AUs. The 'state support' in real terms means willingness of states to do away with the aforesaid considerations while promoting and running the AUs. The Committee's key recommendation for effecting 'state support' or enforcing their adherence to the Model Act is for using ICAR funding for AUs as a control mechanism.

However, a glance at the past history and the current situation would seriously discount the role of ICAR grants as a 'control mechanism' to compel change in the approach of states towards AUM. In fact ICAR has always insisted on some extent of matching contribution of states in developing AUs However, after every review of slow progress of different AUs, ICAR has to raise its share. The ICAR expenditure on AUs has increased from Rs 1.20 crores during the Second Five-Year Plan to Rs 29.23 crores during the four years of the Fifth Plan, both because of increase in number as well as increased dependence of AUs on ICAR In about half of the AUs, ICAR grants have constituted more than a third of their total expenditure since their respective inceptions.

The implication is clear. Financial strictness on the part of ICAR will only add to the slowing down of AUM, as most of the states, for reasons stated above, will not bother to develop their AUs unless the latter continue to serve as resource transfer mechanisms from the Centre. Further, to carry out its national research responsibility through All-India Co-ordinated Projects and multilocation trials of farm technology, the ICAR has no choice but to develop research capabilities and infrastructure in different states.

Moreover, in the Indian context, state support to AUs ultimately depends upon the convergence of interests of the powerful (and enlightened) peasantry and the political leadership of the state as revealed by the situation in Punjab, Haryana and western Uttar Pradesh The said convergence of interest of course is a product of circumstance replication of which falls far beyond the capacity of a technical institution like ICAR.

Besides, as long as the benefits of a successful AU are freely available to other states in the same agro-climatic zone, the latter would have little technical (as against political) compulsion to strengthen own AUs. For instance, as the green revolution in the wheat growing tracts of Rajasthan could spread because of the work of AUs at Ludhiana and Pantnagar, the state could easily afford to ignore its own AU. Taken to its logical conclusion, this reasoning means a provision of a good AU for each agro-climatic/crop zone rather than for each state. But if accepted, this logic in retrospect tends to discount the value of an important provision of Model Act which suggested one AU for each state and in the process undermined the agro-climatic oriented functional basis of AUM.

'Non-elite Graduates'

One of the most important points in the terms of reference of the Review Committee related to the assessment of the performance of AUs in the training of 'non-elite' (i e, who are not after white collar jobs) graduates with motivation for self-employment in agriculture, with competence to identify and resolve practical problems by working on farms and thereby offer practical leadership to the farmers. The Committee made a detailed study of factors affecting technical competence and skill of the agricultural graduates and also the circumstances related to motivation for their self-employment in agriculture.

The Committee, after analysing the composition of courses at AUs, observes that the whole course of work at graduate level is heavily weighted towards theory course because for purposes of admission to post-graduate courses and employment, the overall grade point is the main criterion Furthermore, the practical field training, including through the often publicised 'Earn While-You-Learn' schemes, at AUs is fairly inadequate and is surrounded by a high degree of unreality and so fails to equip the graduates to handle-practical situations encountered by the farmers. The Committee has given a long list of suggestions to improve the situation, which amounts to changing the whole orientation of agricultural education

While discussing the 'motivation' for stopping the drift of agricultural graduates towards white collar jobs as against direct involvement in management of of agricultural land and livestock, the Committee presents some statistics. Accordingly, 95 per cent of employed agricultural graduates (post-graduates included) have employment with government or government supported organisations. Self-employment in agriculture is negligible The Committee lists the high cost of scientific farming, the risk inherent in agriculture and inadequate as well as irregular income from it as important factors preventing agricultural graduates from seeking self-employment in agriculture. Viewed differently, this observation reflects poorly on modern technology based farming, for it fails to impress and convince even those who are supposed to understand it best.

The Committee suggests broadly three solutions.

(i) High priority to rural students, who could be motivated to go back to their own farms after graduation, in admissions in AUs. But this ignores the apparent realities. In practice it is hard to find rural families who educate their children up to graduate level to bring them back to their farms. Nor do such graduates relish the idea of going back to the villages.

(ii) Incentive to agricultural graduates through allotment of irrigated lands and other material and financial support on concessional rates for settling on land as self employed. Apart from the very high cost involved (according to an old estimate quoted by the Committee, cost of such self-employment will be around Rs 75,000 per person). such arrangement will place these graduate farmers in a rather artificial situation and will isolate them in every sense from the rest of the farmers to whom they are supposed to offer technical leadership.

(iii) Encouragement and preference to agricultural graduates in the matter of establishing agricultural support services such as soil testing laboratories, agro-service centres, etc. This may surely open more self-employment opportunities for agricultural graduates and can indirectly serve agriculture in several ways. But the key function of practical farm leadership mentioned earlier will remain unfulfilled.

Perhaps we are trying to be deliberately unrealistic while expecting the 'farm leadership role' from agricultural graduates. Like bare-foot doctors one could think of a cadre of practising farmers who, given extensive exposure to scientific farming, can guide the rest of the farmers in handling the practical problems of modern agriculture. The

Committee's emphasis on farmers' training (ch IV), rather than their lengthy discussion on ways and means to motivate agricultural graduates to settle on farms, seems to answer the question better.

Equally unrealistic seems our emphasis on home science colleges to generate a cadre of scientists who could broaden the horizon of rural women folk and offer them guidance for betterment of rural homes. The Committee rightly observes that "the graduates coming out of home science colleges do not have the orientation, the aptitude or the opportunity to serve rural areas and most of them settle down as housewives in urban areas". Besides providing detailed suggestions for imparting rural orientation to home science education and for its linking with agricultural extension, the Committee (once again ignoring the realities) calls for priority to rural girls for admissions to home science colleges and for motivating them to guide rural women.

REVIEWS

Who Migrate and Why

P B Mayer

Migration from Rural Areas: The Evidence from Village Studies by John Connell, Biplab Dasgupta, Roy Laishley and Michael Lipton; Oxford University Press, Delhi, 1976; pp vii + 228, Rs 40.

IT is perhaps too early to speak of the number of studies of the social consequences of migration which have appeared recently as constituting part of an emerging academic trend. Trend or no, it can already be regretted that so many of these studies are disappointingly naive, especially from the standpoint of political economy. It is a pleasure, therefore, to consider here a work which, within its limits, is methodologically sound, sophisticated in its conception of the problem and something of a model of scholarly economy.

At the core of this work is a search for the answers to two related questions: who are the migrants who leave the villages of the Third World? And which are the factors, social, economic and demographic, which best explain why some villages have many more migrants than others? In the first seven chapters of the book, the authors, utilising the large collection of existing village surveys held by the Village Studies Programme at Sussex University, examine the evidence from the South Pacific, Asia, Africa and Latin America. The richness and variety of these data indicate the extraordinarily complex nature of the phenomena which are subsumed under the label 'migration'.

In their very careful review of the published literature the authors consider the impact on the propensity to migrate of such factors as age, sex, family size, education and the choice of destination. They consider in a similar way such consequences of migration as the impact of remittances, the causes and consequences of returning to the village, and the changes produced as villages which experience a persistent outflow of workers.

In my view, though, the most valuable sections of "Migration from Rural Areas" are those which deal with economic factors which condition migration. In an early chapter, the authors consider the familiar models which describe migrants as rational 'economic men' who move in response to 'felicific' calculations of maximum gains. They conclude that even models of modest complexity, such as that of M Podaro which suggests that migration is essentially conditioned by the differences in income between regions mediated by the probability of securing urban employment, fail to get to the fundamental causes of migration.

In seeking to specify those causes, the authors utilise village level data gathered by the Agro-Economic Research Centres at Sardar Patel University, Delhi and Madras. It is this analysis which, though not entirely free from methodological problems, provides the volume's most significant contribution. Using discriminant analysis, villages with high rates of migration were first separated from those with low rates. Then some 47 variables were utilised to see which best predicted migration. Among the initial results of these tests were the findings that migration was unrelated to basic demographic factors, patterns of occupation, land distribution, or education. It was however related to variables which sought to measure agrarian prosperity. Using these results, a number of multiple correlation models were constructed. "Village-based" variables measuring agricultural labour, inequality in land holdings, land scarcity, crop yield and literacy were found to predict nearly 70 per cent of total migration. "Urban-related" factors measuring the importance of cash rops, and integration into urban markets predicted over 75 per cent of total migration. These are very strong correlations and indicate the extent to which migration is related both to social inequality and the degree to which villages are integrated into the market economy. But as the authors point out, as in much else, there is one migration for the poor and another for the rich.

> Migration is indeed the child of inequality. It is from the village where land is most unequally distributed that migration rates are highest, though it is both the rather poor and the rather rich who migrate, rather than, in general, the very poorest, the middle, or the very richest. Migration, however, is also the father of inequality. It confers cumulative gains upon the richer migrant's family, including access to further probable migration: for the poorer migrant, migration is inceasingly a wandering search for work, and even if the search succeeds it is unlikely to do more for his family than prevent a decline into even deeper poverty. (p 197)

In general, they argue that it is the poor who are 'pushed' and well-to-do who are 'pulled', "yet, throughout, intra-village inequality, especially of landholding, seems the most important single variable, underlying both 'push' and 'pull'" (p 199).

Books in Brief

Indo-US Relations, 1947-1976, by S C Tewari; Radiant Publishers, New Delhi, 1977; pp 179, Rs 45.

THE book under review was originally prepared as a doctoral dissertation. The author has performed a useful service to young scholars and general public by writing a history of the entire range of Indo-American relations. Beginning with an explanation of some obvious differences between the foreign policies of India and the United States, Tewari talks about Kashmir and the US military aid to Pakistan, Indo-American differences over military alliances, Indo-US

disagreements over some selected world issues, the Bangladesh episode and the Indo-American economic relations.

Tewari's work is well-decumented and well-furnished with statistical information on foreign aid and related matters. The book, however, suffers from two major weaknesses. First, it covers too many topics to offer a comprehensive analysis of some of the key issues between India and the United States. In covering almost every aspect through the period 1947-76, the author could not but offer a very sketchy account of Indo-US relations. The second, and the basic, weakness of the book lies in the author's inability to dig below the surface to look for some serious and fundamental difficulties in India's relations with the United States. The problems between India and the US are not just minor misunderstandings between the world's two "peace-loving" and "largest democracies" committed to "democratic principles and the freedom of the individual" (even Nixon has publicly admitted that the US bases its policy on the foreign policies of other nations, not on their domestic policies, acknowledging that America cares little about democracy in other countries).

As Baldev Raj Nayar has shown in his "American Geopolitics and India", the United States has followed a policy of "satellisation" or "containment" of regional powers like India, regardless of their ideological affiliations. Being the world's only global power, the US has tried to prevent the growth of autonomous centres of power in every region of the world. India's desire to emerge as an autonomous centre of power in Asia has been unacceptable to the United States. Why then, one may ask, has the US provided billions of dollars in aid to India? The answer is simple: it is a lever or instrument for the policy of satellisation. As India refuses to fall in line, the US adopts a policy of maintaining a regional balance by enhancing the military capabilities of Pakistan so as to contain India and prevent its emergence as a dominant regional power. This explains why the Soviet Union is sympathetic to India's developmental strategy while the US is not, millions of aid notwithstanding. Every US Administration has followed the twin objectives of satellisation and containment of India — Kennedy did it in a polished manner, Nixon did it bluntly and nakedly. This is why the US was furious over India's intervention in East Pakistan in 1971. By its bold and decisive intervention, India sought to destory not just Pakistan's eastern flank, but the US policy of regional balance as well. Tewari suggests that there was a change, even though short-lived, in the Nixon Administration's South Asia policy in the wake of Bangladesh. As a matter of fact, a close scrutiny of Nixon's statements suggests that there was no basic change in policy, just a change in words. The Ford Administration resumed military aid to Pakistan in continuation of the balancing game. The Carter Administration has begun the pursuit of satellisation and containment by a resumption of modest economic aid to India while pressurising it against the nuclear option.

— L P Singh

Soviet Agriculture : Trials and Triumphs; by G D Sane, Popular Prakashan, Bombay, 1976, pp 182, Rs 32.

BEYOND obtaining more recent information on such subjects as agricultural production, investments, levels of living, etc, the reader is unlikely to profit much from Sane's book on Soviet agriculture. It is neither scholarly nor objective. It is a plain and simple panegyric. For Sane Soviet agricultural progress is 'tremendous' and the rise in the standard of life 'astounding' (p vi), although on his own admission later (p 146) many capitalist countries have done at least equally well. He shows that Soviet agricultural growth in recent years is higher than that of the USA (p 176) without realising that for the latter country a high rate of growth is economically embarrassing. Although the title mentions 'trials' along with 'triumphs', it is the latter which seems to have carried the author off his feet, the former are underplayed.

Sane is unaware that many deep tensions bedevil Soviet agriculture. Soviet agricultural history, he says, is "Continuous, uninterrupted and peaceful" since 1950 (p 120). He has obviously not heard of the alternate suppression and encouragement of the 'link' ('team'). The chequered history of the private plot is similarly unknown to him; his account (pp 86-87) gives the false impression that it was always favoured by the authorities. That problems of income distribution, work-incentives and work discipline did exist in the collectives would, I suppose, come as news to him.

The early years of collectivisation hold a perennial interest for students of Soviet agrarian history. Here Sane's treatment is remarkable both for what it omits and the manner in which it says whatever it does. That 'collection' of agricultural surpluses was the leading motive behind collectivisation is nowhere clearly mentioned. The exploitative role of the Machine Tractor Stations has not been referred to; Sane makes them look almost angelic organisations rendering beneficial services to the collective farmers. There is no mention of the food famine following collectivisation. The strongest words Sane can think of to describe Stalinist atrocities are 'play of force and arbitrariness', 'rough method', etc (pp 48, 50); by contrast the kulaks are described as having set into motion a 'campaign of terror' (p 52). The 'Gulag' is described as places where 'minimum subsistence' and 'new jobs' were found for exiled kulaks (p 53). How collectivisation took an ugly turn is 'difficult for an outsider' to judge. The only conjecture the author can advance is that it was 'perhaps' due to Stalin's 'dominating personality' (p 50). The early exploitation of the peasants is for him a 'loan' given by farmers to the State. The peasant resistance to collectivisation is explained by saying that the kulaks 'prevailed upon middle peasants to destroy their livestock'.

Attention may be drawn to a few interesting linguistic devices which Sane uses to cover up whatever is unfavourable to his thesis. Thus when the private plots on 3.5 per cent of the sown (and not 'used', as Sane says) area produce 33 per cent of the total output Sane would put this by saying, they produce '*no more than* one-third' (p 117), whereas the small area they occupy is made the justification for saying that they play a 'minor' role. Sane would not say openly and at the proper place that in respect of social security measures and amenities the rural areas were discriminated against for a long time, much later he would say they are *now* on par with urban areas (p 135) or that the rural people *now* live in well-built houses (p 138). Deficiencies are never straightforwardly owned up, they are obliquely suggested so that only a very careful reader might suspect their existence. A more glaring (and naturally less successful) method is to contradict a statement made at an earlier stage. For example, on p 83 the author tells us, in his characteristically vague fashion, that under the pre-1969 Model Rules the 'activity of the collective farms is under direct guidance' of state organs, however, on p 00 he makes the post-1969 situation hold good for all the preceding years by saying that 'contrary to the general belief outside, the Soviet plans are not a dictat from above'.

— S H Deshpande

Seventh Finance Commission's Award

I S Gulati

The Seventh Finance Commission's Award could have been much more progressive if (a) income tax were distributed differently, and (b) in the distribution on excise duties, the Commission had not been carried away by the incidence of poverty, ignoring that the other side of poverty in a state is the relative affluence of the relatively few.

Still, this award will have left its mark, mainly because its dispensation draws practically entirely on shareable taxes.

...

IN any future review of the contributions made by the various Finance Commissions, the award, just published, of the Seventh Finance Commission is bound to figure very importantly. The award makes a number of innovations, or departures from the past. Some at least of these departures, as we shall see presently, may mark a definite advance in the system of Centre-state devolution which has come to prevail in this country and will, I believe, stand well the test of time and history, but there are others which may not stand that test.

In our evaluation of the award, we shall concern ourselves with the basic scheme of resource transfer and not with issues such as debt and drought relief, however important they are in themselves.

Existing Scheme of Resource Transfers

In order to pinpoint, and see the significance of, the major departures made by the Seventh Commission, let us first be clear about what we regard as the bare bones, or contours, of the prevailing scheme underlying the statutory devolution of public funds from the Centre to the states. Firstly, statutory devolution has accounted for only about one-third of the total Centre-state fiscal transfers. Secondly, a substantial proportion, around one-quarter, of the statutory devolution takes the form of grants-in-aid, given largely with a view to covering the non-Plan revenue account gaps of such of the states as are left with gaps in spite of devolution of tax revenues. Thirdly, of the amounts devolving on the states as shares of tax revenues, the role of Central excises has gradually been increasing. During the Fifth Plan period they accounted for 45 per cent of the tax devolution. Correspondingly, the role of income tax in tax devolution has been on the decline. It accounted for over 80 per cent of the states' share in divisible taxes in the First Plan period and only 40 per cent in the Fifth Plan period. Apart from the fact that sharing excise revenues with the Centre enables the states to partake of the most buoyant source of tax revenue, it is only in the inter-state distribution of the share of the excise revenues that disparities between the states have been taken into account by giving some weightage to relative backwardness. On the whole, therefore, statutory transfers have tended to be regressive.

Most Significant Departures

The most significant departures, made from the past, in the scheme of resource transfer drawn up by the Seventh Commission relates to the role of excise duties. By proposing that the states should, hereafter, be assigned twice the proportion (40 per cent instead of 20 per cent) of Central excise revenue, the Commission killed, as it were, a number of birds with one stone. It would (a) enable the states to partake better of the most buoyant source of Central tax revenues, (b) make the states relatively less exposed to inflation, and (c) lend greater progressivity to the scheme of statutory resource transfer, given the old weightage to relative backwardness. In fact, the Seventh Commission claims to have introduced somewhat greater progressivity than before in its scheme precisively through the distribution of Central excise revenues.

The Seventh Commission has, like the earlier Commissions, forsworn the use of income-tax revenue for the purpose of effecting inter-state redistribution. If anything, by retaining the old pattern of inter-state distribution — i e, of determining the shares of individual states on the basis of Population (90 per cent) and Contribution (10 per cent) — even while raising the overall proportion of Central receipts from income tax to be earmarked for inter-state distribution from 80 to 85 per cent, the Commission was really going in the opposite direction. Indeed, the majority of the Commission decided to retain the old pattern of inter-state distribution against the powerful objections of Raj Krishna, which it sought to rebut rather unsuccessfully. So, there can be no doubt that it was done with open eyes.

Whether or not the Commission's actual attempt at introducing greater progressivity through the inter-state distribution of excise revenue was right and adequate is itself a matter for discussion. It led to a controversy within the Commission itself, as is reflected in Raj Krishna's Note of Dissent. As we shall note presently, the manner in which the Commission went about this business is very much open to debate which may not easily be stilled. Still, the Commission has shown considerable courage to make a drastic change in the proportions in which various components have stood so far in relation to each other in the overall scheme of statutory resource transfers, by assigning to excise duties a very much more preponderant role than they would have taken on in the normal course of things. By dint of this one single move, the Commission was in a position to reduce the portion of statutory transfers accounted for by grants to less than 8 per cent compared to 25 per cent in the five-year period. It is the grants which expose the state most to inflation.

Excise Distribution Formula

As to the manner of doing more than the past Commissions in the direction of reducing inter-state imbalances, what the Commission — to be precise, the majority thereof — decided was to distribute among the states their share of Central excise revenue by giving equal weight of 25 per cent to (1) the popu-

TABLE: COMPARATIVE INTER-STATE DISTRIBUTION ON THE BASIS OF SELECTED FORMULAE

	Population Basis	Distance from Maximum SDP Per Capita	Inverse of SDP Per Capita	Proportion of the Poor	Distance from Maximum Revenue Per Capita
Punjab	2.50	0.00	1.40	1.04	0.00
Haryana	1.85	0.54	1.17	1.15	0.53
Maharashtra	9.31	3.36	6.11	7.88	3.37
Gujarat	4.83	3.41	3.85	4.26	3.43
Karnataka	5.41	5.25	4.58	5.15	4.48
West Bengal	8.18	7.04	7.01	9.80	7.08
Kerala	3.94	3.84	3.68	4.72	3.86
Tamil Nadu	7.61	7.25	7.15	8.88	8.07
Andhra Pradesh	8.03	7.94	7.65	7.39	7.98
Rajasthan	4.75	5.48	4.93	4.33	5.51
Orissa	4.05	4.92	4.32	4.72	4.94
Assam	2.70	3.48	3.02	1.71	3.46
Madhya Pradesh	7.69	9.78	8.77	8.51	9.83
Uttar Pradesh	16.32	21.39	20.21	15.81	21.51
Bihar	10.41	14.93	14.29	12.82	14.95

Notes : (1) States have been ranked in descending order according to their average per capita SDP, 1973-74 and 1975-76.

(2) Figures of distribution on population basis have been taken from Table A.2 of Raj Krishna's Note of Dissent on "A More Equitable Distribution of Resources" attached to the Report of the Finance Commission, 1978.

(3) Figures of distribution on the basis of distance of SDP per capita, a factor adopted by the Sixth Finance Commission, have been worked out by ourselves.

(4) Figures of distribution on the basis of the inverse of SDP per capita have been worked out after multiplying each state's per capita SDP by its population. Without doing that, the results obtained looked absurd.

(5) Figures of distribution on the basis of Poverty Ratio have been taken from Raj Krishna's Table referred to in note (2) above.

(6) Figures of distribution on the basis of the distance from maximum revenue per capita have been worked out on the basis of a regression as indicated in the Report of the Finance Commission (p 87).

lation factor, (ii) the inverse of per capita State Domestic Product; (iii) the percentage of the poor in each state, and (iv) the distance of revenue potential of each state from the revenue potential of the state, Punjab, with the maximum per capita revenue.

The Sixth Commission had distributed the Central excise revenue among the states on the basis of a formula which took into account only two factors: (i) population, and (ii) distance of per capita SDP of a state from the per capita SDP of Punjab. The weightage given to population factor was 75 and to the distance in per capita SDP 25. Though I myself was a party to this formula, I have since argued that even then the case existed for reducing the weightage given to population to 25 and for raising the weightage to the distance in per capita SDP to 75, i.e, for reversing the weights between the two factors taken into account by the Sixth Commission.

The Seventh Award assigns to the population factor the weight of 25 only but rejects the distance in per capita SDP and replaces it by three other factors, of which the one closest to the replaced factor is the inverse of the per capita SDP. (Here the assumption is that the inverse is multiplied by population.) However, as can be seen from the Table giving comparative inter-state distribution which each of the factors would yield, the distance in per capita SDP was the most progressive. It can be seen also that the inter-state distribution based on Poverty Ratio is not only not progressive enough but can be even regressive in that it yields a distribution whereby the lower the per capita domestic product of a state, the lower can be its allocation compared to what it would be entitled to on the basis of its population. Of the four states with the lowest per capita domestic product, two get an allocation which is better than the allocation made on the basis of population and two do worse. Clearly, this comes about because the Poverty Ratio is not necessarily high for the states with low SDP per capita. But all the four states do worse than if the allocation were based on either the distance of per capita SDP or the inverse of SDP.

Raj Krishna's results look better, or more progressive, than the results of the majority's allocation largely because his formula applies to both income tax and excise duties and partly because his estimate of excise revenue is somewhat higher. Also, he retains weightage for the inverse of per capita SDP.

There is, in my opinion, an even weightier objection to the use of the Poverty Ratio as a factor, at all, in the inter-state distribution of shareable Central tax. The use of Poverty Ratio puts a premium on skewness. Between two states with the same per capita SDP, the one with a higher proportion of its people below the poverty line gets a higher allocation under both the majority's, as well as Raj Krishna's, dispensation.

Even if one conceded the argument that "the poverty problem of some states is partly the result of special factors on which the [state] governments concerned have little control", the fact remains that the greater skewness of income distribution in the states with a higher proportion of people below the poverty line affords these states with opportunities for raising higher revenues a factor that is given no recognition, even by the majority, in the application of its revenue equalisation principle. Raj Krishna, unfortunately, assigns no role to the revenue equalisation principle and prefers resort to grants under Article 275, to reduce "revenue surplus distance".

REVENUE DISTANCE

The introduction of the revenue equalisation factor in the inter-state distribution at least of the excise revenues is, in my view, welcome though, as stated above, I would have liked the formula to allow for differences between states in income distribution and therefore in taxable capacity, particularly when Poverty Ratio was being used as a separate factor in determining a particular state's share. However, even as it is, the revenue equalisation factor as devised, seems to yield quite a consistently progressive allocation. The Table mentioned above brings it out.

CONCLUDING OBSERVATIONS

All in all, therefore, the Seventh Award could have been much more progressive if (a) income tax was distributed differently and (b) in the distribution of the excise duties the Commission had not been carried away by

the incidence of poverty, ignoring that the other side of poverty in a state is the relative affluence of the relatively few in the same state. If this award will have left its mark, it will not be, however, because it is more progressive in the inter-state distribution of its dispensation, nor because it seeks to transfer more from the Centre to the states — even the Sixth Commission's dispensation had worked out to twice that of its predecessor Commission — but because this Commission's dispensation draws practically entirely on shareable taxes.

Women's Studies: New Perceptions and the Challenges

Vina Mazumdar

Kumud Sharma

Why has the process of understanding women's contribution — social, economic and political — been shrouded in mystery?

Why were women's concerns generally seen by planners and social scientists as welfare rather than development, or as peripheral rather than central to the development process?

What were the historical and ideological dimensions of women's roles and status in Indian society?

Do the empirical dimensions selected by social scientists to analyse women's roles and status actually represent operational indicators of women's status and are they applicable to all groups of women?

The conceptualisation of these problems raises some substantial issues and is a challenge to researchers in the area of women's studies.

THE new academic search to organise knowledge on various aspects of women's situation, resulting in changes in perception about women's contribution to society and their needs and problems in the context of modernisation, development and social change has raised many issues. In their effort to place the contemporary situation in proper perspective, social scientists concerned with women's problems have sought explanations in (a) the historical cultural framework of a society, (b) in the evolution of policies and strategies for national development, and (c) in biases inherent in the concepts and methodology of social research. It has been contended that using identical standard indicators to measure changes in the quality of life of heterogeneous segments of the population has been a constraint in understanding the complex roles of women in the context of the wider society and its various subsystems.

Research on women is not new but the studies offer a variety of concern with shifting emphasis and perspectives, depending on one's theoretical orientation, ideological alignments, changes in the contemporary situation and in priorities for social and national development. These shifts in emphasis and approach have much to do with trends in current thinking on specific issues relating to the total population in society as well as to women in particular. The emphasis has sometimes been on human rights and social oppression of women, on population policy and planning, the issues of poverty, unemployment, inequality and strategies for survival or on equality in education, health, political and economic participation and other opportunities for development.

Early researches on women in India were primarily done by social historians, indologists, anthropologists and sociologists. Historians and indologists investigated the position of women, mainly of the high caste and elite sections of society, reasons for the deterioration in their status and the emergence of social evils like child marriage, suttee, the general oppression of widows, purdah and illiteracy. They shared the concerns and the basic ideology of the social reform movement which sought to cleanse Indian society of institutions and practices which were believed to be deterrents to national resurgence and progress and which gave India a bad name in the eyes of the Western World.

Latent within the Reform Movement's humanist aims was a perception that traditional Indian culture and values must be strengthened to resist the inroads of Westernisation. As custodians of traditional values and cultures, women were viewed as potential allies in this struggle, provided their weakening influence within families could be strengthened by education and improved legal status.[1] Historians and reformers argued that customs like child marriage, purdah, the oppression of widows, and the denial of education and property rights to women were indicators of cultural degeneration, not intrinsic attributes of Indian culture. Opposition to this idea came only from one or two radical thinkers[2] — who perceived oppression of women as a traditional *instrument* for maintaining social inequality, and the high castes in Indian society.

Shift in Perspective

The merging of the social reform movement into the political movement for independence resulted in a marked shift in the perspective on women's issues. Democratic ideology and the recognition of the need to obtain women's support for the national struggle resulted in the acceptance of the principle of equality of rights, status and opportunities for participation in the process of national development. The marked increase in the participation of women in the freedom struggle from the twenties was reflected in an increase in research and debate on women's issues. The new literature continued the earlier concerns but with the added dimension of equality in the field of political activities.

The greater involvement of women

in the task of political mobilising, social reconstruction and national development through instruments of directed social change, called for a fundamental redefinition of sex roles. The signal for this redefinition was given in the writings of Mahatma Gandhi. Viewing women as an oppressed group, Gandhi projected them as potential vanguards of a radical but nonviolent process of social transformation. Removal of their existing disabilities — legal, educational, and social — and equality in the arena of political decision-making and individual role-choice were, in his opinion, only preconditions for women to play ther 'historic role'.[3]

It is amazing that in spite of the acceptance of the equality principle by national leadership and the Constitution-makers — the thrust for redefinition of sex roles had only a marginal impact on the work of social scientists. A trend survey of research on women[4] indicates that in the period up to 1950 the focus of research was primarily on general surveys of women's roles and status within the narrow perspective of the family, kinship and the community, with education occupying the second position. During the fifties which ushered in reforms in personal and labour laws, there was some increase in studies on legal and economic status of women. The legal studies, however, predominantly focused on scriptural and statutory laws, which affected mainly the upper strata of society, especially the urban educated class, the lives of the majority of women continued to be governed by customary laws. Serious research on customary laws by legal scholars did not begin till the seventies, though anthropologists accumulated information on them from a much earlier period. In the economic sphere, studies concentrated on the modern sector of the economy which attracted the attention of planners as well as academic scholars. Since the participation of women in this sector, whether in blue-collared or white-collared activities was marginal throughout this period, research on women's roles and opportunities in economic activity remained marginal. Agricultural economics which began to develop rapidly from this period, surprisingly ignored the major role played by women in agriculture and the manners in which they were being affected by the process of modernisation.

Why did the social sciences fail to respond to the ideas articulated by the nineteenth century radicals and Gandhi? Why did the women's movement, and the national debate on women's roles in society die out from the mid-fifties? Why did development planners as well as women's organisations perceive women as objects of marginal welfare services rather than as a concern in economic planning? Even the Community Development Programme, intended as a multi-dimensional instrument for both social and economic development of the rural population, originally overlooked women,[5] and included them later only as recipients of family welfare services, not of productivity programmes in agriculture.

Answering these questions calls for considerable research. Only some partial explanations have been offered recently.[6] Persistence of the urban middle-class bias in perception of social problems, inadequacy of data, over-concentration on economic at the cost of social development, complacency among educated women and women's organisations after winning constitutional and legal equality, adoption of the Western industrial rather than the Gandhian model for development, may all have contributed to the process. Another possible reason could be the national consensus to keep the women's question out of the sphere of political controversy, projecting it as a purely social issue of long-term changes in attitudes through education and development. There is little doubt that this consensus was the outcome of the perspective that the sources of women's oppression were all to be found within traditional attitudes and cultural institutions rather than in the socio-economic and political structures of society.

Demographers' Interest

The demographers' interest in women stemmed firstly from the population problem, and secondly from the declining ratio of women in the Indian population, a trend observed from the first Census in 1872. It is amazing that with the exception of one or two scholars, the declining sex-ratio was not taken up as a major issue related to the changing status of women till the seventies of this century. The problem of population growth, which tended to overshadow all other demographic issues, resulted in an enormous volume of research on population problems and policies, acceptance and attitude towards family planning (KAP studies) and identification of areas of success and failure with a view to reducing population growth.

A by-product of research on family planning was a renewed emphasis on women's education which was expected to improve both their access to family planning services and their general status. This view of the social scientists was in harmony with the general attitude of planners, which confined programmes for women's development to education, health and welfare. In collection of data and information regarding women, this narrow focus persisted and little attempt was made to relate these variables to other major determinants of status like employment, family income, class and caste positions, etc.

These biases prevented both social scientists and planners from noting with any serious concern the decline in women's labour force participation reported by the Census of 1951 and some sectoral studies. A few attempts by economists to examine women's role in the labour force invariably led to one or more of the following conclusions:

(a) that the data was unsatisfactory and non-comparable to that on men — therefore it could not be used for any serious analysis;
(b) that women's participation in economic activity was essentially determined by cultural attitudes and was thus beyond the purview of the economists; and
(c) that women's employment could only expand with education and change in social attitudes and could thus be dismissed as a long-term objective for which no immediate concern was necessary.

Some of the later researches in the population field did point to employment as a possible variable. But they viewed the relationship between women's employment and fertility decisions predominantly in the context of the 'role conflict' theory — of women seeking jobs outside their homes and facing a conflict with their traditionally accepted roles within the home. It should be noted that in the Indian context, or that of any predominantly agrarian society, this theory is only applicable to middle class working women, who are *new* entrants to the labour market. The preoccupation with role conflict indicates the failure on the part of scholars to recognise the importance of women's traditional economic roles in agriculture and the household economy. As stated earlier, this received only cursory attention, as an aspect of cultural variations. While anthropological studies did occasionally note rural women's economic roles, they failed to examine any changes, either quantitative or qualitative, in

women's participation in economic activity.

The report of the National Commission on *Labour (1969) drew attention* to the problems of wage discrimination and general oppression of women workers, particularly in the rural sector, and criticised government's failure to protect their health and working conditions. The report of the Expert Committee on Unemployment Estimates (1970), (which consisted primarily of social scientists) admitted, however, that apart from the limitations of quantitative data, the heterogeneous charactor of the Indian economy, the uneven rates of development in different regions and sectors, and the varying impact of modernisation on different segments of the labour force posed serious problems in examining and assessing the dimensions of the unemployment problem. The Committee recommended that it was imperative to estimate different 'segments' of the labour force separately, "taking into account such characteristics as religion, sex, age, rural and urban residence, status or class of workers and educational attainments". The 28th Round of the National Sample Survey, which followed this report attempted for the first time to estimate the size of women unemployment, and the Report of the Committee on Unemployment (1973) admitted that unemployment among women was of a far higher order than had been hitherto suspected.

Research on women can broadly be grouped into (a) macro studies focusing on general features of socio-economic development, how sex roles are enacted and performed and the nature of the transormations which alter and affect them, and (b) micro studies that explore specific situations in which women are placed.

First Major Attempt

The Report of the Committee on the Status of Women in India (1975) was the first major attempt to review and evaluate data on various aspects of women's status and the directions of change in women's roles, rights and opportunities due to planned development. The Committee's investigation revealed that changes in women's roles are the by-products of many events, viz, changes in the mode of production through commercialisation, capital sation, and technological developments; shifts in the value systems through the process of modernisation, urbanisation and the rising standards and costs of living; as well as legislative reforms, expansion of education, demographic transition and political developments. Some of the major questions that confronted the Committee during its investigations were

(1) Why has the process of understanding women's contribution — social economic and political — been shrouded in mystery?

(2) Why were women's concerns generally seen by planners and social scientists as welfare rather than development, or as peripheral rather than central to the development process?

(3) What were the historical and ideological dimensions of women's roles and status in Indian society?

(4) Do the empirical dimensions selected by social scientists to analyse women's roles and status actually respresent operational indicators of women's status and are they applicable to all groups of women?

The conceptualisation of these problems raised some substantial issues and is a challenge to researchers in the area of women's studies.

The Committee experienced a major difficulty with regard to data, particularly on the unorganised sectors of the economy and women of the poor classes, and concluded that the indicators used to measure women's position in the changing social process did not reflect Indian social realities — particularly of rural society. Identifying an inter-relationship between the disturbing trends revealed by the declining sex ratio, low life expectancy, higher mortality, declining work participation and increasing migration of women, the Committee concluded that they were indicators "of a process of change that is moving in a direction opposite to the goals of our society and its plan for development". In the Committee's view, these demographic trends represented the groundswell of a process of devaluation of women. The surface manifestations of the same process were visible in the increasing volume and penetration of the dowry system, increasing commercial use of and traffic in women, and the development of social attitudes that suggested "regression from some of the norms developed during the Freedom Movement".

Studying the 'Invisible Women'

The growing realisation of the inconsistencies developing between social goals and the development process has stimulated an exploration of people-oriented or specific group-oriented approaches to the study of development. The information that is now being generated by research studies on women, particularly with a "third world focus", however, has brought to the surface many issues relating to women and the development process, an important area of concern for both development planners and academics. Several streams of new thinking have also emerged in India, as a result of the Committee's Report and later studies on 'invisible women' which is one of the important objectives of the ICSSR's programme of Women's Studies.

Responding to the Committee's appeal that "changes in the status of women will be a long-term aspect of our social process and will require continuous examination and assessment by persons interested in social change", the ICSSR adopted a programme of sponsored research with the following objectives:

(1) generation and analysis of data in order to uncover significant trends in patterns of social and economic organisation which affect women's position in the long run;

(2) development of needed new perspectives in the social sciences, particularly through clarification of concepts like the family, household, women's work, economic activity, productivity, etc, the restrictive and ambiguous use of which has resulted in a general under-assessment of women's contribution to society.

The programme emphasises the study of women in the poor or "less visible" sections in Indian society with a view to understanding the regional and sectional differences in roles, status and problems of women and the differential nature of the impact of development on their lives. This emphasis has been provided in order to correct the bias of previous research and policies for women's development which were primarily influenced by the experiences of women in the elite classes. The National Plan of Action for Women which was framed by the government of India on the basis of the findings of the Committee on the Status of Women in India has also emphasised the need for purposive and problem identifying research to facilitate designing of appropriate development policies and programmes, particularly for the weaker sections of women who have been adversely affected by the process of change.

The Council's programme initiated a series of critical evaluation of available source of data and a series of micro studies on conditions of identi-

sizable groups of women workers in the informal sector in order to explore how structural changes in the Indian economy have affected the occupational choice and the life styles of these women. These micro studies as well as detailed analysis of demographic data have substantially confirmed some of the findings of the Committee on the Status of Women.

A major exercise undertaken by the programme was preparation of time-series data to examine changes in the relative positions of men and women in the population, in different occupations (both traditional and modern), and in access to literacy.[7] The unit of of analysis was the district, in order to highlight regional variations in these trends. The result of these studies indicate a significant parallelism between economic modernisation and changes in the relative position of women and men in the labour force and in particular occupations, in the population as a whole and in growing differentials in mortality, life expectancy and access to health services and literacy. Micro studies on women in the informal sector show that the main reason for their migration from their home villages is not the 'pull' of better opportunities in the cities but pauperisation caused by the disappearance of their traditional avenues of employment.[8]

A study conducted in Calcutta[9] reports that in spite of the fact that there has been no significant increase in wage rates over the last seven years, more women are coming forward to work in the informal sector. Of the later entrants, an increasing percentage comes from families with no tradition of women working for monetary returns outside their homes. This 'bottomless pool of cheap labour' and its growth in recent years, in response to newly developing manufacturing concerns using mainly female and child labour in small workshops and through the putting-out system, does nothing to reduce poverty and misery. The entrepreneurs use this labour for decentralised production, thereby avoiding the regulations of factory legislation and corporate taxation and the process acts as an obstacle to the growth of the organised or modern high-wage industrial sector.

The study on migrant women in the slums of Delhi[10] indicates that the burden of increasing poverty falls heavily on women, particularly as migration results in the loss of support from their own family and kin groups. The study has also found that the selection of metropolitan cities for migration is invariably on the anticipation that they will offer some opportunity for employment to women in the domestic service sector or in construction work. The men in these families often remain unemployed or only casually employed for a long time and the family is dependent mainly on the women's income. When these women come from high-skilled occupations like weaving, they consider their urban occupation in domestic service as degrading and involving a loss of status. Their illiteracy and lack of other marketable skills leaves them little alternative to such low paid unskilled work.

While these studies increasingly offer evidence of the growing burden of work, and loss of both physical and emotional support from the family among women who are moving down the social ladder through increasing poverty, there is another established process of change in the roles and status of women in upwardly mobile groups. Such upward mobility may take place from increasing prosperity, or men's access to more 'socially respectable' occupations through the spread of education amongst the lowest strata in the society. M N Srinivas describes this as the 'sanskritisation process', when lower social groups adopt the behavioural norms, life styles and ideology in sex roles of more dominant groups in society.[11] In rural agricultural classes, the roles of women vary at different levels of the land and caste hierarchy. Respectable status is regarded as inconsistent with women's wage work outside the family. In small and marginal farms, women work on the family farms. Increase in prosperity with agricultural development results in their withdrawal from active participation in field agriculture. The immediate consequence of this process, according to Srinivas, is a stage of 'immurement of women' when they are subjected to seclution, differential treatment in access to education and other developmental services and are increasingly regarded as tools for improvement and display of the families' social status. This is manifested in the introduction and inflation of the dowry system even in such families which had traditionally practised the opposite custom of bride price.[12] While there is evidence of a loss of relatively equal position in decision-making between men and women in such families, the area that remains to be investigated is women's perception of such changes in their roles.

Women's Status and Social Stratification

Such studies clearly indicate an integral relationship between variations in women's roles and status and the nature of social stratification. It was hitherto believed that women's role in agriculture was predominantly determined by their caste position. The studies undertaken under the Women's Studies Programme suggest that there are other factors influencing this. The agrarian structure and land relations, though generally related to the caste structure, may exert independent influence on women's work roles and status. Changes in the demand and supply of agricultural labour, resulting from migration, changes in cropping patterns, the introduction of new technology or the opening up of alternative labour markets as well as landlessness have been found to affect the utilisation of female labour in agriculture.

A significant factor in these changes is women's access to particular agricultural skills. One study suggests that what has frequently been interpreted as a social taboo on women's participation in field agriculture in certain regions of the country may be a consequence of some change in the labour market situation at an earlier date. Agricultural skills are easily lost if not practised regularly. Thus women who were withdrawn from agricultural activities sometime in the past are unable to return to this occupation at a later date or to transit the skills to their daughters.[13]

Changes in the income level of the family which have generally been found to act as a compulsion or deterrent to women's employment have recently registered some variations. As the study of Delhi Slum Women indicates, rural artisan families who confine women's work to unpaid processing operations within the home, are prepared to push them into paid work in the cities as a means for the families' survival and security.

These studies suggest that any improvement or increase in employability of women (in domestic work in cities or dairy development in the rural areas) may not only result in the withdrawal of social taboos, but may increase women's work burden to enable males in their family to search for better employment or improved qualifications. This process is visible even among the middle classes. In the traditionally arranged marriage market in the metropolitan cities, the demand for employed brides has shown a marked increase.

Conventional approaches usually

opted literacy and education, employment, and political and legal rights as the only indicators of women's status, and progressive equality. Research on family planning uncovered another indicator, that of role in decision-making, as vital in fertility choices. Recent studies suggest that the relative importance of these indicators vary according to position in the social hierarchy.

In traditional high-status families which secluded women and denied choices in marital matters, older women performed many managerial functions, and commanded considerable power in family decision-making.[14] The source of this power certainly did not originate in extra-domestic spheres or in formal education or economic independence. Younger women from this group were the first to receive access to the new opportunities opened through expansion of education, employment in various professions, other white-collared services and political careers. Many studies have reported that women's expanded roles have not necessarily increased their role in decision-making. For some there has been an improvement in status — but how much of such gain stems from individual achievement and how much from the family's status has not been examined adequately.

At lower levels of the society, women were economically active and enjoyed relatively higher degree of autonomy in marital choices and in interaction with men. Whether the absence of seclusion allowed them to play a more effective role in decision-making within and outside the family needs to be investigated. What has been observed is a loss of status and power among these women when they are moved from their traditional background into a different setting, even though they may continue to be economically active.[15]

Studies on political awareness and participation of women are challenging the older thesis — that education, employment or urbanisation *per se* result in increased political consciousness or participation of women.[16] On the other hand the fading out of women's issues from the political arena and declining representation of women in all elective offices from the second decade after independence has opened up new areas of investigation which are only being explored at the moment. Why has the number of women in legislative bodies declined while voting participation increased at a faster rate than men's? Why have states with the lowest participation of women voters elected the largest number of women legislators and states with the highest political mobilisation of women selected the least? Why have political parties, trade unions, co-operatives and other politicising organisations ignored this vast source of support and treated them mainly as appendages of the family. It is only during elections of 1977-78 that some appeals to women as separate from men have been taken up, marginally, by leaders and parties in limited areas. Has formalisation of the political process increased or decreased women's ability to participate meaningfully in politics? Why do women respond more eagerly to movements than to established political activities? Why with some women entering the highest offices without any opposition (on the ground of their sex), have women been so powerless at all levels of the political process.

The process of development in its entire complexity renders the task of understanding the meaning of such changes in different groups more difficult. It also demands a re-examination of conventional theories and strategies for women's development and the relative importance of these indicators used to determine changes in their status.

Micro Studies

Realising the complexity and the magnitude of problems of women and development and the need to examine various dimensions of these problems, the ICSSR's programme sponsored mi-

[illegible] try to examine the differential impact of the development process and the causal and structural linkages of micro-situations with macro-variables. Some of the issues which are currently being studied at micro level are:

(i) Does a particular development strategy result in development for men and underdevelopment for women?

(ii) Does development and modernisation lead to a change in the sexual division of labour and differential in socio-economic status and income between the sexes, women enjoying less control over and access to resources without any reduction or change in their traditional responsibilities?

(iii) How are the roles of women being affected by changing modes of production and production relations and its effect on skill generation and promotion?

(iv) How do policy choices and policy interventions in the economic sphere lead to important changes in non-economic spheres and the interrelationship that exists between the two?

Available data on rural women do not generally provide answers to such questions as how flexible is the division of labour between the sexes, what is the impact of technology and labour migration in terms of labour displacement and labour demand and its implications for women, the forms of dominance operating in the labour market and their control over the labour process and products and conditions under which women contribute their labour in the production systems, etc. This will necessitate an examination of not only the system of stratification but the whole gamut of relationships in which women of different households are directly or indirectly involved. A study on rural households[17] is seeking to explain their response and decision regarding labour with the aid of time-disposition data.

The problem of widening women's access to the development process — both as beneficiaries and as participants, is complicated by conflicting social trends and policy choices. The claims of democratic decentralisation may conflict with the needs of women for special attention, as local authorities have often been found to be neglectful, if not hostile, to women's rights and needs. The desire to provide women with employment opportunities within the household sector, so as not to conflict with their family roles, tends to clash with other social objectives e.g.:

(a) to diversify women's employment opportunities, access to new skills, knowledge and the wider society, with a view to increasing their self-reliance, bargaining power and participatory opportunities and rescuing them from their present status of unpaid family workers;

(b) to eliminate the present tendency to relegate women to low-paid, low-skilled and low-status occupations which reinforce discriminatory attitudes and practices;

(c) to promote voluntary acceptance of the small family norm, as studies have shown that household industries tend to encourage growth of large families, and the exploitation of women's health and labour;[18]

(d) even a policy to promote women's self-employment in the small scale sector sometimes provides only a thin guise for men's monopoly over resources, and control over such enterprises, with the woman not even able to control her income.[19]

While widening opportunities for employment emerges as critical for women's development, inadequate attention to their other needs — for knowledge, health and conscious autonomous participation in decision-making — has tended to encourage their exploitation and consequent regression from the principle of equality.

The draft Five-Year Plan 1978-83 has suggested a strategy of increasing investment in 'women-preferred' industries, i e, industries which employ a large number of women. The Working Group appointed by the Planning Commission has however pointed out that such a policy may only strengthen the trends observed in the last few decades: (a) of women's concentration in low-status occupations; and (b) their displacement with increased investment in capital intensive technology (particularly observed in textiles, jute, agriculture and agro-industries). The Group also observed that the fiscal policies and other measures favouring capital investment rather than increased employment have further strengthened this trend.

Integration with Plan Strategies

The uncomfortable findings of recent research, the increasing realisation among planners of the inter-linkages that exist between poverty, unemployment, inequality as well as the population problem, and the international pressure for the "integration of women in development", have combined to generate some interest in women's studies, and the search for policy measures to diversify and expand opportunities for women's participation. Attempts are being made to integrate women's needs within the Plan strategies for full employment and distributive justice. Some of the instruments being discussed by different working groups (which include development administrators, field workers as well as social scientists) are:

(a) organisations of under-privileged women to protect and generate employment, to provide access to skills and other types of knowledge health and child care services, and above all to function as pressure groups to increase their participation in development decisions;

(b) establishment of specialised agencies at different levels to act as mobilisers and catalytic agents, in order to promote women's development and participation;

(c) development of multi-disciplinary training and orientation of development cadres and research scholars on women's issues;

(d) introductory special protection/preferential treatment for women in all sectoral and area plans and in vocational training.

The revival of interest on problems of women owes much to the International Women's Decade and to the rather alarming findings of the Committee on the Status of Women in India. The latter contributed to a range of new perceptions which have influenced the studies sponsored by the ICSSR and a few other agencies. It must, however, be admitted that the overriding concern for improving the quality of intervention in favour of some target groups, and to arrest the trend towards devaluation of women, has resulted in a concentration of research interest in the sphere of economic participation, particularly of women in low income groups. While such research has certainly helped the search for new policy instruments, there has been neglect of some of the vital areas of theoretical concern for understanding women's roles and position in society. For example, while most of the studies perceive a linkage between women's status/roles and the stratified structure of society and power relations, we have yet to discover the *determinants* of women's status as perceived by women, and by others, at different levels of society. A second area on which work remains to be done is the interlinkage

[illegible] variations in family structure, [illegible] roles, values and the socialisation process, leading to identity formations. Though this was recognised as a priority area in the ICSSR programme, we have not been able to make any progress so far, mainly because it has been difficult to attract social-psychologists to work on these problems. The third [illegible] investigated area is in the sphere of decision-making, leadership and mobilisation — or women's perception of oppression and the need for change. Questions have been raised as to why all movements for social justice, whether in the religious or socio-political sphere attract women in large numbers, both as followers and as leaders. Virtually no work has been done on women's participation in these movements, either in the distant or in the recent past. Nor have we studied the impact of such movements on women. Women's response to the Gandhian movement is recognised but has yet to be explained or understood. The ICSSR's programme included the women's movement as another priority area, mainly with a view to finding explanations for its decline in the post-independence period, and its failure to arrest the intensification of the devaluation process. It has not however been possible to promote any major interest in this field. A possible reason for this may lie in the rather lukewarm response from historians to the challenge of women's studies. It is interesting to note that unlike the Western countries, Economics, Sociology and, to a less extent, Political Science have provided the main response to this challenge in India.

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THE term financing institutions, it would seem, need the Soft Loan Scheme almost as much as do the industrialist beneficiaries of the scheme. Take, for instance, the Industrial Development Bank of India (IDBI), the largest of the country's industrial term lending institutions. According to the IDBI's annual report for 1977-78 (July-June), released belatedly last week, direct loans, other than for exports, sanctioned by it during the year showed just a small increase of Rs 22 crores, from Rs 242 crores in 1976-77 to Rs 264 crores. And virtually the entire increase was accounted for by the Soft Loan Scheme, sanctions under which rose from Rs 37 crores to Rs 57 crores.

No wonder, then, that the Soft Loan Scheme has turned out to be a very different sort of animal from what it was supposed to be. No wonder also that systematic lobbying by the financial institutions has been responsible for this transformation. The Soft Loan Scheme was introduced in 1976 to stem the spread of 'sickness' in industry by providing finance on concessional terms for modernisation of plants in cotton, textile, jute, cement, sugar and specified engineering industries. Only units which were in a bad shape financially and so could not raise and service loans on normal terms were intended to be assisted under the scheme. This was the justification for fixing the interest rate on loans under the scheme at 7.5 per cent (compared to the IDBI's normal rate of 11 per cent) and also for extending other concessions, such as in respect of *promoter's contribution, debt-equity ratio, initial moratorium and repayment* period.

But, as a result of joint lobbying by industrialists and the term-financing institutions, the government agreed that even profit-making units could be granted soft loans to cover a part of their requirement of finance for modernisation — on the argument, advanced by the chairman of the IDBI, that the scheme "was essentially meant for the modernisation of industrial units and not [merely] the survival of sick units". Following further joint lobbying, a number of other concessions were made, most importantly that in respect of loans under the scheme the financial institutions would not have the option to convert a part of their loans into equity (the so-called convertibility stipulation). Further, in August 1978 the list of engineering industries eligible for assistance under the scheme was substantially enlarged. The requirement that an industrial unit should have been set up at least 15 years earlier was reduced generally to 10 years, and even this requirement, according to the IDBI's annual report, is "relaxed further for units needing diversification or which can substantially increase exports either by reducing cost or upgrading quality". In other words, assistance under the scheme need not be for replacement and modernisation at all, but could be for diversification or, even more vaguely, for export promotion. Virtually any applicant for assistance from the term-financing institutions — except perhaps an entirely new undertaking — can thus stake a claim to the Soft Loan Scheme. The IDBI's annual report envisages that in 1978-79 sanctions under the scheme would further shoot up to Rs 75-100 crores and disbursements to Rs 60 crores. Units belonging to the houses of Tata, Modi, Mafatlal, Shri Ram and Birla, among other large houses, figure prominently in the list of those to whom IDBI advanced soft loans in 1977-78 — at 7.5 per cent interest rate and on other concessional terms and, most important of all, without the irritant of the convertibility stipulation. Clearly, the Soft Loan Scheme has become a device for established companies to get funds at much lower than the regular rate of interest and for evading the other conditions and stipulations which are popularly imagined to attach to assistance extended by government-owned financial institutions like IDBI.

In this context, the interest rate structure of the term-financing institutions deserves some notice. On paper it is part of government policy to encourage small-scale units and small entrepreneurs by charging lower rates of interest on loans advanced to them. In fact, however, large units get loans cheaper than small industries. The IDBI's normal lending rate for large units is 11 per cent per annum. However, we have noted above the extensive and growing use by these units of the Soft Loan Scheme under which they get finance at 7.5 per cent. In addition, the IDBI charges only 9.5 per cent on loans to projects located in specified backward districts. How liberally the so-called backward areas have been delineated can be judged from the fact that out of IDBI's total direct assistance of Rs 969 crores sanctioned from its inception upto June 1978, Rs 527 crores was for projects in backward districts, of which Rs 268 crores was at the concessional rate of 9.5 per cent.

By comparison, under the IDBI's schemes for refinance of industrial loans, the rate expected to be charged by the primary lender to certain categories of

small scale industries and small borrowers (loans to whom are, moreover, protected under the government's credit guarantee schemes) are as follows (the rate specified by IDBI is described as the 'ceiling' rate, but in fact it is the rate actually charged by the primary lender):

(i) Small-scale industries covered under the Credit Guarantee Scheme and the Technician Entrepreneur Schemes and loans upto Rs 5 lakhs for fishing units: 11 per cent per annum.

(ii) Single truck operators covered by the guarantee of the Credit Guarantee Corporation. 11.5 per cent per annum.

Completely contrary to official propaganda, interest rates become more regressive as the size of the borrowing unit and the loan becomes smaller. Though small loans are exempted from the minimum interest rate of 12.5 per cent prescribed on commercial bank advances, banks invariably charge 13 to 14 per cent interest on such loans. But that is not the worst of it. In addition to the interest, banks milk small borrowers by exacting from them incidental expenses, service charges, legal expenses including notice charges and, quite often, even the guarantee fee payable to the Deposit Insurance and Credit Guarantee Corporation. As a result, the effective rates of interest on small loans of, say, Rs 1,000 turn out to be well over 20 per cent per annum.

Politics

Survival of the Unscrupulous

IT was just about a month ago that Charan Singh had made his long-postponed statement on the circumstances attending what he described as his 'expulsion' from the Union government wherein, apart from giving his version of these circumstances, he also made many grave and specific allegations against the Prime Minister. The following day he addressed the 'kisan' rally, patently intended to demonstrate his 'mass base'; and in the days following, besides ruling out 'finally' that he would ever join the Desai government, he also proceeded to make some highly visible gestures of conciliation towards Indira Gandhi.

And yet, barely a month after he vowed that he would never join the Morarji Desai government Charan Singh has done precisely that. What is notable about the 'reconciliation' is that neither has Charan Singh retracted any of the serious charges he had levelled against the Prime Minister, nor has the Prime Minister said anything about the equally harsh things he had said about his former Home Minister. The supposedly principled differences concerning the precise ways in which the government should proceed against Indira Gandhi, collective responsibility in government, the alleged anti-kisan and pro-big industry bias of the present administration, and, most serious of all, the charges and countercharges traded by Morarji Desai and Charan Singh about their respective families — all these are apparently to be considered now as just so much wind. Apparently, with the mere return of Charan Singh to government, all the talk about the 'non-performance' of the government too is going to cease, and it is all going to be one big, happy family.

The scenario, it is needless to say, is not merely unrealistic, but is not even accurate. About the only positive and healthy aspect of the shabby deals that have been gone through by the top leaders of the Janata party in the last few days is that it has once again thoroughly exposed them as completely unscrupulous men. Morarji Desai, the uncompromisingly principled leader, has had to finally give up his fantasies of prime ministerial prerogative and recognise the reality that he leads a coalition government, and is not entirely free to choose his ministers. Charan Singh has had to eat many of his words, and it is still to be seen whether he can make any impact on the traditional apportionment of the funds of government of India merely by becoming the finance minister.

The prospects are that conspiracies will continue; the leaders have realised that they can survive, at least for a while, without the full participation of others. For over six months, leaders of the Janata, especially Charan Singh and Morarji Desai, practised the art of brinkmanship; there is no reason to believe that they will not take recourse to it again — as the latest developments in Uttar Pradesh indicate. Nevertheless, there is no reason why the patchwork arrangement should also not work, along with the conspiracies, just as the absence of such an arrangement worked so perfectly well for almost seven months now.

Banking

Numbers Game

AT his last meeting with bankers on November 28, 1978 the Governor of the Reserve Bank had expressed serious concern over two developments. First, expansion of bank credit to the commercial sector, and consequently of money supply, during the current financial year till then had been considerably larger than in the corresponding period of last year. Secondly, the banks' performance in respect of priority sector lending had been notably unsatisfactory. According to the assessment presented then, money supply had expanded by 10 per cent between March 31 and November 10, 1978, compared to only 5.8 per cent in the same period of the previous year. According to the Reserve Bank Governor, the expansion in gross bank credit after March 1978 upto November 10, 1978 had been Rs 1,588 crores "as against a rise of Rs 345 crores in the same period last year".

Even at that time these figures had seemed *prima facie* wrong. Our correspondent, commenting upon the new credit policy, had expressed his misgivings thus: "It could be argued that, unlike this year, the busy season last year had been preceded by very slack credit expansion. This is only partly true, the total gross non-food credit expansion between end-June and November 18, 1977 had been of the order of Rs 728 crores. The RBI has sought to give the impression that the expansion has been only Rs 283 crores, by using the March 31 figures based on 'special returns' instead of the last Friday figures based on section 42 returns" (*EPW*, December 2, 1978, p 1971). In a press release this week the Reserve Bank has admitted that its figures for March 31, 1978 in respect of banks' deposits, credit and investments were indeed completely off the mark. According to the 'revised' data now put out, banks' aggregate deposits on March 31, 1978 were Rs 534 crores higher than the figure the Reserve Bank had been using till now. Bank credit and banks' investments were similarly higher by Rs 221 crores and Rs 510 crores, respectively. As a result, the expansion in banks' deposits, credit and investments in 1977-78 turns out to have been considerably larger than so far estimated by the Reserve Bank; correspondingly, the increase in these magnitudes in the current year turns out to be smaller.

For all that, the Reserve Bank maintains in its press note that these 'revisions' "do not affect our assessment of the state of liquidity of the economy, or our approach to credit policy emphasising caution and restraint in use of bank money". This may be paraphrased, not entirely uncharitably, to mean that for the purposes of the Reserve Bank's credit policies, it is immaterial what the figures are. In fact, the Reserve Bank *only* makes a bad situation worse with pompous arguments such as that "in the interpretation of banking and monetary data, it is always more meaningful to bear in mind the levels of flows rather than the position at any point of time" — as if the former can be determined independently of the latter!

The Reserve Bank's explanation for the 'revision' of banking data are equally ingenuous. It is suggested that "with the rapid expansion of bank offices, the time needed for branch reconciliation work has become more and more difficult (*sic*), in a situation in which recourse to electronic processing of data is still limited". It is difficult to understand what the weekly returns of banking statistics have to do with branch reconciliation work or with recourse to electronic processing of data. Preoccupied thus with explaining away the situation, the Reserve Bank has glossed over the main reason for the confusion. The original confusion arose from the use of March 31 figures both for 1977 and 1978 when the figures for March 31, 1977 were based on a special return submitted by the banks (vide RBI *Bulletin*, November 1977) whereas the March 31, 1978 figures were last Friday figures based on section 42 returns. The Reserve Bank always uses the last Friday of March figures (based on section 42 returns) as the base for presentation of comparative statistics with respect to the current year and the preceding year until it gets the special March 31 returns, which it used to get about nine months after the beginning of the financial year. These special return figures for March 31 used to be generally published in the November issue of the Reserve Bank's *Bulletin* every year. This year the Reserve Bank chose to use the March 31 figures for both years, probably because the last Friday of 1977-78 also happened to be March 31. This was obviously inadmissible, at least until the revised March 31, 1978 figures were obtained, if not until a special return was obtained after the closure of the year-end accounts, particularly government accounts which tend to fluctuate rather widely and hence to distort banking variables around the financial year closing.

With the 'revised' banking data, the increase in non-food gross bank credit now works out to Rs 1,490 crores between March 1978 and December 29, 1978 as against Rs 1,064 crores during the corresponding period of last year (see Statistics section of this issue). Expansion of money supply (M1) during the same period works out to 9.2 per cent against 10.8 per cent last year. The Reserve Bank Governor had castigated bankers, at his November 1978 meeting with them, for the decline in the incremental ratio of credit expansion to the priority sectors during the current financial year upto October 1978, from 55 per cent in the previous year to 31 per cent. Now the incremental ratio is seen in fact to have gone up from 55 per cent to 59.2 per cent. All of which does go to show how much a game of numbers the whole business of helping the poor and the priority sectors has become.

The President

Very Special Concerns

PRESIDENT SANJIVA REDDY's broadcast to the nation on the eve of the Republic Day appears, at first sight, to consist of generally unexceptionable sentiments overlaid with a rather demonstrative concern for the 'kisan'. But on closer examination it appears to be replete with questionable propositions.

Take, for instance, the President's recourse to the now fashionable rural-urban dichotomy. According to the President, "in the welter of demands and agitations by the urban pressure groups for an ever-increasing share of the national cake, the needs of the poor farmer, the real producer of wealth in our country, are apt to be overlooked." A little earlier in his broadcast, the President had in the same vein called for "a radical change in the value system of our urban societies".

A most convenient vagueness permeates these references to the rural and urban parts of the country and the suggestion that the avariciousness of the latter is responsible for the poverty of the former. It is ignored that the so-called urban societies have their poor, scarcely less numerous proportionately than the rural poor. According to the government's own estimates, as much as 41 per cent of the urban population lived below the poverty line in 1977-78, compared to 48 per cent in the rural areas.

On the other hand, not everyone in the rural areas is a "poor farmer". Certainly, the top 4 per cent of rural households each with assets of Rs 50,000 or more who, as brought out by the Reserve Bank's All-India Debt and Investment Survey, owned nearly one-third of all rural assets in 1971-72, do not deserve the President of India's commiseration. Nor can they be lumped together with the bottom 20 per cent of households which among them did not own even 1 per cent of total assets.

The roots of the poverty of the overwhelming majority of the rural population must be sought not in the "demands and agitations by the urban pressure groups" or in the "value system of our urban societies", but in *property relations* in the rural areas themselves, which produce such acute disparities in the distribution of rural incomes and assets. In this context, has the President of the Union anything to say, for instance, about the possibilities of redistribution of ownership of land? No, he does not. On the contrary, the scope for any sort of land reform is played down on the plea that "because of the rapid growth of population, the pressure on available cultivable land is increasing and it will not be possible to provide land for all the landless". Since land cannot allegedly be provided to *all* the landless, why disturb the existing concentration of land ownership!

And what about the urban areas? Which precisely are the "urban pressure groups" that the President has in mind? Are they those who have managed in the last few years to secure steep reductions in the rates of taxation of their incomes, or those who have

engineered the flow of vast investments into the production of luxury goods and services, or those who have with the active assistance of government and the government-owned financial institutions further increased their control over productive resources in industry and business and who have used this control to systematically supplant traditional employment-intensive industries, whether these be coir, footwear, carpet-weaving or fishing?

No, it is evident that these are not the "urban pressure groups" that the President has in mind. By implication his reference is to the organised urban working class which has recently been the object of concerted attack by government and employers alike as "high wage islanders". The President of the Union may now be said to have blessed these attacks as already manifested in such measures as the Industrial Relations Bill and the government's refusal to negotiate wage increases in public sector undertakings where existing wage agreement have long expired. Advocacy of class interests is thus very clearly discernible behind the disarming sweep of the President's 'national' concerns.

Iran

New Confrontation

WITH the departure of the Shah from Iran, the confrontation between him and Ayotullah Khomeini seems to have given place to a new confrontation, this time between Khomeini and the Shah-appointed prime minister, Shapour Bakhtiyar, who is taking his 'Constitutional' legitamacy very seriously and insisting that he will continue to function within the 'fortress of the Constitution' and not abandon his charge to either Khomeini or to any other authority the latter might appoint. This development has not been entirely unexpected, for it is unlikely that the Shah would have chosen Bakhtiyar among all other opposition politicians in Iran to form a civilian government (and that Bakhtiyar would have been willing to be chosen) without some tacit understanding that the government thus formed would not be merely a transitional government.

But these posturings of being firmly within the fortress of the Constitution have very much the backing of another, ever present force in Iranian politics — the half a million strong armed forces. There have been many reports about the opposition of the armed forces to any 'softness' on the part of the Shah, and the swearing in of the civilian government, the appointment of a regency council and the departure of the Shah were all, at each step, opposed by this or that general. The army-instigated killings at Ahwaz, Dezful, Najafabad, Zahedan and other places where unarmed civilians celebrating the departure of the Shah have been fired upon are only the latest of these expressions of disapproval of opposition to the Shah.

This so-called pro-Shah backlash, and the reaction to it in the shape of mass resignations of members of parliament following the call by Khomeini (who has refused to recognise the illegal regime of Bakhtiyar and has announced the formation of his own administration) provide just about the most perfect situation for the generals to take over. In fact, Bakhtiyar has said that the only alternative to his government is army takeover; and Khomeini too has been saying in Paris that the Shah did indeed issue instructions to the army before he left Iran to stage a coup in the event of his (Khomeini's) return to Iran. The army's actions in closing all airports, blockading access to Tehran airport, and surrounding Iran Air planes which had been standing ready to take off for Paris to bring back the exiled leader are all of a piece and are intended to serve notice not so much on Khomeini (who has personal experience of what the Shah and his supporters could do to him) but on Bakhtiyar that any attempt to make a deal with Khomeini would invite the wrath of the army upon his own head.

The situation is thus poised for the next stage of the struggle in Iran, from the 'mass confrontation' expressed broadly through strikes and demonstrations, to actual civil war. The kind of expectations roused during the demonstrations and strikes, the kind of unity achieved, *albeit* in opposition to the Shah, by such disparate elements as those that comprise the opposition, cannot be killed by a mere military coup which anyway would be a formalisation of an existing reality. The real opponents of the Shah cannot experience any greater repression under a formal military takeover than what they have been accustomed to all these years. The immediate consequence of a coup may be a certain cooling off of the anti-Shah frenzy, especially of the kind that is being articulated by the petty bourgeoisie, the trading class, the lower levels of bureaucracy, etc. But it will also take the struggle to a higher plane and force the 'Islamic' elements to device altogether new ways of confronting a situation where whatever few constraints that existed which prevented the full might of the armed forces being turned on them would have disappeared.

An army takeover in Iran may also be welcomed by many powerful interests outside Iran. The most important of these foreign interests is of course the United States which has not even pretended to be neutral about developments in Iran. More recently, President Carter has tried to put on a brave face and pretend that Iran does not have such great importance in the strategic concerns of the US. But it is clear that any arrangement wherein oil supplies to Israel and South Africa (not to speak of supplies to the US itself, which gets about 5 per cent of its oil requirements from Iran) will be disturbed cannot at all be liked by the US. A more realistic assessment has been given by the managing director of Royal Dutch/Shell group who has said that there could be "a shambles" in the rest of the world if a strong Islamic government in Iran decides not to resume oil exports. A pointer to future developments is that Khomeini's call to the oil workers to keep up oil production to meet domestic demand — it is only his future plans of a regulated oil export that include stopping of oil sales to Israel and South Africa, and a cutback on exports to the level that Iran needed for oil revenues — has till now gone unheeded and even the special mission led by Mehdi Bazargan, a possible prime minister in a Khomeini directed regime, and having the backing of Khomeini, Shariat-Madhari and the National Front, has failed to persuade the oil workers to resume production.

Khomeini's views on oil production, foreign trade and foreign collaboration, international banking, all apparently clash with the broad strategic interests of the Western capitalist countries in Iran and it is no wonder that almost without any exception, they have been painting Khomeini as some kind of a 'fundamentalist' freak. But this is probably because of a lack of knowledge of what Khomeini and his 'Islamic' movement stand for — a lacuna which is being sought to be rectified by the CIA, which is reported to have undertaken a study of Islamic movements all over the world. After all, the US has the happiest of relations with the most Islamic of Islamic countries, Saudi Arabia, and such practices as public flogging and executions, amputations, and stoning to death of women accused of adultery have not disturbed in the least the conscience of a regime so outspokenly committed to the cause of human rights everywhere.

Myth of Capital Market?

IN your editorial "Myth of Capital Market" (*EPW*, January 6) you have chosen to miss the main point that the Seminar on the Investment Market was meant to deal with its prospects and problems. Its very object was to look ahead to the future growth and how that can be brought about. Admittedly, investible resources are presently in excess of demand but this is a short-term phenomenon and does not answer the long-term problem of how to augment supply of capital when demand picks up.

Nobody suggested, as you make out, that the capital market should be sustained with bank credit. What was made clear was that regulations of the Reserve Bank on bank lending against shares are outdated and need to be revised because they act as a constraint on the growth of the capital market by coming in the way of liquidity of shares. You forget that the examples of exploiting bank credit for questionable purposes have taken place despite the restrictive policy of the Reserve Bank. What is needed is vigilance on the part of the Reserve Bank and government to curb nefarious practices. It is for the common small investor that the credit restrictions against shares act as a constraint. There is often a wide gap between the ostensible purpose of a regulation and what it does in practice, which should call for periodical re-examination of regulations in force. This Seminar did not plead for any reduction in direct or indirect taxes and yet you charge it for that "crime". Lastly, do you really think that your long quotation from the Draft Plan had any relevance in this editorial? One is free to stick to one's self-righteous stand and preconceived ideas, but it does not follow that others' integrity should always be questioned.

Bombay, January 15. H T PAREKH

[When it was pointed out in "Myth of Capital Market" that the problem is not primarily one of lack of investible resources, but of absorbing in investment the resources that are available, the reference was not to the immediate situation, but to the long-term, structural constraints on productive use of resources arising from the relative narrowness of the domestic market which, in turn, is the product of the extreme disparities in the distribution of income and property. The quotation from the Draft Plan was in support of this point. The view that the excess of investible resources over demand "is a short-term phenomenon" is precisely what we have sought to caution against, since this view leads to suggestions for government action to "stimulate" the so-called capital market of a type (e g, further tax cuts and more tax incentives, bank lending against shares, etc) which in fact further distorts income and asset distribution and, therefore, aggravates the basic problem. — Ed]

Time to Make Choices

MAY I be permitted to offer a brief comment on the remarks of your anonymous letter writer ("Time to Make Choices", *EPW*, January 13)? There is a link between the issue of class relations and that of Centre-State relations. For consider your correspondent's demands: (a) rescind all indirect taxes, and (b) tax directly the rich more and more. A state government can of course rescind all indirect taxes falling within its ambit, but it has currently few powers to tax the rich. The representatives of the feudal and capitalist classes who drafted the Constitution had taken due precaution against the possibility of radical elements suddenly coming to power in a state and upsetting their applecart. It is only in the case of the rich peasantry that a state government can draw a stiff agenda of direct taxation; the Left Front government of West Bengal has already taken some steps in the matter. As far as taxing directly the rich capitalist and trading classes is concerned, the upper limit of a state government's power has been set by the Constitution at Rs 250 annually, or Rs 20.83 per month. It is because it is important for state governments to be able to put the squeeze on the richer elements in society that the government of West Bengal has been consistently asking for a realignment of Centre-State relations, including the existing fiscal arrangements. As long as these arrangements remain unaltered, to rescind all indirect taxes would imply a financially bankrupt state government, which would collapse immediately. Perhaps this is the devout prayer of your anonymous letter writer: a lot of hatred against the Left is sometimes noticed in quarters where the lingo is Left, often modishly so.

Calcutta, January 18. ASHOK MITRA

Government Policies and Industrial Sickness

YOUR Special Correspondent has highlighted a national malady in his article "Sickness in Industry: Role of Government Policies" (*EPW*, January 13).

Your readers may be interested to know that governmental policies do not stop merely at licensing of unwanted capacities; they go a step further. The sick child, after it is born, is fostered with all sorts of props, without any logic and disregarding public interest.

The raw material for manufacture of Borax, namely Sodium Borate, is entirely imported. There is only one supplier of Sodium Borate in the world, and two consumers in India, who use it for manufacture of Borax. The imports of Sodium Borate are canalised through the State Chemical and Pharmaceutical Corporation of India, in the name of procuring advantages of bulk buying, distribution, etc, when all that happens is a seven to ten per cent increase in procurement costs, and recurring delays in shipment! The matter has been referred to the Government of India, time and again, for decanalisation, but without any effect. Recently, the earlier established unit, referred to in your Special Correspondent's article, even offered to reduce the prices of the end product to the extent of savings brought about by decanalisation of imports (estimated at about Rs 300 per ton of end product), if imports are decanalised. This price reduction would have helped to attract marginal users, and increase the demand for the product, which would, in turn, have facilitated a higher capacity utilisation.

Can your readers believe that the Government of India has not agreed to decanalise the imports, merely because Company X and TIDCO have opposed the decanalisation? The latter's opposition to decanalisation is reported to be that if imports are decanalised the private sector unit will be able to arrange imports at prices cheaper than themselves, and that such an "advantage" should not be allowed to the private sector unit!

Bombay, January 19. A READER

Focusing on Perspectives

Romesh Thapar

IT is somewhat startling to see the comfort that the Janata party's agreements on leadership wrangles brings to its demoralised followers. In a sense, they are grasping at straws if only to reassure themselves. But, fundamentally, the relief is exaggerated because everyone knows that the in-fighting among the three old men has nothing to do with any difference of opinion on policy or programme. For this reason, too, no one knows how long the personality collisions will be prevented.

The discussions within the Janata party executive, held against the background of various 'peace-making' initiatives, yielded a twenty-two point programme (yes, take note, not twenty!). We are now expected to turn our attention to issues. This may happen to the extent that George Fernandes keeps pushing for certain structural changes, but it is a mistake to imagine that our free-wheeling politicians are interested in anything but the changing fortunes of their benefactors in the leadership — government and opposition.

The health of the economy notwithstanding, we are in the middle of a major strike situation which is paralysing the industrial areas of several cities and threatening to dislocate normal functioning across the country. The agitation by bankmen, already an aristocracy in the public sector, is seen by the public at large as blackmail. Not only have these bankmen earned a reputation for sustained inefficiency and lack of minimum responsibility, but they have managed over the years to brow-beat government into accepting all manner of demands which are now sought by other categories of the public sector. A growing resentment against these 'radical' manipulators is visible.

The conviction that this Janata government is incapable of resisting well-organised pressure — together with the threat of what are called 'sympathy' strikes — feeds the 'determination' of a working force that showed little signs of life during Emergency and which over the years has brought little credit to the public sector. The more thoughtful trade union leaders had better beware. Even the Janata government is capable of hitting back.

Something of the anger against trade union practices in the public sector is getting to our populist politicians. The reluctance to support moves for nationalising new categories of industry is rooted in our incapacity to resolve crises in the public sector and the political patronage that invariably goes to elements with little concern about productivity. All the rhetoric in the world cannot dissolve these impressions which are now very much a part of public consciousness.

The Janata party's approach to these complex problems, as illustrated by the Industrial Relations Bill, has come in for a great deal of stereotyped criticism at the hands of the trade unions. But it can no longer be denied that a large body of political/bureaucratic opinion in the country is convinced that the present anarchy cannot be allowed to prevail, that it spells the kind of disaster which authoritarians seek in order to suspend democratic functioning. The trade union leadership will have to view its activity in the totality of democratic functioning.

This may well happen in the course of this year's tribulations. More intensive discussions with the trade unions, the presentation of alternative settlement systems, the study of various participative experiments, and the intensification of work in the long-neglected personnel area of management, might create the kind of relationships in industry which make the disruptors and blackmailers powerless. Without this effort, there can be no forward movement.

It is in contexts such as these that so much time and attention is given to the resolution of the political tangles of the Janata party. A 'leader' is not sought. Nor that wretched mess called 'charisma'. The country is looking for a certain degree of political coherence which will make possible the sketching of some kind of perspectives, political and economic, for the restructuring of our vast federal politiy. The Janata party's performance in this respect is dismal.

Whether there are one or two deputy prime ministers, or whether Charan Singh lands in Finance or Agriculture, is of little concern. The public is fast realising that the elaborate civil and military system of the sub-continent is capable of functioning effectively without political direction for a limited time only. Endless squabbles at the top cannot but disrupt decision-making and have to be brought to a halt. And patch-ups can be frustrating, too.

In other words, despite the comforting words of Morarji Desai and Chandrasekhar, there are no easy solutions for the Janata party. Either it functions as a party with a system of accepted discipline or it threshes out some kind of coalition framework for the Centre and for the states where it rules.

Maybe, the current wave of industrial unrest will help us to get perspectives in better focus. Great injustices have to be corrected, but irresponsibilities have also to be nailed. The Janata government at the Centre has the skills to settle these issues, but the old men of the party have to act unitedly and in support of those physically dealing with the problem. So far, attitudes have been casual or too heavily biased by old rigidities. Every one needs a shaking.

In some such mood, we watch the developing situation, full of expectations.

January 22

Bombay Dyeing

BOMBAY DYEING has offered redeemable debentures aggregating Rs 2.5 crores to its shareholders on a rights basis in the proportion of one debenture of Rs 100 for every eight equity shares held. The additional finance is being raised by the company to meet its working capital requirements. These debentures will carry interest at 11 per cent per annum, payable half-yearly, and will be repaid in five equal annual instalments commencing the eighth year. The debentures will be quoted on the Bombay stock exchange giving them the desired liquidity. The company is also seeking approval of the government of Maharashtra for declaring the debentures as an 'approved security' for investments by charitable trusts. In case of temporary needs for funds, the debenture-holder can hypothecate his debentures with any bank for purpose of obtaining cash credit or overdraft facilities. Moreover, the company has reserved its option at its sole discretion to repurchase the debentures. The company's equity share of Rs 25 each is currently being quoted in the market at around Rs 116.

Stalled Diversification

Hansavivek

INDIAN OXYGEN's non-resident shareholding is being reduced to 40 per cent under FERA by the parent, BOC International, disinvesting 21,60,440 shares in the company through an offer for sale. This is being done in the absence of government approval of any worthwhile expansion or diversification project which might have justified a new capital issue. The company had submitted a major diversification project for manufacture of a range of castor based chemical products some 4½ years ago, but a final decision thereon has yet not been communicated to it. In the meantime, substantial changes in the world market conditions have made it uncertain whether the project would be still viable. The chairman, K D Moore, says that the company, which is no longer foreign controlled, will continue efforts to seek worthwhile opportunities for branching out into other fields in which it can use its technologies, knowhow and management expertise to advantage. He, however, emphasises that it will continue to give first priority to the sustenance and health of the existing main businesses which remain essential to its long-term well being. The company's application for an industrial licence for setting up a new factory at Barbil, in Orissa, for manufacture of liquid oxygen explosives has been recently rejected. The management intends to make a final representation to the industry minister shortly in view of the urgent need for explosives in the country. The company has also applied for government approval for manufacture of continuous welding consumables and submerged arc welding fluxes at the Ambattur factory. The project involves use of technology developed within the company and there is a rising domestic demand for these products, which are used in the sophisticated automatic welding processes being increasingly required in metal fabrication.

The company has suffered a setback during 1977-78, following lower volumetric sales of most major products on account of severe power shortages in some parts of the country, industrial unrest affecting customers' activities especially in the west and the south, and a demand slack in certain sectors of the economy. Loss of production and increased operating costs from power interruptions and shortages have caused loss of profit by more than Rs 80 lakhs. This loss in conjunction with substantial increases in materials and employee costs could not be fully recovered in higher prices and brought a marked deterioration in working results after the improved figures of the two previous years. The directors have recommended a final dividend of 3 per cent making a total of 15 per cent on the enlarged capital base resulting from the last bonus share issue. This will require the same quantum of distribution as in the previous year and is still adequately covered by earnings.

The gases division introduced addi-

The Week's Companies (Rs in Lakhs)

	Indian Oxygen		West Coast Paper		Tata Mills	
	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-6-78	Last Year 30-6-77	Latest Year 30-9-78	Last Year 30-9-77
Paid-up Capital	821	616	500	500	150	150
Reserves	516	673	684	622	84	74
Borrowings	772	586	600	687	683	776
of which Term borrowings	4	8	220	272	178	199
Gross fixed assets	2497	2293	2295	2178	1049	1020
Net fixed assets	996	903	1107	1105	418	423
Investments	4	4	121	121	5	6
Current liabilities	1379	1501	359	300	577	531
Current assets	2515	2468	890	825	909	905
Stocks	1419	1314	576	565	669	698
Book debts	963	1024	289	232	221	193
Net sales	4604	4514	1968	1851	2668	2262
Other income	19	23	90	82	22	29
Raw material costs	1897	1784	833	774	857	890
Wages	1178	1090	332	285	603	550
Interest	105	85	114	126	159	136
Gross profit(+)/loss(—)	417	607	328	192	94	—50
Depreciation provision	101	97	134	127	41	41
Tax provision	145	294	88	—	—	—
Net profit(+)/loss(—)	171	216	106	65	53	—91
Development rebate provision	27	28	10	19	—	—
Transfer to reserves	21	65	40	—	—	—
Dividend						
Amount	P —	—	P 7	7	P 11	—
	E123	123	E 49	40	E —	—
Rate (per cent)	P —	—	P7.80	7.80	P9.50	—
	E 15	15	E 12	10	E —	—
Cover (times)	1.17	1.53	1.81	1.00	—	—
Ratios (per cent)						
Gross profit/sales	9.06	13.44	16.66	10.37	3.52	—
Net profit/capital employed	12.79	17.53	8.95	5.80	22.65	—
Inventories/sales	30.82	29.11	29.27	30.52	25.07	30.86
Wages/sales	25.56	24.15	16.87	15.40	22.60	24.32

tional products required by some vital industries. Production from the hydrogen plant at Asansol commenced towards the end of the year. There has been some delay in the installation of the argon purification plant at Jamshedpur, which is now expected to be commissioned during the second quarter of the current year. The welding and engineering products division installed a newram extruder at a cost of Rs 23 lakhs to give increased impetus to the production of special electrodes. A generator is also intended to be installed at Khardah shortly to reduce dependence on public power supplies. The division introduced several types of low hydrogen and stainless steel electrodes, two sophisticated cutting machines, special purpose gas regulators and new models of medical apparatus including stainless steel Boyle anaesthetic machine. The company has obtained approvals for extending the range of medical products by taking up manufacture of ward vacuum units and incorporating a respiration control device in its anaesthetic apparatus.

WEST COAST PAPER has produced much better results for the year ended June 1978 because of favourable market conditions which enabled it to fetch more remunerative prices compared to the previous year. Production was higher at 53,338 tonnes as against 51,578 tonnes of the previous year and although sales volume was lower at 52,761 tonnes against 55,608 tonnes, net sales realisation was more at Rs 19.68 crores against Rs 18.51 crores. Profit margins expanded noticeably and gross profit advanced from Rs 1.92 crores to Rs 3.28 crores. Net profit was also considerably higher at Rs 106 lakhs (Rs 65 lakhs) and dividend stepped up two points to 12 per cent was covered 1.81 times. These results were obtained in spite of a 55 per cent power-cut throughout the year, unsatisfactory supplies of bamboo and coal and increase in other cost inputs. As no additional forest areas have been allotted by the government of Karnataka, the company is trying to obtain supplies of bamboo from Assam, Orissa, MP and other states at higher cost to supplement supplies from the concessional areas. The availability of coal remained difficult throughout the year. The company had to keep one of its paper machines shut for some days and at times the whole mill was shut for want of coal. There were frequent work stoppages and also an "illegal" strike by a section of labour in September last which resulted in a lockout for four days. The management is making efforts to improve industrial relations. The Kali hydel project, which was expected to start supplying power in mid-1978, is delayed by about a year. When this project goes on stream, the power situation will improve. The company has placed an order for a chemical recovery boiler with ACC-Vickers-Babcock of 330 tonnes black liquor solids per day capacity. After its installation, chemical recovery will improve which will help in reducing the pollution and generation of additional steam will be utilised for power as well as process. The boiler is expected to be commissioned by mid-1980. The company has taken in hand the project of effluent treatment, costing nearly Rs 88 lakhs. In accordance with the new order issued by the Central government, the company is required to manufacture, apart from 30 per cent white printing paper for supply against allocations made by government at a price of Rs 2,750 per tonne, 33 per cent of other writing and printing varieties, out of which 20 per cent should be of creamwove. The directors say that this will restrict production of other profitable varieties of paper.

TATA MILLS has shown a distinct improvement in its working during 1977-78, with a quick turn-round from a net loss of Rs 91 lakhs to a profit of Rs 53 lakhs, following higher net sales of Rs 26.68 crores against Rs 22.62 crores in the previous year. The directors have proposed payment of preference dividend including arrears from January 1, 1975. After making certain adjustments, the carried forward loss has been reduced from Rs. 1.98 crores to Rs. 1.62 crores. This encouraging picture has emerged as a result of increased operating activities and unit value of product and reasonable cotton prices even though the company's operations continued to be hampered by difficult liquidity position and increased interest burden. Considering the financial requirements of the company, it is proposed to extend by 12 years the date of redemption of the existing 30,000 preference shares of Rs 100 each to January 1, 1992 by increasing the rate of dividend from 9.5 per cent to 11 per cent per annum. The company's application for a soft term loan to IDBI for modernisation and rehabilitation of its plant facilities is examined by the consortium of government financial institutions. The proposal covers some finances for meeting pressing liabilities also, along with finance for machinery and equipment rehabilitation. The company installed plant and machinery worth Rs 26 lakhs during 1977-78. It is considering some investment to increase production of the non-woven division which has reached its peak capability.

SEHGAL PAPERS is offering to the public for subscription 33 lakh equity shares of Rs 10 each for cash at par. The subscription list will open on February 5. This public issue is being made to finance the company's Rs 17.40 crore project for the manufacture of various types of papers with a total licensed capacity of 30,000 tonnes per annum — writing and printing paper (9000 tonnes), paper and paper boards including soft tissue and its products (10,000 tonnes) and one time carbonised paper/carbon-less copy paper (10,000 tonnes). The company has been promoted by M M Sehgal, a non-resident Indian, with about 20 years' experience and business operations in Taiwan, Japan, Hong Kong, USA and India. The company has entered into a technical collaboration with Nashua Corporation of USA which will provide the latest technology in the field. The Company has received technical assistance from Stafford Machinery Corporation of USA for the erection and start of soft tissue plant and equipment. The total project cost is to be financed by an equity share capital of Rs 565 lakhs, term loans/loans from financial institutions and banks of Rs 1159.90 lakhs, central cash subsidy of Rs 15 lakhs, and unsecured loan from promoters of Rs. 10 lakhs. Out of the equity share capital, the promoters have taken up equity shares of the value of Rs 226 lakhs with an additional commitment of Rs 35 lakhs in the public issue. The project is located at Sehga Nagar, about 52 km from New Delhi lying in a backward area in Haryana. The Company has already been sanctioned sufficient power by the state electricity board, but has made arrangements for complete captive power generation to run the entire plant to ensure uninterrupted production in the event of power failure. The company has already imported all necessary machinery and its plant has gone into production of soft tissue and MG tissue paper. Production of writing and printing paper has also started. Trial runs of carbonless copy paper is expected to start in February, 1979.

STATISTICS

Money Supply and Banking

MONEY SUPPLY

(Rs crores)

	Outstanding as on Dec 29, 1978	Variations during 1978-79, Mar 31 to Dec 29, 78	1977-78 Mar 31 to Dec 30, 77	1977-78	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	Outstanding as on Mar 31, 1971
I Money supply with public (MI)	20079	+1698 (+9.2)	+1727 (+10.8)	+2357 (+14.7)	+2699 (+20.3)	+1350 (+11.3)	+775 (+6.9)	+1500 (+15.5)	+1378 (+16.6)	+949 (+12.9)	7373
(1) Currency with public	9605	+978 (+11.3)	+587 (+7.5)	+754 (+9.6)	+1168 (+17.4)	+358 (+5.6)	+26 (+0.4)	+883 (+16.2)	+637 (+13.3)	+430 (+9.8)	4371
(2) Deposit money	10474	+720 (+7.4)	+1190 (+14.6)	+1603 (+19.7)	+1531 (+23.1)	+991 (+17.6)	+749 (15.3)	+618 (14.5)	+740 (+21.0)	+520 (+17.3)	3002
II Sources of change in MI											
(1) Net bank credit to govt	14088	+614 (+4.6)	+809 (+7.7)	+2215 (+19.7)	+640 (+6.0)	+1085 (+11.4)	+821 (+9.4)	+959 (+12.4)	+1309 (+20.3)	+1146 (+21.6)	5298
(a) Reserve Bank's credit to govt	7745	+358 (+4.8)	−113 (−1.6)	+169 (+2.3)	+303 (+4.4)	+260 (+3.9)	+422 (+6.8)	+761 (+13.9)	+783 (+16.7)	+846 (+22.0)	3843
(b) Other banks' credit to govt	6343	+256 (+4.2)	+982 (+24.3)	+2046 (+50.6)	+336 (+9.1)	+827 (+28.7)	+399 (+16.1)	+199 (+8.7)	+525 (+29.9)	+300 (+20.6)	1455
(2) Bank credit to commercial sector	23902	+2667 (+12.6)	+2027 (+10.8)	+2381 (+12.6)	+3240 (+20.8)	+2883 (+22.6)	+1939 (+18.0)	+2030 (+23.2)	+1398 (+19.0)	+843 (+12.9)	6521
(a) Reserve Bank's credit	1161	+207	+63	+56	+164	+71	+103	+294	+34	+100	132
(b) Other banks' credit	22741	+2460 (+12.1)	+1964 (+10.9)	+2325 (+12.9)	+3085 (+20.7)	+2804 (+23.2)	+1837 (+18.0)	+1735 (+20.4)	+1365 (+19.1)	+742 (+11.6)	6389
(3) Net foreign exchange assets of banking sector	5233	+693 (+15.3)	+1463 (+56.0)	+1933 (+73.9)	+1675 (+178.4)	+525 (+126.8)	−249 (−37.6)	+80 (+13.7)	−36 (−5.8)	+68 (+12.3)	551
(4) Government's currency liabilities to public	599	+9	+21	+22	+13	+24	+29	+45	+46	+27	384
(5) Non-monetary liabilities of banking sector	23743	+2285	+2655	+4194	+2868	+3170	+1766	+1612	+1339	+1135	5381
(a) Time deposits with banks	17277	+2751	+2211	+2767	+2604	+1581	+1150	+1111	+943	+724	3646
(b) Net non-monetary liabilities of RBI	3000	−452	+269	+569	+252	+1042	+180	+203	+120	+381	710
(c) Other non-monetary liabilities of banks	3466	−14	+173	+863	+12	+547	+435	+299	+276	+29	1026

SCHEDULED COMMERCIAL BANKS : VARIATIONS IN SELECTED ITEMS

(Rs crores)

	Out-standing as on Dec 29, 1978	Variation during April-December		Variation during Financial Year (March 31 to March 31)							Out-standing as on March 31, 1971
		1978-79 (Mar 31 to Dec 29, 78)	1977-78 (Mar 31 to Dec 30, 79)	1977-78	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	
(1) Aggregate deposits	25303	+3092 (+13 9)	+3285 (+18 2)	+4165 (+23 1)	+3720 (+26 0)	+2403 (+20 2)	+1751 (+17 2)	+1572 (18 3)	+1492 (+21 0)	+1159 (+19 5)	5947
(i) Demand	9364	+496 (+5 6)	+1180 (+16 1)	+1531 (+20 9)	+1362 (+22 8)	+941 (+18 7)	+690 (+15 9)	+558 (+14 7)	+658 (+21.0)	+468 (+17 6)	2659
(ii) Time	15939	+2596 (+19.5)	+2105 (+19.7)	+2634 (+24 6)	+2358 (+28 2)	+1462 (+21 2)	+1061 (+18 2)	+1014 (+21 1)	+834 (+20.6)	+691 (+21.0)	3289
(2) Borrowing from RBI	357	+26	−576	−591	+60	+324	+43	+315	−27	−130	338
(3) Gross bank credit (i+ii+iii)	16946	+1890 (+12 6)	+1297 (+9 5)	+1368 (+10 0)	+2444 (+21.7)	+2248 (+25 0)	+1245 (+16 1)	+1572 (+25 4)	+875 (+16.5)	+549 (+11.5)	4756
(i) Credit for food procurement	2379	+395	+157	−215	+669	+908	+246	+27	−5	+129	216
(ii) Non-food bank credit	14479	+1524 (+11.8)	+1193 (+10.6)	+1654 (+14 6)	+1754 (+18 4)	+1359 (+16 6)	+1068 (+15.0)	+1326 (+22 8)	+886 (+18.0)	+386 (+8 5)	4532
(iii) Bills discounted under Bill Market Scheme	88	−29	−53	−71	+21	−19	−69	+219	−6	+34	8
(iv) Non-food gross bank credit (ii+iii)	14567	+1495 (+11 4)	+1140 (+9 9)	+1583 (+13 8)	+1775 (+18 3)	+1340 (+16 0)	+999 (+13 5)	+1545 (+26.5)	+880 (+17 7)	+420 (+9.3)	4540
(4) Investments	8456	+559	+1265	+2404	+588	+1067	+558	+376	+706	+428	1762
(i) In govt securities	6136	+229	+969	+2028	+306	+832	+393	+188	+509	+290	1361
(ii) In other approved securities	2320	+330	+296	+376	+282	+235	+165	+188	+197	+138	401
(5) Gross credit-deposit ratio (per cent)		67 0	70 2	67 8	75 9	78.5	75.5	76.2	71.9	74.7	80.0
(6) Non-food gross credit deposit ratio (per cent)		57 6	59 2	58 9	63.7	67.9	70.3	72.6	67.9	69.8	76.3

Source : Reserve Bank of India, Bombay.

LABOUR

Struggle Continues at Dalli-Rajhara

IT is over a year and a half since the happenings of 1977 at the Dalli-Rajhara mines in Madhya Pradesh — the midnight arrest of Shankar Guha Niyogi, leader of the Chattisgarh Mines Shramikh Sangh (CMSS), the killing of 12 persons when the police fired on workers protesting against the arrest, and the 55-day strike of workers. Most of the workers' demands were accepted, when the union, management and contractors arrived at a shaky truce, and work was resumed on November 2, 1977. But this truce is already threatened by the prospect of another major strike.

The workers' demands this time are mainly three — first, that the contractors revise the norms and minimum wages for loading and unloading of iron ore, which have remained unchanged since 1974; second, that the management scrap the outdated Iron Ore Wage Board and pay wages as prescribed by the Steel Ore Wage Board, and third, that the government's plan to start the Kondey mechanised mines, which will mean retrenchment of at least 10,000 workers, be given up. Shanker Guha Niyogi and Chabbi Lal, vice-president of the union, are now on a hunger strike over the first demand.

Though the call for a general strike has not yet been given, production has considerably slowed down and, in some areas, completely stopped. An ultimatum has also been issued that if the matter is not resolved within a specified period, the contractors will be tried by a "People's Court" and forced to abide by its decision. Niyogi is confident that the workers' demands will be met before this drastic step is taken.

Last year was a deceptively calm one in Dalli-Rajhara. But behind the scenes, the CMSS further consolidated its position as the leading union in the mine belt. Within the union too, revisionist elements were purged. A series of relatively small struggles were taken up and the establishment was continuously reminded that, though the workers were relatively quiet, they could no longer be taken for granted.

Guha Niyogi sees the latest struggle as "the last battle waged against the contractors". He says, "With this their power will be completely smashed once and for all, and we come directly under the management's control." The site of the struggle has also been shifted from Dalli-Rajhara to Kusumsh Kussah. It was here that the contractors first arrived from Rajasthan. Starting as petty merchants they amassed a huge fortune at the expense of the local tribals, mostly Gonds and Halwis. With the coming of the iron ore project at Dalli-Rajhara, and quick to perceive their opportunity, the contractors established contact with the government officials as well as the Bhilai steel plant management. Gradually they assumed control of four of the six mines in the area and over these mines their stranglehold had been unshakeable till now.

The change in venue is also to set an example to the local villagers. The villagers, many of whose children are in the mines, are themselves being exploited by relatives of the contractors. A pink triple-storeyed house, complete with airconditioners and two garages, is eloquent testimony to the prominent position of the contractors in the village. Just now the doors are barred and the shutters and curtains tightly drawn as the contractors have temporarily fled, in the face of the workers' agitation. The servants left behind by them have also deserted. A detachment of disinterested-looking policemen stand guard by the house, while a couple of plain-clothesmen loiter near the tent where Niyogi and Lal are on hunger strike on the pretext that they were there for Niyogi's "safety".

The issue of revising the norms and minimum wages for the loading and unloading of iron ore is a long-standing one. It had figured in the 55-day strike of 1977. The norms fixed for an 8-hour working day is 8 tonnes and the minimum wages for this is Rs 12, Rs 9.85 for loading and Rs 2.15 for unloading. During the Emergency, the wage for unloading was taken away, and workers began to be paid only for loading, though they had to do both tasks. After the 1977 struggle, the contractors agreed to give a rise of two paise per ton for loading (from Rs 1.23 to Rs 1.25) and a lump sum of Rs 100 as compensation for the payment of which workers were deprived during the Emergency. Assurance was given that the norms would be immediately revised and the wages paid for unloading also. But the contractors did not keep their word. Instead, they threatened to raise the norm from 8 tons to 11.3 tons, while keeping the minimum wages at Rs 12. The workers at once protested and demanded that the norms be corrected and the minimum wages paid in full. When the contractors refused, Shanker Guha Niyogi, Chabbi Lal and the secretary of the Union went on hunger strike.

Both the government and the Steel Authority of India Limited (SAIL) have agreed orally to pay the workers as per the recommendations of the Steel Ore Wage Board. The Union, however, wants the agreement in writing. Talks on this issue were to start on January 7 and the Union is keen that the struggle against the contractors is finished before these discussions begin. The workers stand to gain an increase of as much as Rs 150 in their basic salary if they are paid according to the Steel Ore Wage Board. They will also get house rent and transport allowance, which they are not getting now.

In one sense, the workers' problems are just about to begin, as the government intends to construct the Kondey mechanised mines, as a result of which 10,000 workers will lose their jobs. This project was conceived before the Janata party came to power and now the government has nearly Rs 80 crores worth of machinery on its hands. Understandably, the minister for steel, Biju Patnaik, has said that he can do nothing but go ahead with the scheme. In reply, the CMSS has come up with an alternative scheme after a detailed study. The scheme proposes semi-mechanisation of the mines keeping in mind the basic aspects of mechanisation — increase in productivity and quality control. While drilling, excavating and loading of the iron ore will be done manually, the product will be sifted and sorted out mechanically. This will not only ensure quality control, but also reduce production costs by nearly 25 per cent, for raising the iron ore to the surface mechanically is extremely expensive. The miners' working capacity will also be increased. Now each worker has to do the entire range of operations from drilling to cleaning the ore, but under the CMSS scheme the ore has only to be raised and the rest is done mechanically. The machinery already acquired can be easily shifted to other existing mechanised mines without much difficulty.

The CMSS from now onwards plans

focus its attention entirely on the al areas. Except for a skeleton team, main efforts of the union will be centrated on mobilising the villagers issues such as getting their land ck from non-tribals, seeing that the est products are sold at a proper ce and procuring drinking water and igation facilities. Says Niyogi "What have been aiming at in the mines been to a great degree achieved. most of our struggles we managed isolate the enemy, and tackled them e by one. First it was the contrac- then the management and finally government. We did not take them all at the same time — while we re struggling against one enemy, we to it that the other two were kept ased and undisturbed. Not only this, also did not give them any respite m the pressure which was on at all es. The moment the struggle with contractors was over, we immedia- y switched to the management and ewise the government. The esta- shment thus had little time to chart t fresh tactics and was always on the 'ensive. The broad unity that we re looking for in the mines has also been got. But for a few pockets here and there, the majority of the workers are CMSS members. Further unity can be found only in the countryside and it is time to bridge the gap between urban and rural workers."

Though the Union will be functioning mostly in the rural sector, the members will continue to work in the mines for their livelihood, except for Niyogi, who plans to leave the mines and settle down in the village. "New strategies will have to be drawn up, as the situation in the mines is different from the village. In the village the moment has come, unlike in the urban sector, to reply force with force. But before things come to that they will first have to be organised." The union also plans to build schools and hospitals for the workers and the villagers. There are hardly any schools in the area, and the government hosital rarely has any medicine. The hospital set up by the management seldom treats workers. "We want to do something constructive and concrete and set an example before protesting about the lack of facilities, or all we will be doing is shouting empty slogans."

SAM

Barriers to Rural Development

Joykanta Sarma

IAT the economy of rural Assam, elsewhere, is still dominated by dlords, and that the fruits of mo- n technology, if any, have not ie to the small and marginal far- rs, has once again been confirmed, cially. A micro-level study on ru- development and strategy for ac- n with regard to four Gaon Pan- yats of the state — Nischinta- in Cachar district, Barpujia in wgong district, Pub Tamulpur in mrup district and Panidihing in sagar district — conducted by the w moribund Rural Development ject under the State Planning De- tment makes all the points. It says it a strong commitment to rural elopment at the policy making el and conscious efforts at the ro-economic plan formulation are led for. This should include, it has n stressed, more fund allocation rural areas; implementation of the d reform measures on a priority is; flow of field tested technical owledge, availability of extension vices, support services, facilities for rketing, storage and credit etc.

The Nischintapur report reveals that 14 per cent of the households own 56 per cent of cultivable land, while 36 per cent of the households own no land. The remaining 50 per cent own 44 per cent of land. There is a predominance of uneconomic holdings, lack of opportunities for subsidiary occupations and consequent unemployment and under-employment which is involuntary. There is a very large primary sector, with 81 per cent of the population being engaged in agriculture, and a very small secondary sector with only 1.5 per cent worker engaged in it. The per capita availability of cultivable land is 0.08 hectares as against the district average of 0.13 hectares.

Overlapping with the scheduled caste population are the marginal farmers with landholdings of less than 8 bighas who represent 30 per cent of families. Landless agricultural labour constitutes 36 per cent of the families. Over 80 per cent of the population is below cut off point with per capita monthly consumption expenditure below Rs 40.

Another constraint to agricultural development is the semi-feudal share cropping system which is anti-productive and anti-modern, with the owner unwilling and the sharecropper unable to make investment for improvement.

There is general lack of agricultural credit from the institutional sources. In the absence of long-term credit, the farmers cannot make investment on land for better agricultural operation. Lack of medium-term credit obstructs supplementing of their farm income by subsidiary business. Lack of short-term credit prevents them from adopting improved farm practices. The supply of credit is virtually nil.

Landless agricultural labour which mainly consists of surplus and casual tea garden labour, ex-tea garden labour, scheduled caste population, fishermen, etc are the weakest segment of the population. They are mostly day labourers and get wages below subsistence level during the lean periods.

The farmers, particularly the small and marginal ones, are dependent on low value crops, mostly paddy. High value crops like vegetables, chillies, turmeric and sugarcane are not cultivated for various reasons such as lack of irrigation facilities; inability of the farmers to make initial investment on current expenses to raise high value crops; greater incidence of risk involved due to fluctuation of prices; and lastly, marketing problems. The quantity produced by the small and marginal farmers is not-sufficient to market profitably. They have to sell through the itinerary agents of the wholesalers. There is also the *Dadan* system under which the traders make advances to the farmers at the time of distress and the farmers have to sell at a pre-committed price which is much lower than the market price.

There is high incidence of indebtedness. Out of the 3,203 households, 943 households (30 per cent) were in debt as in 1975 with original debt of Rs 7.18 lakhs. (The actual indebted families might be a little over 40 per cent.) The repayment of debt during 1975 had been only Rs 0.08 lakhs leaving an outstanding debt of Rs 7.11 lakhs. The outstanding debt per bigha of cultivated land owned by indebted households is Rs 185. 88 per cent of loans were borrowed from village money-lenders, 6 per cent from relatives and the rest from the

banks and co-operatives. 18 per cent of the households mortgaged out land measuring 300 bighas. In most cases, the term of mortage is that at the end of the stipulated period if the money involved in the deal is not returned, the land will be transferred to the money-lender by a clear sale deed. The office holders of the gaon panchayat and co-operatives belong to the well-to-do class.

The report on Barpujia too indicates that serious imbalance in land holding structure exists in the panchayat area. 66.5 per cent of cultivable land is held by only 29.2 per cent of the households as against 33.5 per cent of land by 70.8 per cent of the households. Of this 70.8 per cent of the households, 14.5 per cent do not possess any land at all.

There is an unusually large primary sector comprising 89.2 per cent of the working population. The pressure of population on land is therefore excessive, the per capita availability of cultivable land being 0.95 bigha. This lopsided economic activity coupled with heavy incidence of uneconomic holdings, lack of opportunities for subsidiary occupations has resulted in widespread unemployment and consequent poverty.

The per capita income of the panchayat area is calculated at Rs 29.75 per month. But the real depth of poverty cannot be gauged by the average figure. A large segment of the population representing 56.3 per cent of the total households comprises the marginal farmers within the size-class of landholding 0.01 to 7.99 bighas. The per capita income of this group is as low as Rs 25.67 per month. More appalling is the living condition of the landless people who belong, by and large, to the scheduled caste and scheduled tribe communities and are exposed to exploitation and oppression by the group economically better placed. Incidentally, with per capita consumption expenditure of less than Rs 40 per month, 83 per cent of the total population of the area is ranked below the 'cut-off' point.

There is high incidence of indebtedness. More than a fourth of the households are found to be in debt in some form or other. The outstanding debt per bigha of cultivated land has been computed at around Rs 90. Of the total debt of Rs 4 lakhs and odd, 70.8 per cent has been borrowed from the village money lenders as against 20.3 per cent from co-operative societies and a nominal 8.9 per cent from the gaon panchayat level Co-operative Society.

The level of technology in the field of agriculture is, by and large, traditional. The farmers entirely depend on human labour and weak animals for cultivation and they have no irrigation facilities.

Problems relating to Panidihing Panchayat area are more or less similar to those of the above-mentioned areas. There is serious imbalance in landholding pattern, with 45 per cent households owning 74 per cent of cultivable land while 9 per cent of the households own no land. The remaining 46 per cent households own 26 per cent of land. Here too, there is a very large primary sector with 92 per cent of population being engaged in agriculture. Consequently, there is excessive pressure on land and widespread poverty. Per capita availability of cultivable land is 0.16 hectares as against the district average of 0.22 hectares. 70 per cent of the population are below the poverty line with per capita monthly consumption expenditure below Rs 40.

Here also, an important constraint to agricultural development is the semi-feudal share cropping system. There is a general lack of agricultural credit from institutional sources. There is also high incidence of indebtedness. Out of 1,901 households, 172 households (11 per cent) were in debt as in 1975 with original debt of Rs 1.31 lakhs. The repayment of debt during the year 1975 had been only Rs 0.01 lakhs leaving outstanding debt of Rs 1.30 lakhs. The outstanding debt per bigha of cultivated land owned by indebted households is Rs 127. Out of these debts of Rs 1.31 lakhs, Rs 1.23 lakhs (93 per cent) was borrowed from village money-lenders and the rest from the banks and cooperatives. The actual state of affairs is perhaps even more dismal.

A similar imbalance in land ownership structure, low incomes, unemployment and underemployment and widespread indebtedness is revealed in the report on Pub Tamulpur. Further, since the area was declared as a tribal belt in 1949, the non-tribal inhabitants of the area, the immigrants of the post independent period, are not getting ownership rights despite their cultivation of land for more than two decades. The level of consumption of the population is below cut-off point with average per capita monthly consumption expenditure being Rs 30.73 only.

Pub Tamulpur has one feeding centre under the sponsorship of the World Health Organisation. In the lean season the children of the poverty-stricken people crowded the feeding centre. As a matter of fact, one centre is quite inadequate to feed them all.

These four sample reports are quite representative of the rural areas of the state. While some of the suggestions put forward in the reports are no doubt well-meant, they do not throw any light on how to overcome the more basic problems. No one knows if the much-talked-of micro-level planning, even if properly implemented, would solve the basic issues under the present structure.

Tea Pluckers: Limits of Distant Concern

(By a Special Correspondent)

THERE was quite a flurry of interest in the British media in the conditions of work of Indian tea-plukers last month. The occasion was the Annual General Meeting of Brooke Bond Liebig, the British multinational which not only owns Brooke Bond (India) — tea blenders and packers — but also has majority shareholdings in three Indian tea growing companies — Assambrook and Doom Dooma, in Assam, and Tea Estates (India) in Tamil Nadu. A resolution had been placed on the agenda, a resolution startlingly different from the normal run of humdrum business which is conducted at these glossy affairs (in which the shareholders gather to congratulate their directors and to enjoy free hospitality provided by 'their' company). The resolution called for significant steps to be taken to improve the conditions and wages of the company's employees on its tea estates in India. After half an hour of discussion, the resolution was voted down on a show of hands. The Chairman, Sir Humphrey Prideaux, announced that the proxy voting would have produced the same result, with 51 million votes against, 2.7 million for.

The resolution had been proposed on the initiative of the World Development Movement, a political pressure group focusing on Third World concerns. WDM started in the early 1970s, partly as an offshoot of the aid charities (Oxfam, Christian Aid) who were increasingly convinced of the need for political and trading/economic changes before serious improvements could be

made in the life-chances of the people they were trying to help. With most of its funding from the churches or from Oxfam, WDM is, not surprisingly, a reformist, left-wing/liberal organisation; most of its members, in 150 local groups, are middle-class and semi-intellectual in character.

WDM took up tea as a classic example of unjust commodity relationship after 1975. Tea is a good case study for Britain, still the world's largest export market, because it is familiar to all Britons and is still in a form recognisably close to the raw product (unlike copper, for example, which is processed beyond recognition). Public interest had been generated by a TV programme in 1973 and by a report in 1974 produced by War on Want; but War on Want dropped the issue thereafter. Brooke Bond is the natural target for political action, because of its dominance in the British market and elsewhere — it is the world's largest tea company, with large shares of retail markets in Europe, Australia and North America, as well as estates in India and East Africa. In terms of production it is small fry amongst Indian producers, at about 9th in the ranking of British companies, with 3 per cent of total production. But its public prominence means that British people take notice, when they would not bother with bigger producing companies — Lawrie Plantations, for example.

So WDM has tried to put across messages about unequal exchange, about the exploitation of poor workers, about the need for a New International Economic Order and an International Tea Agreement, and has canvassed MPs and the government towards these ends — while also doing similar work on other issues and commodities, providing critical, well-researched position papers on the Lome convention and the Common Fund, the development policies of the British political parties and so on.

The tea campaign brought out some of the strengths and weaknesses of these strategies. The simple message — tea pluckers earn little better than starvation wages — probably got across to some people, either in newspaper reports or in special radio programmes and interviews. The further idea that a higher price for tea would be a necessary (but by no means sufficient) way to improve those conditions, might have got through to a smaller number. But the more complex issues — the role of multinational corporations, the reasons for the weakness of the local unions, relative wages vis-a-vis other Indian workers, the reasons for conflict amongst the countries who might benefit from an International Tea Agreement, the strengths and weaknesses of welfare benefits provided by paternalistic (perhaps) companies, or the nature and effects of Indianisation in favour of local capitalists rather than nationalisation or collectivisation — none of these will have been communicated to more than a handful of people, already familiar with the general issues and sympathetic.

But of course, actions like this rapidly throw up issues which cannot be handled in Britain but in India. Once Sri Lanka had nationalised its estates, the impetus for political action in Britain was reduced, because the conditions of estate workers became the concern of the Sri Lankan government. It is more difficult to make a case for the responsibility of British companies when they are two steps removed from the workers, even though the controlling influence of British marketing companies and the London market undoubtedly restrict the potential for action by the Sri Lankan government. What worries British liberals is that nationalisation in Sri Lanka has made little discernible difference to the Tamil pluckers, whose conditions have changed little in spite of massively higher tea prices since 1975. Though the Indian situation is undoubtedly different, with the ethnically distinct pluckers in Assam not under direct threats of repatriation or violent attack, nevertheless there is unwillingness to argue in favour of nationalisation by the Indian government. It is suggested that nationalisation would lead to a siphoning of profits to Gauhati or Madras — little better for the workers than the policy of Indian capitalisation now being pursued.

So these campaigns illustrate some of the classic dilemmas of the Western liberal. Tea pluckers may not be the most 'deserving' of the poor — they are certainly not the poorest — yet they are amongst the most newsworthy. Reform within the structure of existing patterns of ownership and control will permit the liberal Westerner to maintain his interest, and his belief that he can achieve some change. It can even be argued that some classic cases of exploitation are useful educationally. But the liberal also knows that the existing structures are in fundamental ways the causes of the problems which he is concerned about, and that radical political changes in countries like India are essential if solutions are to be found. But any such changes must be fostered and controlled in India, and the liberal can do little more than cheer from the sidelines — and hinder his own government when it tries to intervene. Campaigns like the tea campaign may help to do that, in the long run, even if in the short run all WDM can point to are signs of hectic activity by Brooke Bond managers and some publicity as indicators of 'success'.

South Asian Studies in Europe

Report of a Conference

Imtiaz Ahmad

THE fifth European Conference on Modern South Asian Studies was held this summer under the auspices of the Centre D'Etudes de L'Inde et de L'Asie Du Sud and Centre National de la Recherche Scientifique, Paris, at Severes on the outskirts of Paris. The central theme around which the conference was organised was 'South Asia: Tradition and Change', but the papers prepared under this broad theme had been distributed into twelve separate, sharply focused and thematically integrated panel sessions. These twelve sessions were as follows: The Nature of State Power in South Asia, South Asian Communities Overseas, South Asian States in International Politics, Literature and Oral Tradition in Post-Colonial South Asia, Science and Technology in Indian History, Nutrition and Health Services in South Asia, Anthropological Approaches to the Political Dimension, Islam and Economic Activity and Development in Modern South Asia, Ritual and Society, Labour History of Pre-Independent India, Tribal Communities in Modern South Asia, and Christian Missions and Indian Society. Altogether over 133 scholars — European, South Asian, American and Australian — drawn from disciplines as widely different as theology, nutritional science, history, political science and sociology participated in the five day conference.

Over the years the European Conference on Modern South Asian Studies has grown into a large gathering and naturally produces a large crop of papers. Nearly 75 papers were submitted for the conference this time, and the standard of most of the papers was extremely good. In the panel session entitled 'The Nature of State Power in South Asia', Kersten Westergard's 'Local Politics in its relation to State Power in Bangladesh', D Kantowsky's 'Sarvodaya and State Power: Theory and Practice in South Asia' and Zins' 'Hegemony and Dominance: The Congress System' were particularly good. Zins' paper contained many ideas which offer excellent leads for understanding the nature of recent political changes in India. Violette Graff's paper on Communal Relations in Indian Politics in the same panel was also good and contained some interesting suggestions towards understanding electoral processes in constituencies having large minority votes.

There were several good papers dealing with the trials and tribulations of South Asian communities settled abroad in the panel on South Asian Communities Overseas. Evers' paper on Chettiar Money Lenders in South-East Asia, Mohan K Gautam's paper on Surinamese Hindustanis settled in the Netherlands and those by A Lambelle, J Kramer and V S Khan were particularly sound contributions. The study of overseas South Asian communities has traditionally been centred on South Asian populations in Africa and the United Kingdom, and little work on South Asian communities settled in continental European countries has so far been done. As several of the papers presented at the panel dealt with South Asian communities settled in continental European countries, particularly Norway and the Netherlands, we hope that these studies would enrich the perspective on the experiences and problems of the Overseas South Asian communities and bring the role of the contextual differences in their situation into sharper focus.

One of the principal attractions of the conference was the panel on Anthropological Approaches to the Political Dimension convened by Louis Dumont. As could be expected, it brought together an extremely large number of excellent papers dealing with rural leadership, political dominance, local politics, and kingship and divinity, etc. Particularly notable among the papers presented at this panel was the contribution by Marc Gaborieau entitled 'On Traditional Patterns of Dominance among South Asian Muslims'. It traced the consequences of the unique cultural tradition and minority political status of a population for dominance in a predominantly Hindu environment and provided a framework for the analysis of South Asian Islam. Gaborieau's suggestion was that the remarkable facility of Islam in winning adherents and achieving survival and stability in culturally diverse settings owes itself to the fact that Islam does not prescribe a rigid way of life. Every Islamicist may not agree with this view, but it is nevertheless an innovative hypothesis which requires systematic exploration.

Equally rich was the crop of papers presented at the panel on Ritual and Society. A W Van der Hoek's paper 'The Goddess of the Northern Gate: Cellatamma as the "Divine Kshatriya" of Madurai', Ronald Inden's contribution 'The Ceremony of the Gift (Mahadana): Structure and Historical Context in Indian Ritual and Society', G D Sonthmeir's paper on Some Incidents in the History of the God Khandoba and M S J Zanen's paper 'Garden of Adonis in the Mediterranean and in South India: A Comparison of their Structure' were particularly notable contributions. Van der Hoek's paper raised controversial issues in several respects, but at the same time it also offered a refreshing approach to the study of religion. Specialists of Comparative Religion will find the paper particularly innovative.

D Bernstroff's panel session entitled 'The South Asian States in International Politics' too produced several good papers and a lively discussion. D Braun's paper 'International Aspects of a Constellation in South Asia: India's large domain of action' and Christine Hurting's insightful contribution on 'Indo-American Relations since 1971: the Myth of the Middle Power *versus* Great Power Theory' were particularly good contributions and brought out several significant features of the contemporary structure of international relations in the South Asian region and India's significant place in it, S P Mallah's 'The Himalayan Kingdoms, Nepal, Bhutan and Sikkim: the Politics of Survival'. D Weidemann's 'Trends in the Development of Pakistan's Foreign Policy in the 1970s, and their background' and A Lamballe's 'India and Sri Lanka: Relations Between a Subcontinent and an Island' reinforced the crucial role of India and the emergent processes in the structuring of international relations brought out by Braun's and Hurting's thoughtful analyses.

Peter Hardy's panel on Islam, Economic Activity and Development in South Asia once again brought out the point that South Asian studies have been largely concerned with the study of the predominant Hindu tradition and the study of other religious traditions has not attracted the attention that it deserves. The number of papers presented at the panel was quite small. There was a good paper by Mumtaz Ahmad in which he analysed the attitudes of the *ulema* towards economic development in Pakistan. It contained many significant leads for discussion. Unfortunately, however, it was submerged by the highly controversial contribution by Theodore P Wright entitled 'Muslim Mobility in India through Peripheral Occupations: Music, Sports, Cinema and Smuggling'.

Wright, a perceptive student of Muslim Politics in India, presented the thesis that the Muslims in post-independence India were experiencing a blockage of avenues for social mobility on account of widespread social prejudice against them and this was leading them to seek social mobility through peripheral occupations like music, sports, cinema and smuggling. Perhaps Muslims are conspicuous in all these fields, but this would by itself be inadequate basis for inferring that the predominance of Muslims in these occupations is a direct consequence of their social blockage. Several participants pointed out that Wright's paper was based on scanty data and he had ignored the processes at work among the cross-section of the Muslims.

The European Conference on South Asian Studies has traditionally been dominated by political scientists and sociologists and social anthropologists and this was also true to some extent of the Paris conference. Even so, the panels on 'Labour History of Pre-Independent India' and 'Christian Missions and Indian Society' brought together several contributions by historians. In the panel on Labour History of Pre-Independent India the contributions of S Amin ('From the Field to the Factory: The Instruments of Cane Procurement; a Case Study of Eastern UP Sugar Mills in the 1930s') A M Hafner ('Madras Labour Union') and P E Perlin ('Ragi, Rice and Four Yard Dhotis: Indian Mill Workers as Historical Sources') were particularly noteworthy. Almost all the contributors to this panel were young scholars who are still in the process of completing their researches or thinking over their data; and their contributions and the discussions which took place at the panel session certainly provide promise of the new directions in Indian economic history.

Accommodating the large number of papers in the twelve panel sessions could not have been an easy task, especially when so many of them were of good quality, and several participants felt that the time available for discussions was too short. Nevertheless, this was more than made up by the possibility of informal discussions outside the panel sessions. The Conference was held in a big mansion which had formerly housed a factory for the manufacture of traditional Sevres pottery and is now the premises of the International Institute of Pedagogic Studies, and almost all the participants had been housed in the same building where the sessions were being held. This gave the participants opportunity to carry the discussion outside the conference hall and to pursue their queries, the special leads offered by the papers and their criticisms into the more informal and scenic setting outside. Certainly, the participants felt that the fact of their having been housed in the same building where they could discuss their common work and interests together was as rewarding, if not more, as participation in the panel sessions.

The European Conference on South Asian Studies has traditionally been a largely European affair, though South Asian scholars working in European universities have always attended it in good numbers. Continuing a practice at the Leiden conference two years ago, the organisers of the Paris Conference had this time again extended invitations to ten South Asian scholars from India, Sri Lanka, Bangladesh, Pakistan, and Nepal to participate in the conference. South Asian scholars are generally more familiar with the work of scholars in the US and UK, and with work being done at European universities which has become available in English; however, they are less familiar with work being done in European languages. Participation at the conference afforded the South Asian participants an opportunity to familiarise themselves with the excellent work being done at Leiden, Amsterdam, Copenhagen, Heidelberg, etc, and to discuss their own work with scholars from those universities.

Conferences of this magnitude are expensive to hold. The Paris Conference was funded by a generous grant from the Centre National de la Recherche Scientifique, the French counterpart of the Indian Council of Social Science Research. At the small business session held to decide upon the location of the next conference two years from now, several participants expressed concern at the difficulty of securing financial support and the possibility of the conference not being held until 1982 which Heidelberg University is to host. It was felt that the periodicity of two years was just about right and should be continued. Consequently, a small committee consisting of the organisers of the Paris Conference and a few other scholars was constituted to enlist organisers for a conference in 1980. Given the enthusiasm and the importance attached to it there is reason to believe that some institution or other would be found to host the conference in 1980.

Judging from the way the Paris conference went, there is no doubt that the organisers had put in painstaking efforts. Alice Thorner and Marc Gaborieau, both well known to South Asianists, added their personal affection and friendly style to make the conference an informal get-together and earned once again the affection of their co-workers in South Asian Studies. The Paris Conference was indeed a memorable academic experience.

The papers presented at the Paris Conference are shortly to be published by the Editions du Centre National de la Recherche Scientifique in Paris. Edited by Marc Gaborieu and Alice Thorner under the title, *Asie du Sud: Traditions et Changements*, 60 of the 72 papers included in the volume are in English.

PAKISTAN

Voice of the Loyal Opposition

ON December 3, 1978 the formation of Pakistan Awami Tehrik (PAT) was announced in Lahore in a press conference addressed by Rasul Bux Palejo. The formation of this new left alliance has been the culmination of various efforts to co-ordinate the activities of like-minded left groups and organisations. Earlier efforts had taken place through the establishment of the Awami Jamhoori Ittehad (AJI). This alliance did not adopt any clear stand on the nationalities question and refused to admit a number of organisations wishing to become new members. As a result three groups, Sindhi Awami Tehrik (SAT), Punjab Jamhoori Front (PJF) and Mehnat Kash Mahaz (MKM), resigned from the AJI and together with four other groups, Naujawan Mahaz (Karachi), MKP (Workers Group), Pakhtoon Khwa MKP and the Sindhi Labour Organising Committee, have announced the formation of Pakistan Awami Tehrik.

The Awami Jamhoori Ittehad has now been reduced to an alliance of eight groups and parties. These are MKP (Afzal Bangash), Workers Party (PWP), Socialist Party (PSP), Muttheda Mazdoor Majlis-e-Aml (MMMA), Awami Jamhoori Party (PAJP), Inqlabi Proletari Party, National Progressive Party (NPP) and Peoples Labour Front (PLF). Out of these PLF and NPP are likely to vacillate as regards their continued membership of the AJI.

The remaining groups which are not aligned with either the PAT or the AJI are the Qaumi Mahaz Azadi (Mairaj Mohd Khan), the Muttheida Mazdoor Federation (Usman Baloch) and the Major Ishaq faction of MKP. Mairaj Mohd Khan is likely to enter into negotiations with the PAT for admission as its eighth member. Both of these alliances, AJI and PAT, have been unable to obtain any participation from progressive elements in Baluchistan so far. (For earlier developments, see 'Prospects of Left Unity', *EPW*, December 23-30, 1978.)

Situation in Iran

The attitude of different political forces in Pakistan towards the situation in Iran provides an interesting commentary on the situation in Pakistan.

People's Party sources have emphasised the character of the movement in Iran as one directed against US imperialism while conveniently ignoring its opposition to both the superpowers including the Soviet Union. The Sanjabi-led National Front is presented as the biggest opposition party and receives considerable projection in PPP magazines. The Pro-Soviet Tudeh party, rather discredited within Iran itself, is described as the most efficient and most organised left party in Iran. The PPP naturally identifies itself with the National Front in Iran, but is rather embarrassed by its own inablity to launch a popular movement within Pakistan.

The Jamaat Islami and rightist press in general has slowly changed its attitude towards the progressive movement in Iran. Originally the reaction was one of lamenting the inability of the Iranian armed forces to restore law and order. In their view, the situation in Iran represented an international conspiracy against Muslims especially as Iran's military power and strength could not be tolerated by the big powers.

The change in the attitude of the rightist press appeared to coincide with the feeling that change in Iran is inevitable. Since then it is claimed that the "Islamic Marxists" are not leading the struggle and tentative support has been extended to the Shia leader, Ayatullah Khumeini. The religious aspects of the movement have been extolled — this in spite of Ayatullah Khumeini's statement that he is hot in favour of the kind of Islam being brought in Pakistan or Saudi Arabia. The tentative nature of support for Khumeini is evident from the warning that there are communist elements close to Khumeini.

The military regime headed by General Zia ul Huq undoubtedly views the situation in Iran with great concern especially as it will soon have to decide as to how to deal with the situation emerging from the completion of Bhutto's appeal in the Supreme Court. The decision of the Supreme Court will necessarily be a political one.

Interviews with Leaders

During the months of November and December a series of interviews with political leaders were broadcast on television. The interviewed politicians included Maulana Mufti Mahmud (JUI), Nawabzada Nasrullah Khan (PDP), Sherbaz Khan Mazari (NDP), Mian Tufail Muhammad (JI), Shah Ahmed Noorani (JUP) and Khan Ashraf Khan (KT). The remaining two major parties of the original Pakistan National Alliance have not so far participated in this series. Asghar Khan (TI) has refused to participate unless the interview is broadcast live and without editing; and the Muslim league, in view of its internal crisis and subsequent split into a Pagara group and a Chattha group, has also understandably not yet participated. Neither has the PPP participated in this series under the present conditions.

Thus, the parties that have participated in these interviews are all Islamic parties and these interviews highlight some of the internal contradictions within the Nizam-i-Mustafa movement and its relationship with the military regime.

Both Mufti Mahmud and Mian Tufail appeared as apologists for the military government. Mufti Mahmud appeared almost as a spokesman for the military regime explaining the weakness of the co-opted PNA government as due to the non-co-operation of the bureaucracy. He even agreed to nominations to local bodies as long as the provincial governments were first formed. Mian Tufail Muhammad made the claim that prices were being stabilised and that there was a downward trend in the prices of certain items.

Interesting differences emerged concerning the introduction of the Islamic system within the country. Shah Ahmed Noorani was of the view that the enforcement of the Nizam-i-Mustafa was not necessarily a gradual process but could be enforced within 24 hours. Mian Tufail Muhmmad claimed that the foundations for the Islamic system would be laid within the next few months while the entire system would be changed after elections. Nasrullah Khan considered that the introduction of the Nizam-i-Mustafa required mental preparation and could not be confined merely to changes in the penal laws.

Many of these leaders apparently believe that with the introduction of the Nizam-i-Islam all political and economic problems of Pakistan will be solved. Khan Ashraf Khan considered that the enforcement of an Islamic system would slove the provincial autonomy issue. Strict adherence to Islamic principles would lead to the resolution of the problems of the peo-

ple, according to Mufti Mahmud.

Each religious leader emphasised particular aspects of the Islamic system they desired. Mufti Mahmud outlined the Islamic economic system as being based on Zakat (a wealth tax), Ushr (a tax on agricultural incomes) and interest free banking. Nasrullah Khan emphasised freedom of expression in Islam and government responsibility for the economic support of the people. Mian Tufail outlined the Islamic economic system as one in which wealth flows from top to bottom (it is the other way round in the capitalist and socialist systems according to him). He rejected indirect taxation, but felt that the existing economic system based on interest could not, however, be uprooted in a short time. Shah Ahmad Noorani felt that the present taxation system was oppressive and unnatural for Muslims. He considered high expenditure on administration intolerable in an Islamic system and exphasised the need to introduce Zakat and Ushr.

The issue of separate electorates for the non-Muslim communities was generally advocated by the religious parties and opposed by Sherbaz Khan Mazari (NDP). For Mian Tufail Muhmmad, abandoning of separate electorates meant denying the very foundation of Pakistan. Nasrullah Khan considered separate electorates as a demand of the minority communities themselves.

Shah Ahmed Noorani accused the PNA politicians as being responsible for the postponement of elections in October last year and indicated that it was at their request that Zia-ul-Huq had postponed the elections. While Mufti Mahmud held that Pakistan should quit all defence pacts such as CENTO, Shah Ahmed Noorani was opposed to dissociation from CENTO. Sherbaz Khan Mazari criticised the views of Shah Ahmed Noorani that a strong centre alone can make the country strong and felt that the rights of smaller provinces and their autonomy needs to be reviewed.

In foreign policy all the religious parties emphasised relations with Muslim countries and all except for Nasrullah Khan ignored the broader alliance with all underdeveloped and Third World countries.

On the objectives of the PNA movement Mufti Mahmud emphasised the need to remove Bhutto and defeat the PPP while other leaders such as Noorani and Nasrullah laid greater emphasis on the restoration of democracy and the holding of fresh elections.

What none of these Islamic leaders touched upon were the real issues and problems facing Pakistan. In their view, what was most important and urgent was the ushering in of the Islamic system, when all problems will disappear and a state of bliss and plenty will be ensured.

Selection for Central Services

Baldev R Sharma

IN its meeting held at New Delhi on October 30, 1978, the Union Cabinet, decided to remove the language curbs hitherto in force for Central examinations. The new selection policy for Central services, according to the press reports, lays down that (a) the civil services will henceforth have a preliminary qualifying examination; (b) only those qualifying in the preliminary examination will appear at the main examination, and (c) candidates appearing in the main examination will be free to answer their question papers (except for the English and the language papers) in English or any other language listed in the Eighth Schedule.

As one who has been interested for long in the question of recruitment to higher occupations in business, industry and government, I welcome the proposed change in policy allowing candidates to answer question papers in a language of their choice. A change such as this was much needed and, in fact, long overdue. Intelligence, ability or skill is not the monopoly of those who are proficient in English or for that matter in any one particular language. And yet we have been selecting our professionals, managers and administrators almost entirely on the basis of their proficiency in English. Unfortunately, as a result of this policy, the middle and upper-middle classes of urban origin have continued to grab the lion's share of the most powerful positions in society. As years passed and as regional languages became the medium of instruction in more and more states, inequities further multiplied. To right this wrong or at least to reduce the growing disparities, the proposed change in the selection procedure for central services can indeed go a long way.

But the villains are two, not one. Besides English being the medium of testing, the so-called "objective" tests in use today are also responsible for the perpetuation of the elitist bias in higher occupations. This method of testing has been borrowed from USA where such tests are widely used in practically all walks of life. Although more work is required to arrive at definite conclusions, my researches so far have shown that in India the so-called "objective" tests seem to be biased in favour of the well-to-do candidates of urban origin and against the less-privileged candidates, particularly the rural poor. This is because the urban candidates from well-to-do homes are relatively more familiar with this "Western" method of evaluation as a result of which they tend to perform better in such tests. In most of the educational institutions in our country, on the other hand, evaluation through "objective" tests is unheard of. Thus, candidates from metropolitan centres and those from English-medium institutions have a definite edge over others because of their relatively greater exposure to the so-called "objective" tests. This is known as "test-wiseness".

The new policy of the government raises at least two questions. First, what will be the medium for the preliminary qualifying examination? If it is English, then the proposed policy change is likely to have merely an academic value. Second, what method of testing will be employed for the preliminary qualifying examination? If it is an "objective" test, then I am afraid things are unlikely to improve as a result of the revised policy. Let me explain the reasons for my pessimism. Even though the marks obtained in the preliminary qualifying examination will have no weightage nor will they serve any other function in the selection process, the twin factors — *objective* test and the *English* medium — will have done so much damage that the corrective effort proposed to be introduced in the *main* examination will be of little consequence. As I have tried to argue, these two factors are bound to provide an undue advantage to the top 20 per cent of our population and a serious handicap to the remaining 80 per cent. I say this not on the basis of speculation nor as a prophet of doom and gloom but as a research scientist. The findings of my earlier studies on the subject point to a direct connection between the language as well as the nature of the selection tests, on the one hand, and the emergence of socio-economic inequalities, on the other.*

As a result of the new policy, a larger number of candidates are likely to compete for the central services. If the initial screening is done on the basis of performance in "objective" tests using the English medium, candidates qualifying for the *main* examination (barring those coming through the reservation quota) will be overwhelmingly well-to-do persons of urban background. In fact, the elitist trend among the new recruits is likely to be even more pronounced than that already observed. The removal of language curbs during the *main* examination, therefore, will have little meaning as the reduced number of candidates reaching that stage are likely to opt for the English medium anyway. On the other hand, a vast majority of the candidates for whom the new policy is really intended are likely to have been eliminated from the race as a result of the initial screening! As I said before, the policy adopted by the Union Cabinet on October 30, 1978 is indeed good. However, before the Union Public Service Commission is asked to go ahead with the preliminary qualifying test, the government must guard against the potential harmful consequences of this innovation.

* (1) "What Makes a Manager: Merit, Motivation or Money?", *Economic and Political Weekly*, May 27, 1972.

(2) "Professionals in the Making: Their Social Origin", *Economic and Political Weekly*, February 28, 1976.

(3) "Selection of Future Managers: Implications for Social Justice and Equality", *Social Action*, April-June 1977.

(4) "Selection of Future Managers: Relevance of Admission Procedures", *Management and Labour Studies*, June 1977.

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Carbonless Copy Papers, which will be manufactured for the first time in India, will be used by Industries, Banks, Business Houses, Computers, Airlines, Hotels, Printers and many other requiring copies. M/s. Nashua Corporation have agreed to help the Company in exporting its products from the start of production for which a vast potential exists in Asia and Middle East countries. The Company will earn valuable foreign exchange by exporting its products. The Directors are of the opinion that barring any unforeseen circumstances, the Company will be able to earn sufficient profits to pay dividends to the shareholders within a reasonable time.

IMPORTANT TAX BENEFITS:

Being in a backward area, the benefits to which the Company is entitled are — Deduction @ 20% of the Company's income for a period of 10 assessment years, Central Cash subsidy of Rs. 15 lacs, exemption from electricity duty for 3 years and interest free loan from State Government against payable inter-state Sales Tax for a period of three years. Besides, our project is entitled to deduction from income @ 7.5% per annum on the total capital employed for 5 years, 25% investment allowance on the installed cost of the Plant and Machinery, and amortization of preliminary expenses over a period of 10 years. In addition, investment by shareholders in equity shares of the Company will be totally exempt from Wealth Tax for a period of 5 years, and even after 5 years shareholders will continue to enjoy Wealth Tax exemption benefits, provided the value of investment in equity shares of the Company together with the value of their other assets does not exceed Rs. 1.50 lacs. The shareholders will be eligible to deduction in the computation of taxable income, 50% of the amount invested in equity shares of the Company, the maximum income in a year qualifying for such deduction being Rs. 10,000/-. Shareholders will be exempt from Capital Gains Tax if sale proceeds arising from the transfer of an asset are re-invested within 6 months in shares of the Company.

PROJECT COST:

The total estimated cost of the project is Rs. 17.40 crores and will be financed by Term Loan (Rs. 11.60 crores) Share Capital (Rs. 5.65 crores) and Central Cash Subsidy (Rs. 15 lacs).

SHARE CAPITAL

A. **Authorised**
75,00,000 Equity Shares of Rs. 10/- each — Rs. 7,50,00,000

B. **Issued, Subscribed & Paid-up**

			Face Value (Rs.)	Paid-up (Rs.)
i)	1,704	Equity Shares of Rs. 10/- each allotted to the subscribers to the Memorandum and Articles of Association of the Company which have been fully paid-up for cash at par.	17,040	17,040
ii)	9,41,858	Equity Shares of Rs. 10/- each fully paid-up allotted for cash at par to the Promoters, Directors, their friends, associates, associate companies and others.	94,18,580	94,18,580
iii)	27,300	Equity Shares of Rs. 10/- each subscribed by and allotted for cash at par to the Promoters, Directors, their friends, associates, associate companies and others Rs. 7.50 paid-up per share.	2,73,000	2,04,750
iv)	12,89,138	Equity Shares of Rs. 10/- each subscribed by and allotted for cash at par to the Promoters, Directors, their friends, associates, associate companies and others Rs. 5/- paid-up per share.	1,28,91,380	64,45,690
			2,26,00,000	1,60,86,060

C. **Now offered to the public for subscription for cash at par**
33,90,000 Equity Shares of Rs. 10/- each Rs. 3,39,00,000

Terms of Payment:

Application for shares must be for a minimum number of 50 Equity Shares or multiples thereof and the amount payable shall be as under:
1. On Application : Rs. 2.50 per share
2. On Allotment : Rs. 2.50 per share
3. Balance Rs. 5/- per Equity Share shall be payable in two calls of Rs. 2.50 each.

There shall be an interval of one month in between allotment and the first call and also between the two calls. At least 30 days notice shall be given by the Company for each such call.

BOARD OF DIRECTORS

Mr M. M. Sehgal: Chairman & Managing Director
Mr J. B. Dadachanji, Mr P. L. Dabral: IDBI Nominee
Mr Carlos E. Stafford, Mr A. N. Mathur: HSIDC Nominee
Mrs Anjali Sehgal, Mr L. C. Arora: IFCI Nominee

SECRETARY

Mr D. C. Rostogi

LEGAL ADVISERS

J. B. Dadachanji & Co., Jeevan Vihar, Parliament Street, New Delhi-110 001.

AUDITORS

S. N. Dhawan & Co., Chartered Accountants, C-37, Connaught Circus, New Delhi-110 001.

ISSUE HOUSE

MAS Services Pvt. Ltd., AB-4, Safdarjang Enclave, New Delhi-110 016.

UNDERWRITERS

	Rs. in lacs
A. **Institutions**	
Industrial Development Bank of India, Jolly Maker Chambers, 227, Backbay Reclamation Scheme, Bombay-400 021.	180.00
Industrial Finance Corporation of India, Bank of Baroda Building, Parliament Street, New Delhi-110 001.	90.00
The Industrial Credit & Investment, Corporation of India Limited, 163, Backbay Reclamation, Bombay-400 020.	15.00
Life Insurance Corporation of India, Central Office, Jeevan Bima Marg, Bombay-400 021.	10.00
B. **Brokers***	
Bhupendra Champaklal Devidas	1.00
Behari Lal & Co.	0.75
Harbans Singh Mehta & Co.	0.50
Vinod Kumar & Co.	0.50
V. N. Bhasin & Co.	0.50
P. S. Khambete & Co.	0.50
Prabhudas Lilladhar	0.50
Jalan & Co.	0.50
D. S. Purbhoodas & Co.	0.50
Porecha Brothers	0.50
L. K. Panday	0.50
Stewart & Co.	0.50
Santosh & Co.	0.50
Ram Nanda & Co.	0.25
M. R. Soni & Co.	0.25
Magan Lal T. Vora	0.25
M. J. Patel	0.25
Vijay & Co.	0.25
M. Nanjappaiah Jahgirdar	0.25
Champaklal Bhailal Chokshi	0.25
Total	304.00

The Promoters have given an undertaking to the Financial Institutions that in the event of the Public Issue not being fully subscribed, they shall further subscribe upto 3,50,000 Equity Shares of Rs. 10/- each not underwritten against which they have already advanced Rs. 35 lakhs as an unsecured loan.

*The addresses of BROKERS are given under the Heading "BROKERS TO THE ISSUE"

BANKERS OF THE COMPANY

Punjab National Bank, Parliament Street, New Delhi-110 001.

State Bank of Patiala, 28, Kasturba Gandhi Marg, New Delhi-110 001.

State Bank of Patiala, 32-33, Nehru Place, New Delhi-110 019.

United Commercial Bank, Parliament Street, New Delhi-110 001.

United Commercial Bank, 93, Nehru Place, New Delhi-110 019.

Indian Overseas Bank, 93, Nehru Place, New Delhi-110 019.

State Bank of India, Sehgal Nagar, P.O. Dharuhera, Distt. Mohindergarh, Haryana-122 106.

BANKERS TO THE ISSUE

Punjab National Bank, Parliament Street, New Delhi-110 001.

State Bank of Patiala, 28, Kasturba Gandhi Marg, New Delhi-110 001.

United Commercial Bank, Parliament Street, New Delhi-110 001.

Indian Overseas Bank, 92-93 Nehru Place, New Delhi-110 019.

State Bank of India, Parliament Street, New Delhi-110 001.

MANAGING BROKER

Behari Lal & Co., Delhi Stock Exhange Bldg., New Delhi-110 002.

JOINT MANAGING BROKER

Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi-110 001.

BROKERS TO THE ISSUE

DELHI

Behari Lal & Co., Stock Exchange Building, Asaf Ali Road, New Delhi-110 002.

Harbans Singh Mehta & Co., Regal Building, Parliament Street, New Delhi-110 001.

Jalan & Co., Stock Exchange Building, Asaf Ali Road, New Delhi-110 002.

J. C. Mehta & Co., 308, Dreamland, 1/18-B Asaf Ali Road, New Delhi-110 002.

S. B. Dewan & Co., 33, Stock Exchange Building, Asaf Ali Road, New Delhi-110 002.

R. K. Chugh & Co., 6 & 54, Stock Exchange Building, Asaf Ali Road, New Delhi-110 002.

P. S. Khambete & Co., M-45, Connaught Circus, New Delhi-110 001.

R. K. Ahuja & Co., 1/18-B, Asaf Ali Road, New Delhi-110 002.
V. N. Bhasin & Co., A-88, Defence Colony, New Delhi-110 024.

Vinod Kumar & Co., A-6, Connaught Place, New Delhi-110 001.

Bharat Bhushan & Co., 107, Rohit House, 3, Tolstoy Marg, New Delhi-110 001.

Surinder Rode & Co., 21-B, Bara Bazar Marg, 1st Floor, Rajinder Nagar, New Delhi-110 060.

Bhupendra & Co., 49, Stock Exchange Building, Asaf Ali Road, New Delhi-110 002.

D. B. Malhotra & Co., 13, Stock Exchange Building, Asaf Ali Road, New Delhi-110 002.

R. K. Relan & Co., F-Connaught Place, New Delhi-110 001.
Arkay & Co., 30, Stock Exchange, Asaf Ali Road, New Delhi-110 002.

Ram Nanda & Co., 35, Netaji Subhash Marg, New Delhi-110 002.

M. R. Soni & Co., 43, S. E. Building, Asaf Ali Road, New Delhi-110 002.

BOMBAY

Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street, Bombay.

Prabhudas Lilladhar, 5-A, Hamam Street, Fort, Bombay.
Lewis & Jones, Bombay Samachar Marg, Bombay.

Valji Bhimji & Co., 24, Stock Exchange Central Bldg., Dalal Street, Fort, Bombay.

Dalal & Broacha, 29, Stock Exchange Central Bldg., Dalal Street, Bombay.

Batlivala & Karani, Dalal Street, Fort, Bombay.
Kaiki J. Khambata, Central Stock Exchange Bldg., Room No. 34, 3rd Floor, Share Bazar, Fort, Bombay.

Jasvantlal Chhaganlal, 9/10 Dalal Street, Bombay.

Trambak Lal Ratilal Parekh & Sons, 5-A, Hamam Street, Fort, Bombay.

K. Motiram Vakil, Stock Exchange Central Building, Dalal Street, Bombay.

Mehrwanjee Bomanjee Dalal, Allahabad Building, Apollo Street, Bombay.

Harkisondass Lukhmidass, Bombay Samachar Marg, Bombay.
D. S. Purbhoodass & Co., Stock Exchange Building, Apollo Street, Bombay.

Porecha Brothers, 19, Stock Exchange Building, Bombay Samachar Marg, Bombay.

Narandas & Sons, Union Bank Building, Dalal Street Bombay.

L. K. Panday, 45/47, Apollo Street, Bombay.

K. J. Shah & Sons, 19, Stock Exchange Building, Bombay Samachar Marg, Fort, Bombay.

D. M. C. Mehta, 37, Bhupen Chambers, Dalal Street, Fort, Bombay.

M. J. Patel, 107, Stock Exchange New Bldg., Bombay Samachar Marg, Fort, Bombay.

Magan Lal T. Vora, 1st Floor, 23, Bhupen Chambers, Dalal Street, Bombay.

CALCUTTA

C. Mackertich, 7, Lyons Range, Calcutta.
N. L. Roy & Co., 7, Lyons Range, Calcutta.
M. M. Murarka & Co., 7, Lyons Range, Calcutta.
G. M. Bosu, 7, Lyons Range, Calcutta.
Stewart & Co., 14, India Exchange Place, Calcutta.
Place Siddons & Gough Pvt. Ltd., 6, Lyons Range, Calcutta.
G. M. Pyne, 14, India Exchange Place, Calcutta.

MADRAS

Subramaniam & Co., 13/14, Second Line Beach, Madras.
Venkataraman & Co., P.B. No. 1510, 322-23, Linghi Chetty Street, Madras.

Paterson & Co., P.B. No. 48, Vanguard House (3rd Floor), 11/12, 2nd Line Beach, Madras.

Kothari & Sons, 20, Nungambakkam High Road, Madras.
Dalal & Co., National Insurance Building, 362, NSC Bose Road, P.B. No. 149, Madras.

BANGALORE

Bhagya & Co., 139, Gandi Bazar, Near Canara Bank, Bangalore.

Lokkur & Co., Post Box No. 9631, Kempegowda Road, Bangalore.

M. Nanjappaiah Jahgirdar, 206, Cavalry Road, Post Box No. 4271, Bangalore.

Alan J. Chaves, 19/3, Cunningham Road, Bangalore.

Jahgirdar & Co., 21, 2nd Main Road, Seshadripuram, Bangalore.

Vijay & Co., 9-Eleventh Main Road, Malleswaram, Bangalore.

AHMEDABAD

Popatlal Harilal Khandwala & Co., 1st Floor, Rupawala Building, Above Dena Bank, Manekchowk, Ahmedabad.
Chimanlal Lalbhai, 2286, Manekchowk, Ahmedabad.
Champaklal Bhailal Chokshi, Manekchowk, Near Share Bazar, Ahmedabad.
Nareshchandra Lalbhai Parikh, Manekchowk, Ahmedabad.
Gordhandas N. Gupta & Co., Anandji Kalyanji Building, Opp. Dhanasuthar's Pole, Relief Road, Ahmedabad.

HYDERABAD

Ganpatlal Sharma, 4-4-288, Sultan Bazar, Hyderabad.
P. B. Afzulpurkar, 4-5-195, Sultan Bazar, Hyderabad.
Bhagwandas Jaju, 1183, Lad Bazar, Hyderabad.
Laxminarayan Rathi, 4-5-173, Hashmat Gunj, Sultan Bazar, Hyderabad.

INDORE

Pushkarlal Ghudawala, 44, Bada Sarafa, Indore.
Govindas Shrikishan Agrawal, 97, MT Cloth Market, Indore.
Santosh & Co., 1st Floor, Flat No. 5, Yeshwant Niwas Road, Indore.

APPLICATION FORMS AND PROSPECTUS:

Application forms and copies of the Prospectus may be obtained from the Company's Registered Office, the Underwriters, Brokers and Bankers to the Issue named above or from any of the offices of the Bankers to the Issue named in the Application Form.

ISSUE MANAGED BY

Champak Lal Investment & Financial Consultancy Ltd., Regent Chambers, 208, Ceremonial Boulevard, Nariman Point, Bombay-400 021.

Issue opens on 5th February 1979.

Issue closes on 16th February 1979 or earlier but not before 7th February 1979.

Political Imprisonment and Torture in India

Amnesty International Report

AMNESTY INTERNATIONAL (AI) was on a mission to India between December 31, 1977 and January 18, 1978, and submitted a Report on its mission to the Government of India on September 21, 1978. The Report, and the Government of India's official response to the Report in the shape of a 'Note on Some of the Main Points raised in the Memorandum forming part of the Report of the Amnesty Internal Mission to India' dated November 17, 1978, was released by AI on January 10. A slightly edited version of the summary of AI's findings, and Appendix B of the Report consisting of the interviews AI carried out with some of the prisoners (in one case, a dead prisoner's relations) in Kerala and West Bengal who personally experienced police torture and, in two cases, survived police shootings, is presented below.

Summary of Report

RESTORATION OF RULE OF LAW AND PROTECTION OF FUNDAMENTAL RIGHTS

On March 21, 1977 Indira Gandhi's Government revoked Emergency which it had declared for internal reasons on June 25, 1975. This action implied that fundamental rights were restored, that the right of *habeas corpus* could be enforced. It also implied that the most objectionable provisions of Emergency legislation affecting political imprisonment — the drastic amendments made to the Maintenance of Internal Security Act during the Emergency, providing the government with unlimited powers to detain persons indefinitely without access to the courts — automatically ceased to obtain.

On March 24, 1977, the new government took office and immediately took rigorous steps for the release of the thousands of political prisoners still held in detention. It restored the independence of the judiciary and the Lok Sabha repealed the Publication of Objectionable Material Act, 1976. In September 1977, the Defence of India Rules (DIR) lapsed automatically. Under the provisions of the DIR, and of the Maintenance of Internal Security Act (MISA), thousands of political prisoners and, indeed, very many prisoners of conscience, had been held during the Emergency.

On May 15, 1978, the Law Minister introduced the Constitution 45th (Amendment) Bill in the Lok Sabha, which provides guarantees that the legal enforcement of the right to life and personal liberty cannot be suspended during an Emergency. But other fundamental rights can still be suspended in such a situation.

DETENTION IN INDIAN LAW

Preventive detention is the holding of a person without trial when the evidence available is not sufficient for him or her to be charged or for a conviction to be secured by legal proof. Preventive detention was introduced in India under the British colonial administration and has since frequently been used both by the Central and state governments. Preventive detention laws, initially enacted for a stated limited purpose, have often been given wider application and have been used instead to detain peaceful opponents of the government in power. Since 1970, the main instrument for preventive detention has been the Maintenance of Internal Security Act (MISA), enacted by the Central government. This Act was used indiscriminately during the recent Emergency to detain thousands of prisoners of conscience for indefinite periods without trial. In India, preventive detention is permitted by Article 22(3)-(7) of the Constitution, and there is no present intention on the part of the government to abolish it.

On December 23, 1977, Janata party government introduced the Code of Criminal Procedure (Amendment) Bill, which was to have retained preventive detention. But in the face of vocal opposition from civil liberties organisations and the press, the government announced on March 23, 1978 that it would withdraw the Bill and the Lok Sabha passed another Bill unconditionally repealing the 1971 Maintenance of Internal Security Act.

Although the Central Government Bill has not been enacted in view of considerable pressure from public opinion against it, five states — Andhra Pradesh, Rajasthan, Uttar Pradesh, Madhya Pradesh and Jammu and Kashmir — retain preventive detention laws. The Central government has no intention of advising them to repeal these laws. The widest powers for preventive detention at present exist in Jammu and Kashmir.

CURRENT POSITION OF POLITICAL PRISONERS

After the ending of Emergency, nearly all prisoners of conscience were immediately released. The Amnesty International report expresses concern about the continued imprisonment of the following two groups:

(a) *Political prisoners held under MISA:*

On July 1, 1978 the Minister of State for Home Affairs stated that a total of 86 persons were still in detention under MISA, the majority of them 'foreigners' but also 13 Indians held in connection with security reasons. In view of the observations made in the report about the practice of holding political prisoners in long-term preventive detention without trial or charges, for reasons of security of the State, and considering that government has never claimed that there is any evidence of a criminal nature against these prisoners, Amnesty International regards all these prisoners as prisoners of conscience.

(b) *Other political prisoners:*

Political prisoners of various political persuasions have been arrested on *suspicion of alleged extreme left-wing* activities and are commonly referred to as 'Naxalites' (officially, the Communist Party of India, Marxist-Leninist). These political prisoners have been arrested from 1969 onwards, the majority of them in the early 1970s. In September 1974, Amnesty International published a report, *Short Report on Detention Conditions in West Bengal Jails,* describing the inhuman conditions in which these prisoners were being held, and pointing out that many prisoners allegedly belonging to the Communist Party of India (Marxist-Leninist) and also to the Communist Party of India (Marxist) had been arrested for security reasons under preventive detention laws and had subsequently been charged with a number of criminal offences punish-

able under the Penal Code or the Arms Act, such as participation in unlawful assemblies, conspiracy, attempted murder, murder, robbery or illegal possession of arms. However, in most cases the prisoners were not brought to trial.

Amnesty International estimates that, in the three Indian states it was able to visit, at least 500 political prisoners in this category were being held, apart from several hundred more in other Indian states (such as Bihar, Tamil Nadu, Punjab and Orissa). These figures were confirmed by official statistics in March 1978, when the government stated that the total number of 'Naxalites' in prison was 894, including 247 in Andhra Pradesh, 286 in Bihar and 199 in West Bengal. (The latest government figure is that there were 373 'Naxalites' in prison as of August 1, 1978).

The Home Minister explained to the Amnesty International delegation that, although the Central government had recommended that all such prisoners held for more than five years should be released under certain conditions, the release of these political prisoners was a matter for the states to decide upon, since the maintenance of law and order was a state responsibility. It is indeed true that in the federal system of government in India, the division of powers between the Central government and the states has allowed state governments sensitive to political activities such as those of the Naxalites to adopt differing policies for the release of this type of political prisoner; as a result of which in some states there are still some political prisoners held for more than five years without having been tried, whereas in other states, such as West Bengal, the vast majority have now been released.

Torture of Political Prisoners and Deaths in Police Custody

Torture :

There has been evidence in Indian courts to suggest that police brutality towards suspects during interrogation has for a long time been a common occurrence in India. Specific allegations of torture of political suspects began to reach Amnesty International in the 1960s, and the most detailed allegations to have reached Amnesty International are from those areas where the 'Naxalite' movement has been active.

Amnesty International, in its 1974 *Short Report on Detention Conditions in West Bengal Jails*, detailed several cases of torture of alleged Naxalite prisoners and expressed serious concern about the occurrence of torture in various Indian states, a concern which increased after the 1975 Emergency declaration when allegations of the torture of political prisoners reached the organisation from nearly all over India.

During their visit to India, the Amnesty International delegates interviewed seven victims of torture, two of whom are now disabled as a result of the treatment they received after arrest. The allegations of torture include the beating of prisoners with lathis and guns, beatings on the soles of the feet, extinguishing cigarettes on sensitive parts of the body, rape, threatened execution, and the prolonged hanging of suspects upside down, suspended from the knees. Many of those to whom the delegates spoke told Amnesty International that legal formalities, such as the right to appear before a magistrate within 24 hours of arrest, were often not observed. In Kerala, the police are alleged to have forged the daily records of arrest in the case of a political prisoner who is believed to have died in custody.

The interviews confirm that a pattern of police brutality towards suspects during interrogation already existed long before the declaration of Emergency. In the case of political prisoners suspected of holding extreme political views, this has resulted frequently, and particularly during Emergency, in ill-treatment, torture and, in some cases, even in death as a result of police torture.

Deaths in police custody :

The case of engineering student P Rajan has become a symbol in India of the type of police excesses which occurred during the Emergency. Rajan died on March 2, 1976 as a result of now officially admitted continuous torture inflicted on him by the police. So far as Amnesty International is aware, this is the only case where a criminal prosecution has been instituted against individual police officials for participating in acts of torture leading to the death of a political prisoner.

In the state of Kerala, the Amnesty International delegation was told of similar cases to that of Rajan. Amnesty International has interviewed the relatives and friends of one of them, Vijayan Nair of Varkala and, on the basis of its interview, has no reason to doubt that Vijayan Nair died in Sasthamangalam Crime Branch Police Camp on March 8 or 9, 1976 as a result of continuous police torture. Similarly, during its visit to West Bengal, Amnesty International received allegations that political prisoners had died in the custody of the police of Lal Bazar Police Station prior to Emergency declaration, and similar cases are also believed to have occurred in other Indian states which Amnesty International has not been able to visit.

Recent experience has confirmed that existing legal safeguards in Indian law have not proved sufficient to protect a substantial number of Indian citizens from being subjected to severe ill-treatment and torture.

Killings of Political Prisoners in 'Encounters' and 'While Trying to Escape'

There have been serious allegations over the past ten years that political prisoners have been killed by police forces 'while trying to escape from prison' or in 'encounters with the police'. Amnesty International considers torture and the killing of political prisoners by police forces to be most serious violations of human rights.

Allegations of this nature have been of longstanding concern to Amnesty International. The *Short Report on Detention Conditions in West Bengal Jails* listed 12 jail incidents in which 88 political prisoners died between 1970 and 1972 in the states of West Bengal and Bihar, and cast serious doubts on the official explanation that these prisoners were shot 'while trying to escape from prison'. In Andhra Pradesh, the allegations are that between 300 and 500 Indians were killed by police forces during the years 1968 to 1977, following arrest, in staged 'encounters'. According to official statistics, 214 persons are stated to have died in encounters with the police in the period from 1968 to 1977, but local civil liberties organisations (some of whom are members of left-wing political parties) maintain that nearly all of these were in fact deliberately killed by the police. So far, no police officials alleged to have been involved in the 'encounter' killings have been suspended.

Since 1968, certain parts of Andhra Pradesh have been declared 'disturbed areas' and it has been alleged that

the majority of the encounter incidents took place in these. In 'disturbed areas' the police are empowered "if it is necessary to do so for restoring or maintaining law and order" to fire upon groups of more than five people — even without warning — if in their opinion their assembly is unlawful, or upon persons found carrying weapons or things capable of being used as weapons. Such actions by the police cannot be challenged in any court, except with the sanction of the state government concerned.

Prison Conditions

During its visit, the Amnesty International delegation was given the opportunity to visit prisons in New Delhi, Calcutta and Hyderabad.

In Delhi's Tihar Jail, the Amnesty International delegates saw one prisoner in bar fetters. He has been held continuously in this condition for approximately 18 months. Bar fetters consist of an iron ring round the ankle, each of which is attached to an iron bar some 20 inches long, the bar being connected to another iron ring round the waist. The fetters prevent the prisoner from running, bending or climbing, and they have in the past often been used on alleged Naxalite prisoners. Amnesty International was told by prison officials that they were used only on individuals inclined to physical violence, or who had actually attempted to escape from prison. However, according to officials in Calcutta's Presidency Jail, the iron fetters could also be used for 15 days as a punishment, after which the Inspector General of Prisons had to authorise their further use. There is no limit in the prison rules on the length of time that they can be applied, and some prisoners were reported in the past to have been subjected to imprisonment in bar fetters for several years. Despite the official assurances received by Amnesty International, the use of iron fetters appears to be punitive rather than preventive.

In past years, prisoners held for 'security reasons' have been denied normal prison facilities and even medical treatment. Amnesty International notes that a provision to withhold ordinary 'medical, recreational and other facilities' from 'detenus' (political prisoners held in detention without trial) was also included in the new preventive detention law which government introduced after Emergency. Amnesty International believes that all political prisoners, including those held in detention without trial, should have access to all the facilities normally available to other prisoners. This is in line with the provisions of the Standard Minimum Rules for the Treatment of Prisoners: Rule 95. Furthermore, political prisoners who have not been tried should always be granted the rights guaranteed in the United Nations Standard Minimum Rules, such as the right to books and writing materials, to be visited by their own doctors and to inform their families of their detention. They should also have reasonable facilities for communication, be able to receive visits from a lawyer and be able to apply for legal aid.

Case Histories

Kerala

M P Appanu, of Kandakkai, Cannanore:

High school teacher. Arrested on December 19, 1976 from his home by police, who beat him in front of his 80-year old mother, in order to extract information. Taken to Crime Branch Office, Cannanore, where he was beaten with fists and lathis for one hour from 4.30 a m. At 10 a m, beatings continued, supervised by Sub-Inspector A, until the prisoner's head started bleeding. Appanu said he had twice been given the 'roller treatment': the prisoner was stripped naked and tied at both his knees and ankles, his hands tied behind his back; he was laid on a bench and rollers of wood were placed across his thighs; one policeman stepped on the roller, leaning on two policemen on either side, and then walked backwards and forwards on the roller over the prisoner's thighs. At the same time, the prisoner was being beaten on the soles of his feet. Appanu's students, arrested with him, were forced to beat their teacher. After 50 days' detention, he was given a detention order under the MISA. He was never brought to trial.

Dileep Kumar:

Arrested on April 15, 1971 by the Crime Branch, he was held for four months in detention, until after a *habeas corpus* petition had been presented on his behalf by two friends (the police had first denied his arrest). After four months, he was produced in court and charged with murder, after which he was transferred to prison. Prior to that he had been held by the police. On arrest, he was kicked with boots and beaten on the soles of his feet. He said he suffered continuous beatings on his chest with sticks and had been hung from the ceiling with his hands tied behind his back and, in this position, was beaten with guns. He was held for four years in prison as a prisoner under trial and, when brought to trial, was acquitted. He was released by a court order in January 1975. Kumar complained that, throughout the period of his imprisonment, his family, who came to meet him in prison, were sent back from the jail gate. He had not seen any member of his family throughout his imprisonment.

V S Narayan, Trivandrum:

Arrested in August 1970 fom Kotall. Following his arest, he was held for six months in Potakolli Camp. From December 26-29, 1970, Narayan says, he was tortured there by the police. His hands and feet were chained together and he was severely beaten with guns, while lying on the floor. As a result of this treatment, ribs in his back had been broken. X-rays made after his release show that his spinal cord was partially dislocated. While he was given some medical treatment in the jail hospital, he was never allowed outside hospital treatment. Only after his release in July 1977 did he receive specialist treatment, in Medical College. His back is still painful and, at the time of the interview, he was wearing a corset and had considerable difficulty in walking. Following his arrest in 1970, he was charged with murder and decoity. The case started in 1972 and ended in 1974 with his acquittal. He was then involved in another criminal case, which ended similarly in his acquittal in the same year. The last case finished in 1977, he was acquitted and was finally released in July 1977. As of the date of the interview, January 1978, he was under doctor's orders to keep complete rest.

West Bengal

Shambunath Shaha, Calcutta:

Arrested at 11 a m on November 16, 1970 by Calcutta Police. Shaha showed the marks of five bullet wounds in his back, three of which had penetrated to his chest, which he had received on the night of November 18, 1970 from police from the Lal Bazar Police Station. Following his arrest, he was taken to the local police station and beaten on the soles of his feet until they bled. He was then hung from an iron pole by his knees,

with his hands and feet tied together at his ankles, and beaten in this position. At 1 a m on the following morning he was taken to Lal Bazar Police Station, Calcutta, where he was asked the names and hiding places of Naxalites.

Following interrogation, he was taken by police officers to Salt Lake, outside Calcutta, where, handcuffed, he was taken out of the police car and hit by three shots fired at close range after being ordered to walk away from the car. When the police noticed he was still alive, he was taken in the back of the car to a site at the bank of the Ganges River, where another three shots were fired at him, two of which hit him. Remaining unconscious, Shaha was taken to a third place, near his home, and shot at once more. He was then taken by the police to Marwari Relief Society Hospital, where the following morning the police came to collect his body and the death certificate. However, Shaha had been operated on, the bullets had been removed and he was still alive. The police alleged that he had received the wounds in an encounter with the police on the morning of November 17, 1970, one day after his arrest. He remained in hospital until December 2, 1970, when he was again taken to Lal Bazar Police Station. He was finally brought to Presidency Jail, Calcutta.

The prisoner was charged with murder and, on March 15, 1973, acquitted of the charge by the sessions judge. He was rearrested under the preventive detention provisions of the Maintenance of Internal Security Act on February 2, 1974 and released on June 21, 1977 from Presidency Jail, when the new West Bengal Government assumed office.

Miss B (the name of Miss B is known to Amnesty International but is deleted at the request of this witness):

B was 16 years old at the time of her arrest. She was arrested in the afternoon of September 7, 1972 in Jadavpur, Calcutta, by the Eastern Super One Division of Calcutta Police and asked for information about 'Naxalite friends'. She was taken to Lal Bazar Police Station, Calcutta. The next morning she was brought before a magistrate but subsequently held in police custody for six days, after which was brought to Presidency Jail on September 12, 1972, where she stayed until December 11, 1973. She was then taken from Presidency Jail for interrogation for several days at Lal Bazar Police Station. She says that during these interrogations at Lal Bazar Police Station, by the 'Anti-Naxalite Squad' she was forced to lie face-down on a table, and was severely beaten with lathis, particularly on the hips and thighs. She resisted police officers who wanted to extinguish burning cigarettes on her body. Amnesty International was told by friends of B that, during the interrogations, she was raped twice, once on her arrest, in the DSG Office of the police, and once in Lal Bazar Police Station. She specifically mentioned the names of police officials involved in this treatment. She was taken back to Presidency Jail, Calcutta on January 4, 1974. She was finally released on February 4, 1976, without having been tried.

Barid Kanti Sarkar, alias Kanu, of Taltola, Calcutta:

Sarkar, a student at the time, was arrested between 4 and 5 a m on November 16, 1970 with three friends, and taken directly to Lal Bazar Police Station, Calcutta. The family were never told of his arrest and, on their making inquiries at the local police station, the police denied that Sarkar had been arrested. Sarkar says that from 8 p m that evening, he and his friends were beaten with lathis during interrogation and that he was threatened with death by Inspector N if he would not disclose information. He says that around midnight he was taken in a black jeep to a crossing of S N Banerjee Road and Durga Charan Doctor Road, Calcutta, where the policemen left the truck and planted bombs in Durga Charan Road, which exploded shortly afterwords. At 3 a m, the jeep drove to a quiet place along the Ganges, near Kashipur Rifles Factory, and he was told he would be killed if he did not disclose information. When he replied in the negative, Sarkar was then shot at at close range in the chest by Inspector N, and fell down in the jeep. He was taken to Calcutta Medical Hospital Emergency Department, where the police reported that he had been picked up at Durga Charan Doctor Road and that the police had shot at him in self-defence. Later, he was charged in a case under the criminal code, the charge sheet being dated November 17, 1970, and finally he was acquitted in the Sessions Trial No 1 of 1974 by the Court of City Sessions, Calcutta. He was subsequently charged in several other cases, but finally released on July 3, 1975.

Sarkar's body still shows the marks of the bullet wounds both in his back and chest. During the night he was shot, he says he also witnessed the killing, on the bank of the Ganga under similar circumstances, of Asoke Dutta, a friend of his arrested with him. Sarkar claims that, Asoke Dutta was shot at by the police and thrown into the Ganga, but the police deny his arrest and the shooting. The Democratic Lawyers Association in Calcutta have filed a complaint on behalf of Barid Kanti Sarkar in the metropolitan magistrates court, requesting that action be instigated under provisions of the Penal Code for murder against various officers of the Detective Department (Special Cell), Calcutta Police.

Sarkar has brought complaints against eight police officers before the Metropolitan Magistrate, Calcutta, that criminal proceedings be instituted against these police officers under Sections 302 (murder), 307 (attempted murder) and 201 ("causing disappearance of evidence of offence, or giving false evidence of offence, or giving false information to screen offenders") of the Indian Penal Code.

Archana Guha:

Archana Guha, 35 years old, is totally paralysed from the waist down, as a result of the treatment she received during police interrogation. At the time of her arrest, she was headmistress of Kolorah Girls' Junior High School, in Howrah, Calcutta. So far as Amnesty International is aware, Archana Guha had no involvement in politics, but was presumably arrested because the police suspected some of her relations to be involved in the Naxalite movement. Archana Guha's case is one of only two known to Amnesty International in the state of West Bengal where an individual action has been brought in court under provisions of the Indian Penal Code against police officers, requesting their prosecution for "voluntarily causing grievous hurt" (Articles 325/331 of the Penal Code), "wrongful confinement to extort confession" (Aticle 346 of the Penal Code) and "insult to the modesty of a woman" (Article 509 of the Penal Code).

Archana Guha was arrested about 1.30 a m on July 18, 1974, together with her sister-in-law, Latika Guha, and Gouri Chatterjee, a friend. They

were arrested by police officers who had searched the house and they were never shown a warrant of arrest. They were first taken to Cossipore Police Station and then transferred to Lal Bazar Police Station, Calcutta, where they were taken to the special cell of the detective department, on the first floor. "The special cell" consisted of three rooms arranged like an 'L', the middle room being the office of N, and the back room being the one where, according to Archana Guha, "tortures are being carried out". On July 18, at 10 am, Gouri Chatterjee was taken for interrogation and Archana Guha was forced to witness the treatment given to Gouri Chatterjee. Afterwards, Archana Guha was brought in and given similar treatment: her hands and feet were tied to a pole placed behind her knees. The pole was rested on two chairs and the prisoner hung with her head down. She was hit on the soles of her feet by Inspector S. Inspector N extinguished burning cigarettes on the soles of her feet and on her elbows, of which marks were still visible at the time of the interview. She was kicked with boots and the nails of her toes and fingers were burned. She fell unconscious. At 2 pm the three women were taken back to Lal Bazar lock-up and at 4 pm brought back for interrogation. She was again hung from a pole as before and drops of water were slowly dripped onto her forehead; she was burned on her feet and elbows and also again beaten on her feet and kicked. The next day, on July 19, 1974, the three women were taken to the Sealdah magistrates' court, but never brought before a magistrate. They were charged under various sections of the West Bengal Maintenance of Order Act and the Defence of India Rules. That same afternoon the three women were brought to the special cell for further interrogation, where Archana Guha was beaten on the head ("physical brainwashing") and forced to sign a printed paper, the contents of which she could not read but which she believed would implicate her in political actions. The same day Police Officer A B beat her on the head and threatened her with execution if she would not "confess". Inspector K K during interrogation pulled her by the hair and several times threw her against the wall. Her hair was pulled out from her forehead and she was pulled up from the floor by her hair and, while she was hanging in this position, she was kicked and burned. The same methods were applied the following day, July 20, when Archana Guha was also threatened with rape and hit on the head with a rope. She was unable to walk to her cell. From July 22 to August 1, 1974, almost every day the women were brought to the Special Cell. All three women prisoners remained in the police lock-up from June 18 to August 13, 1974 and never saw a lawyer.

On August 13, 1974, Archana Guha was taken to Presidency Jail, Calcutta, as an "under trial" prisoner and, on September 30, served with an order of detention under the MISA. Her physical condition deteriorated rapidly, she often fell unconscious, but was not given adequate medical treatment and her legs became disabled. On the insistence of other women prisoners, specialist doctors were finally called in and it was not until December 22, 1975 that Archana Guha, by then completely paralysed from the waist down, was taken to hospital for a minor operation on a gland. On January 24, 1976 she was returned to prison on a stretcher and only on February 9 did the jail authorities arrange for her transfer to Medical College, Calcutta, as a "life-saving case". She stayed in the hospital until November 17, 1976, when she was released on parole. The detention order against her was not revoked until May 3, 1977.

Amnesty International has had the medical reports prepared by Archana Guha's doctors examined by the Chief Neurologist of the Rigshospitalet in Copenhagen, who concluded that "It seems, however, beyond doubt that the 1974 torture caused a lesion of the lower part of the spinal cord, either because of a direct traumatic damage or secondary by development of a traumatic arachoniditis."

Interview with relatives of Vijayan Nair (known as Vijan), from Varkala, Kerala, who Amnesty International believed to have died in the custody of the police:

Vijan was arrested on March 5, 1976 and is thought to have died as a result of torture in Sasthamangalam Crime Branch Police Camp on March 9, 1976. He owned a bookshop selling left-wing literature, near his village, Varkala.

Two months before his arrest, on January 26, 1976, a warrant was issued for Vijan's arrest, and his bookshop was closed by the Crime Branch. Vijan was arrested at the Transport Bus Stand No 10, East Fort, Trivandrum. After his arrest he was taken to Sasthamangalam Crime Branch Police Camp by Inspector S D. Vijan's father gave Amnesty International the names of witnesses who had seen Vijan in police custody being tortured. According to these witnesses, who have made sworn statements before Varkala Magistrates' Court, Vijan was subjected to the 'roller treatment' and he was seen to be beaten severely on sensitive parts of the body. One witness has also testified before the local magistrate that he saw Vijan in an unconscious state in police custody and was threatened by the police, when released on March 12, 1976, not to disclose anything he had seen. Another witness has testified he saw Vijan vomitting blood and trying to stand but collapsing. These witnesses have named six police officers allegedly involved in torture but, so far as Amnesty International is aware, no action against these police officers has so far been taken. The statements of the witnesses of Vijan's treatment were made before magistrates at Varkala and Attingal and Pathanamthitta, in Trivandrum. Vijan was last seen on the evening of March 9, when his condition had weakened to the extent that he could not eat or drink. The magistrate inquiring into the incident had ordered the production of a diary of the date on which Vijan was thought to be arrested; lawyers have been able to prove that the entry was falsely replaced in the police record.

Financing Patterns

L C Gupta

Report on a Study of the Debt-Equity Ratio Norms by B K Madan; The Management Development Institute, New Delhi, 1978; pp x + 134, Rs 40.

THIS study may be said to fall into two distinct parts: the first part (chaps 2-4) surveys the trends, present institutional practices and the government regulations concerning debt-equity ratios while the second (chap 5) examines various suggestions and makes recommendations on debt-equity norms to be observed. By and large, the author finds nothing seriously wrong with the current practices. No radical, or even mildly radical, changes are, therefore, suggested.

Chapter 2 gives a useful bird's-eye view of the rules, guidelines and definitions prescribed by the Controller of Capital Issues with regard to debt ratios.

In the next chapter the author sets out to present the experience of Central- and state- level financial institutions regarding debt-equity ratios but ends up, unaware, with something quite different. The data presented in the chapter does not describe debt-equity ratios in the sense normally understood. They pertain to the financing pattern of project costs instead. A debt-equity ratio is meaningful for enterprises, not for projects. The proportion of debt used in the financing of a particular project may be quite different from the debt-equity ratio of the company undertaking the project. Only for entirely new companies can debt-equity ratios be compiled from the data on project financing. Debt-equity ratios are interpreted in terms of the ability of borrowers to service the debt whereas the financing patterns of projects have a different significance. Debt-equity ratios should always be computed for an enterprise taken as a whole, and not separately for each project that an enterprise may undertake from time to time.

The debt-equity ratios of companies are much lower than the impression created by the data on project costs presented in the study. This would be clear if one compares the data, given by the author, for ICICI-assisted companies with the data for IDBI- and IFCI- assisted companies. The former data have been drawn from "Financial Performance of Companies: ICICI Portfolio" (1974-75) published by the ICICI and relate to debt-equity ratios for companies, not projects. On the other hand, data for IDBI and IFCI were drawn from their annual reports and they show how project costs were proposed to be financed, not debt-equity ratios of companies undertaking the projects. The average debt-equity ratio for the ICICI-assisted companies was 0.38:1. The ratios for IDBI- and IFCI- assisted projects substantially exceeded 1:1 for an overwhelming majority of the cases, as per the author's data. Since the author has not drawn the reader's attention to the difference in the conceptual basis of the two sets of data or offered any comment on the sharp difference found, the reader may be misled into believing that ICICI permits lower debt-equity ratios than the other two all-India institutions. The comparability of data is also affected by the fact that while data about ICICI are based on actuals from company accounts, data about IDBI and IFCI are based on proposed financing schemes which may not necessarily materialise.

For the reasons given above, the data presented in chapter 3 about IDBI- and IFCI- assisted projects are not comparable also with data in chapter 4 about trends in debt-equity ratio. The latter chapter is based mainly on company finance studies carried out by the Reserve Bank from balance sheets of companies.

There is an interpretational difficulty about the data presented in chapter 3 for another reason. The IDBI- and IFCI- assisted projects are distinguished between "new" and "existing" units but it is not clear whether the term "units" refers to firms or plants, a very important economic distinction. The "firm" is the ownership or controlling entity while the "plant" is the establishment or factory. An existing firm may establish a new factory in a different location, say, in a backward area. It is not known how the various institutions would classify this project, whether as a new undertaking or as an existing undertaking. Perhaps in their anxiety to create a favourable impression, the financing institutions tend to classify new factories established by existing firms under the category of new units. Since the important thing to know is how far the financing institutions are assisting new firms, such new factories should not be classified as new units. The classification must relate to firms, not factories.

Chapter 5 brings out fairly clearly that the relaxation of debt-equity norms has gone fairly far, through concessions already granted in the case of projects located in backward areas, huge-sized projects, small entrepreneurs and technician entrepreneurs and also through institutional devices such as IFCI's Risk Capital Foundation, IDBI's Seed Capital Scheme, and Sales Tax Loan Schemes of several state governments. Madan generally takes the view that the present practices accommodate most of the needs. The "democratising" argument (see p 96) about relaxations in favour of medium-sized enterprises seems not very relevant. It would have been more illuminating if the study had been supported by an examination of the effects of different levels of debt on the financial performance of enterprises of various sizes. Such data would have provided a firm basis for formulating policies rather than going by hunches.

There are certain fundamental issues which ar not covered in the study but quite relevant from the viewpoint of governmental policies about debt-equity norms. Debt-equity ratios have been distorted considerably by the system of corporate taxation; the higher the tax incidence the greater the distortion. Because of this, the cost of capital for share financing is approximately 2½ times the cost of capital for loan financing. The old concept of making, for tax purposes, a sharp distinction between the creditor who lends money for interest and shareholder who invests for dividend is no more relevant for the modern corporation. The shareholder in a modern corporation is only a particular kind of lender, a lender who accepts a variable return on his money. His control over the affairs of the corporation is only nominal. As Galbraith once remarked, the shareholder has a vote but his vote is valueless. In any case, the preference shareholders have no voting power under normal circumstances. In fact, the lending institutions today exercise far more control over borrowing enterprises than the shareholders in general. The whole logic of allowing interest as a deductible expense for tax purposes but not allowing dividends needs to be re-examined. Why should a borrowing enterprise be

subsidised in this indirect manner while an enterprise relying largely or wholly on equity is not? The distortions can be corrected by changing the basis of corporate taxation, as has been repeatedly debated in economic literature in recent years. There is a good case for radical reforms in this area from the viewpoint of promoting greater efficiency in the use of resources by businesses.

It also appears to this reviewer that the present definition of debt, *viz*, borrowings repayable not earlier than five years, for purposes of governing debt-equity ratios is illogical and arbitrary. Madan's study does not examine this problem in depth. If the object of regulating the use of debt is to keep the debt servicing burden within safe limits, the regulation should apply to all continuous debt (excluding purely seasonal borrowing), whether formally long-term or not, such as the revolving bank credit. In fact, such short-term debt, which the present regulations leave out, constitutes a greater danger to the solvency of enterprises than long-term debt. The interest burden of such revolving debt is no less onerous than that on long-term borrowings. In the Western countries generally, the practice with respect to computation of debt ratios is to take into account the whole debt rather than long-term debt alone.

As regards classification of preference shares, Madan's stand is rather ambivalent. In the first place, it is quite a contradiction to treat short-maturity (less than 12 years) preference shares as debt while excluding short-maturity (below five years) borrowing from the definition of debt for regulatory purposes. Secondly, in the case of preference shares of whatever maturity, redumption is permissible only if equity funds can be substituted in their place, either by way of retention of profit or by way of a fresh issue of shares. Hence, for purposes of debt ratios, preference capital is part of permanent equity: it cannot be taken out from the enterprise without at the same time being replaced by equity. The present classification is completely misconceived.

The study appears to have missed the opportunity of driving home some simple truths and clarifying government's thinking on the several issues involved in this problem.

A final comment may be offered about the role of Capital Issues Control in the matter of debt-equity norms. Madan's study does not discuss whether Capital Issues Control need at all concern itself with debt-equity ratios. It is time to consider whether it will not be more appropriate to leave the evolution of lending norms to the lenders themselves who will, in any case, have to take lending decisions in the light of their own experience and assessment of situations. No debt-equity ratio becomes safer simply because the Controller of Capital Issues has prescribed it.

Imperialism and Unequal Development

Vinod Vyasulu

Imperialism and Underdevelopment by Samir Amin; Monthly Review Press, New York and London, 1977; pp 267, $ 12.95.

SAMIR AMIN hails from Africa and it is from this peripheral region that we have this already well known major breakthrough in Marxism. Amin can justifiably be considered one of the most important theorists in Marxism today and in Africa he is the present representative of such distinguished predecessors as Fanon and Cabral. Africa is also the region which has seen tremendous progress in revolutionary struggles, for example in Mozambique, Gunieau-Bissau, South Yemen, Zimbabwe and of course South Africa.

In his earlier book, "Unequal Development", Amin expounded the thesis that "when a system is outgrown and superseded, this process takes place not, in the first place, starting from its centre, but from its periphery".[1] The breakthrough in marxism that Amin represents, emerging as it does from the peripheral capitalist system represented by the continent of Africa, is further support to his hypothesis of unequal development. In his earlier book he had explained this theme with respect to both the birth of the capitalist system and also its current crisis. The book under review consists of some of the papers that were subsequently written in connection with the discussions provoked by the earlier book. (Some important related papers, such as Samir Amin's analysis of the New Internatio nal Economic Order, do not appear in this book.) It is therefore difficult to either review or read the present book on its own. But, even if one were to do so, it provides stimulation and gives one a vista that is tremendously exciting if it is viewed, as Amin suggests, in relation to the "general perspective of the rebirth of materialism which itself flows from the radicalisation of the anti-imperialist struggles" (p 1). There is, of course, no substitute for careful assessment and critical study on such major issues as those that Amin addresses. Such critical debate, based upon the specifics of the Indian situation is essential, and it is heartening to note that Indian scholars such as Ranjit Sau, have begun such discussion.

The book is divided into four parts: part one on historical materialism, capitalism and socialism including three papers: part two is on imperialism and underdevelopment and contains four papers; part three is on problems of transition and the building of socialism and once again contains three papers. In addition there is in part four a freshly written introduction and an erudite conclusion entitled "The end of a debate". There is a mathematical appendix which the average reader may skip and which, although it recognises the many limitations of non-dialectic mathematical treatments is used very effectively to make explicit what is already implicit in the discussion. As Amin says, other models and other assumptions can of course be constructed; the objective of the exercise is simply to illustrate rigorously and quantitatively (within limits), the earlier results of following the method of historical materialism. In this use of historical materialism Amin places himself squarely in the rebirth of Marxism that is now going on. He insists that the method of basic social sciences is not that of economic theory or any other compartmentalised discipline but of historical materialism (p 236 and elsewhere). From this emerges the basic premise that characterises the volume — the class struggle which determines the paths of development/ underdevelopment / revolution. Class struggle and its elucidation are the unifying elements in all the papers. For particularly interesting treatments see the treatment of education, ideology, technology and technology transfer and also that of cultural spheres in this volume. The terse style makes heavy but always profitable reading.

The main crisis of the world today, according to Amin, is imperialism, which emerged around 1880 along with

the monopolies and this imperialism is not to be confused with colonialism or expansionism. Imperialism, which is the result of the growing centralisation of capital, tends to aggravate uneven development. The principal contradiction of the capitalist system then tends to be between monopoly capital and the over-exploited masses of the periphery. At the centre the social formation tends to be reduced to the capitalist mode of production. The backward seotors such as small and medium size entrepreneurs are gradually eliminated and as this elimination takes place the social democratic alliance gains strength and becomes the main enemy. In the periphery the formal submission of other modes of production places narrow limits on the development of productive forces. The centre of gravity of these struggles against capital as a class tends to shift from the centre of the system to periphery. Thus, the working class at the periphery becomes the essential force of liberation. In coming to these conclusions, Amin uses rigorous and persuasive logic based on historical materialism and transcending a West-centered European outlook. The importance for the periphery lies in the bridge that has been built between imperialism and underdevelopment and the implications this has for strategies of class struggle, especially its anti-imperialist content in both centre and periphery.

One of the central themes in the book is that of unequal exchange which was sparked off by the publication in 1971 of A Emmanuel's book on the subject. Unequal exchange exists under imperialism and by it is meant the situation in which international specialisation is rooted in the unequal rates of exploitation of labour power through-out the world system (p 128). What is sufficient for this form of unequal exchange is that commodities are produced for the international market. It is not necessary for the capitalist mode of production to dominate the different social formations in *all* spheres. Under imperialism and in a situation of unequal exchange, the wage rates in the centre and periphery are different for labour of the same productivity, often by a factor of 1 to 5. The related analysis is far superior to the neo-classical theory of trade that dominates our popular text books.

The debate over unequal exchange is reviewed and related to issues such as the falling rate of profit, the transformation of values to prices, etc. These are areas in which Amin, as the title of the concluding part shows, believes that the debate has been closed. But in doing so he is not suggesting that we rest on our laurels but is calling for fresh studies based upon history, related to the class struggle, on matters which should be of prime importance — for example, sub-imperialism. This is a theme which should be of particular interest to students of the social formation in this country, especially in view of the fact that many have identified India as one of the few countries with a sub-imperialist potential.

The great importance of Amin's work lies in his transcending the Euro-centric vision that has dominated recent research, including Marxist research. This shows up most clearly in the discussion on capitalism and ground rent. For example, since rent is not a capitalist category he tries to follow up the relationship of the modes that include rent to those that do not in the course of capitalism's history. It is this kind of historical study that is badly needed in order to properly understand the nature of past class alliances. In this illuminating essay there are a number of important insights on this and related questions.

Of particular interest to economists is the criticism of micro-economics, particularly his scathing attack on cost benefit analysis which he destroys totally, in contrast to the earlier attempts in this direction made by other writers.[2] Amin's contribution lies in his having extended the argument in such a way that the efforts of others can now be seen in the correct perspective. By using, for example, the question of a time horizon and pointing out that micro-economics is incapable of taking a long time perspective, Amin demonstrates the ideological and class character of micro-economics. He shows (p 46) "how a man as intellectually poor and underdeveloped as Samuelson was able to become an authority" in this field. He renders a signal service to economists who have been struggling against the perverse results that this "neutral" technique throws up. For example, he points out (p 29) that a rate of return of the order of 7 to 15 per cent means that the time reckoning of economic decision making is very short because at the rate of 7 per cent per year the value is reduced by half in 10 years and that at the rate of 15 per cent in less than 5 years. "It is characteristc that in the capitalist system the only sector which considers decisions over a longer time is the military sector. This is because in this field there is a need to consider the evalution of the international balance of power over a longer period. It is a question of survival or at least of the place of the nation in the world. This is something too serious to leave out of short term interest."

The point that emerges is that what we need is not project evaluation and social cost-benefit but a clear understanding of class struggle.

In order to get the best from Amin it is necessary to read the book under review in conjunction with at least two of his earlier works, "Accumulation on a World Scale" and then "Unequal Development". In "Accumulation on a World Scale" Amin discusses the unity of the capitalist system at the international level and the need to use the category of world values, that is of commodities produced for the international market. (It is interesting to note in passing that the Little-Mirlees criterion on project evaluation suggests that when market prices in third world countries are distorted recourse should be had to international prices. Need the class basis be more clear?)

In "Unequal Development", Amin went on to a detailed study of peripheral capitalism in the context of imperialism and the dynamics of the social formations where the peripheral capitalist mode dominates other modes. It is in this context that the papers collected in this book arose. The date at the end of the debate is September 1973. It has taken five years for this discussion to reach us. And we have no idea today about the theories of the Amin of 1978. It is, however, a hopeful sign that books of this type can become more easily available to us through the newly set up Social Scientist Press. It is to be hoped that this Press will make easily available in India the works of Samir Amin.

In conclusion, in reading Amin we realise that there is a lot of rethinking and rereading to be done. From him we may rediscover Marx, the Marx who thought of class struggle, commodity fetishism, reproduction of the system, etc, in terms of historical materialism, rather than the Marx who has been reduced by the various schools into a rigid mold. It is in this context that Amin speaks of transcending eurocentrism and linear and mechanical logic. Even if these were to be true in part, Samir Amin's contribution would be most important in recognising the need for thinking along historical materialistic lines and in deciding between different strategies of

revolutionary struggle. This is Amin's main concern. After all, Marxism is neither an "economic theory nor sociological theory nor a philosophy but the social science of revolutionary socialist praxis".

Notes

1 "Unequal Development; An Essay on the Social Formations of Peripheral Capitalism" by Samir Amin, Harvester Press; copyright 1976 by Monthly Review press.

2 For example, V B Athreya "Project Evaluation in Developing Countries", *Social Scientist*, February 1976.

Books in Brief

World Modelling: A Dialogue edited by C West Churchman and Richard O Mason, TIMS Studies in the Management Science, Holland; pp xv+163, Rs 115.20.

Rats, lice and mice
shit
we can all rest
assured that
one man's output is
another man's input
equality is equivalent to evacuation on
a grand scale.

IT is with such profoundities that the editors seek to establish a dialogue about world modelling. Socio-economic modelling indeed is a fascinating hobby-horse. But it has far reaching consequences when policy qualifications are made from it.

A critique of the theory of modelling can be made on two levels: one, the purely logical form of the system; and two, the external validity of the system. While the internal logic of the system would follow directly from the assumptions made in constructing the theory, what may be of more interest is the validity of these assumptions. This is so because the choice of not only variables but also the techniques involved is a political task.

The book is very 'club of Rome-ish' in its approach. Richard O Mason begins by telling the reader that "whatever one thinks about the method or its conclusions, 'Limits to Growth' has become a way of thinking about the world's problems" (p 2). From then on, opinions vary, from Hasan Ozbekhan waxing eloquent about "the predicament of mankind" to Jay W Forrester "refuting the major criticism of Forrester-Meadows work" (p 5). And despite liberal questionings — "Can we model the wild world or should we first tame it?" (p 107) — the book remains a hotch-potch of arguments in favour of Club of Rome activities. Hasan Ozbekhan, by the way, had written the original prospectus of the Club of Rome.

It might really be true that mathematical formulations provide greater precision and power than do less rigorous forms of discourse, and they may provide connections between diverse pieces of research or of theory. But what matters is the 'value-base that governs the whole activity of socio-economic modelling right from the beginning. That it has every possibility of becoming apologetic in nature is evident from what Hasan Ozbekhan has to say about it, probably without fully really realising its implications:

> First, it [modelling] must qualify as a tool-concept that can be used throughout the study. Secondly, it must be consonant with the initial perceptions and beliefs that have triggered the effort. Thirdly, *it must support, and in some sense justify, the outcomes that are expected from the work* (emphasis added).

One does not really doubt the use of mathematical modelling as a tool-concept; one can write a set of differential equations about almost anything. But the point is: a tool for what? The answer lies in the third reason — it must support and justify the expected outcomes. The knowledge of the output affects the assumptions of the input! Feed-back loop indeed, but like a dog chasing its own tail.

The only redeeming feature of the book is the article "can we model the wild world or should we first tame it?" by Claude Faucheux and others. They agree that "today's models are extrapolations of past trends, present values and attitudes, with no attempt to incorporate changes — drastically new environmental conditions, learning, the development of new needs, etc". This is indeed the reason why such models become an apology for the *status quo*.

It might be worthwhile to note here the spurt in socio-economic modelling activities and the apparent concern for 'the future' in India. The Department of Science and Technology already has a futurology panel. There is also a Futurology Society of India. It is pertinent to make a note of these activities because they may really be no more than receiving *gyanam* with folded hands from the messiahs of the Club of Rome. And this activity is no less respectable than astrology, the great science of future — India's contribution to the world.

The book is indeed very useful for those who have already taken up the profession of Futurology and the kith and kin of astrologers who would like to grant their profession the sanctity of computerised techniques.

— Bharat Bhushan

Cost-Benefit Analysis by E J Mishan (2nd Edition); George Allen and Unwin, London; pp 454, £6.95.

THE world has come a long way since Kurtilla and Eckstein published their work on "Multiple Purpose River Development" in 1958. The book was a pioneering effort in the field of cost-benefit analysis (c b a). When the first edition of E J Mishan's book on "Cost-benefit Analysis" was published in 1971, the discipline received a well needed boost and economists and planners started taking a harder look at the spilt over and spread effects of investments. Mishan's approach to the subject was deeply influenced by the view that "cost-benefit analysis is an application of welfare economics" and that "more particularly the rationale of cost-benefit analysis is based on a potential Pareto improvement". In the second edition Mishan has elaborated his approach to c b a further and has brought the scope of the technique into sharper focus. According to him, c b a is primarily useful as a technique for identifying the project mix which can optimise satisfaction in terms of certain pre-set objectives. The parts of the book on concepts of costs and benefits, external effects, uncertainty and investment criteria have been thoroughly revised and the 'conceptual basis of cost benefit criteria' has been further elaborated in response to the criticism of the earlier presentation by James Meade.

Part I of the present edition, as of the first edition, presents certain simplified examples of cost-benefit studies. One wonders whether these examples deserve separate treatment in a treatise on cost-benefit analysis. Note 'A' of Part VII of the book, which deals with the welfare-basis of cost-benefit analysis, also appears to be unnecessary in a text-book on c b a. Notes 'B' and 'C' of the same part can usefully be integrated in the main text instead of being lumped together at the end of the book. Structurally the book gives an impression of being three books in one, rather than a single book on the discipline of c b a.

In Mishan's presentation of c b a "Consumer's surplus is the most critical concept in the measurement of social

benefits". Next comes shadow pricing. Mishan considers shadow pricing of factors or goods as an essential ingredient of analysis. Shadow price is defined as "the price, the economist attributes to a good or factor on the argument that it is more appropriate for the purpose of economic calculations than its existing price if any". Spill-over effects, whether positive or negative, constitute another aspect of project impact which cannot be ignored in cost benefit evaluation of a project. Spill-overs have to be valued "according to independent economic principles". Deriving a value from some other principles such as the political decision-making process is to adopt "a principle that is inconsistent with the Pareto criterion on which the estimates of other, more measurable items are based". Mishan suggests that the rate of discount employed for deciding whether to admit some specific public investments on the basis of unmodified discounted present value should be "the average per annum opportunity rate at which the capital sum invested would grow in the best alternative in the private sector".

The second edition of the book is certainly an improvement over the first edition both in the matter of structural consistency and clarity of exposition. As time passes and more experience in the field becomes available, it is hoped that the technique will be further refined and will serve as a useful tool for all those who are involved in the processing of development planning. Even as it is, the book should find wide acceptance amongst planners, administrators and students of development economics and management.

— P K Mattoo

Rajasthan Spinning

RAJASTHAN SPINNING is paying 10 per cent for the year ended September 1978 on the capital doubled by issue of bonus shares as against 15 per cent paid last year on the old capital. The company has earned a lower gross profit of Rs 113 lakhs against Rs 136 lakhs for the previous year, although total income was slightly higher at Rs 24.67 crores, against Rs 23.84 crores. With no tax liability, net profit is Rs 74 lakhs (Rs 98 lakhs). The proposed dividend on equity and preference shares will require Rs 22 lakhs. The company's schemes for modernisation and expansion, estimated to cost Rs 4.01 crores, have been approved by the financial institutions.

Towards a Study of Education and Social Change

Karuna Ahmad

The sociology of knowledge may throw light on some of the perplexing aspects of the relationship between education and social change. For instance, the role of the educated Indians in the national movement for independence has been outlined time and again, but this remains an impressionistic observation. The role of the content of curriculum, the organisation and the transmission of knowledge may give us more reliable and interesting data. More research ought therefore to be undertaken by sociologists in this hitherto unexplored area.

This will also enable us to distinguish between social changes at the structural level and those at the level of ideas, values or attitudes or what the author calls 'ideational' change. Structural changes are more likely to be generated by politico-economic factors and ideational change can bring about stability in such a situation.

I

A RADICAL reconstruction of the educational system has been a persistent theme in discussions of education in India since Independence. We had expected that education would play a vital role by initiating the desired process of social change. The expectation that education would inculcate the skills and training necessary for a scientific and technological revolution as well as the values for social justice, equity and national integration was thus highlighted in most of the official documents. A link was sought to be established between education on the one hand and national development, prdouctivity, and growth, on the other. To quote from one of the most important of these documents:

> If this change on a grand scale is to be achieved without violent revolution ... there is one instrument and one instrument only, that can be used: EDUCATION. This direct link between education, national development and prosperity which we have emphasised and in which we deeply believe exists only when the national system of education is a revolution in education which in turn will set in motion the much desired social, economic and cultural revolution ("India, 1966": 4-5).

This expectation has been waning gradually. Those who were earlier inclined to place trust and responsibility on education are perplexed and disappointed after 30 years. They are now thinking of alternatives to the existing system of education and are promoting non-formal education as an instrument of much-awaited social change. Therefore, it is imperative that we critically examine the relationship between education and social change.

Education and the social system are closely interlinked and their mutual interaction is critical to an understanding of this relationship. We should ask whether the failures of the educational system were due to its inherent weaknesses, or whether we should look for answers to the wider social system of which education is a part. The questions that require answering in this connection are the following: What is the relationship between education and social change? What are the conditions under which education can generate or initiate social change? Again, how is social change to be brought about by education? It is the contention of this paper that hardly any thought has been given to asking these relevant questions.

Sociologists in India have been mainly interested in the modernisation and development aspects of social change but very few amongst them have written directly on the precise relationship between education and social change. Even so, a perusal of the social science writings shows that three viewpoints are discernible on this relationship. The first view is represented by those social scientists who, using the Marxist framework, assert that change in or through the educational system is not possible without prior changes in the social structure. The second view is represented by those who are using the functional framework and do not, therefore, establish the primacy of any one factor over the other. Most of the sociologists fall in this group. While the Marxists look at education as a purely dependent variable, these latter group of scholars treat education as external to the process of social change. Drawing their analogy from the highly developed countries, they assume that education is the main determinant of economic growth; they depend, to a large extent, on manpower planning to meet the economic and educational needs of the society. Education is treated by the proponents of this view as a relatively independent component of the development process so that it could be organised and planned to provide the levels of training and values needed by the society. "In a world based on science and technology, it is education that determines the level of prosperity, welfare, and security of the people ("India, 1966": 1).[1] Finally, the third, and a more recent, view is that transformation in the social and educational system should be simultaneous.

The contribution of all these viewpoints lies in making us aware of the relationship between education and society and in pointing out that society puts constraints on education. The central thesis of this paper is that formal education is a social product. Its form is determined by the type of social change which the rest of society is undergoing. It acts independently of the social structure only through the transmission of knowledge, ideas and values.

Therefore, there is need to distinguish between what are called 'structural' aspects of change from 'ideational' aspects of changes. After all, the role that education plays in social change is crucial in the area of value-transmission, attitudes and knowledge. I refer to these as 'ideational' changes. Again, there is need to differentiate between social change which is generated by the politico-economic factors and precedes changes in the educational system, on the one hand, and the change which

is generated through education. This will instill realism into the thinking of those who place too much faith on education.

There is also need to see the contradiction in the role assigned to education. It is expected to transmit the cultural heritage and provide continuity with the past while at the same time building a new social order. The planners and policy-makers fail to see that education is very much a part of society and is subject to pressures from other parts. For example, while the society is highly inegalitarian, the educational system alone cannot inculcate values of equity and social justice. It it does so, then there is likely to be resistance from various groups — be they parents, administrators, or politicians. There is likely to be conflict between the values imbibed in the family and community and in the school. Besides, this conflict is likely to be heightened in a society where private schools, by their very nature, are established to promote sectional interests.

This paper shall attempt to do two things. First, it shall try to show that educationists, planners and policy makers have failed to take note of these complexities suggested by the sociological perspective. They have placed too much faith on education which was, by and large, misplaced. I shall argue that the failure of educational system is not due to its 'inherent' weaknesses as to the characteristics of the social structure, a point which has been highlighted by sociologists elsewhere. I shall substantiate these observations through a study of the role of education in promoting social inequality in India.

Second, since I contend that education acts as an independent variable of social change only through the transmission of knowledge, ideas, and values, I shall argue that the sociology of education must look beyond the frameworks it has been using so far and seek answers in the sociology of knowledge. Instead of concentrating on the structural aspects of education, *viz*, social stratification and mobility, etc, we should now begin to ask questions about the role of ideas in change. This will turn our attention to a study of the content of education, to curriculum formulation, to language and the medium of instruction, and to the organisation and transmission of knowledge. This will also help in identifying the various groups involved in the decision-making process in education. Through focusing on these issues we will be better able to answer questions such as: which values and whose values.

II

British rule ushered in India during the nineteenth century far-reaching social changes which included, among other things, the introduction of a rational and secular educational system. It differed in many ways from the traditional system of education prevailing in India at that time. The most notable differences related to the admissions procedure and to the organisation and content of education. For the first time in the history of the country, education became, in theory, open to all irrespective of birth. It thus enabled the lower castes and women to take to education. Secondly, the literary and sacred education of the Brahmins or priestly castes and the very functional education of the trading castes were replaced by the secular and British system of education.

The social consequences of this new system were many. For one thing, it created a new educated elite in the country as education came to acquire significance as the decisive instrument for achieving status in society. English as the medium of instruction further enhanced the status of those who received this new education. Secondly, education became linked with occupations in the administrative and the judicial set-up. Therefore, it also became a vehicle for job-acquisition. Thirdly, those sections of Indian society who were earlier denied education on grounds of caste and sex were able to enter the educational system (see Seal, 1968; Misra, 1963; Basu 1974; McCully, 1940) as early as the last quarter of the nineteenth century.

No doubt this happened on a comparatively smaller scale. Their representation continued to be low till 1947. Education was largely confined to urban males of the upper castes. Women and lower castes received education in far too few numbers. Therefore, the new education remained confined to a small stratum. However, it was not the size that was important but the fact that the new system could break the centuries old monopoly in education of the priestly and other high castes.

Fourthly, while increasing the gap between the educated elite and the masses, it brought together those Indians who had been exposed to the Western secular and liberal ideas. These were the people who, later on, led the national movement for Independence in the country. They also spearheaded movements for social, religious, and political reform in various parts of the country. (See Desai, 1967; Worseley, 1964; Seal, 1968; Misra, 1963; Basu, 1974; Heimsath, 1964.)

At the time of Independence, the national objective in education was to develop a system of national education. It meant, among other things, universal free elementary education, removal of adult illiteracy, adoption of Indian languages as media of instruction at all stages, vocationalisation and diversification of secondary education, and special attention to the backward sections of society, such as women, scheduled castes and scheduled tribes. Two of these tenets were also enshrined in the Constitution as directive principles of sate policy: the provision of universal elementary education by 1960, and the promotion of the interests of the underprivileged sections of our society.

Let us now look at some of the developments in education during the last 30 years. The most notable feature of the post-Independence educational system is its phenomenal expansion. The impact of this expansion was felt at all levels of the system. The growth and expansion of education his been enormous in size (Kaul, 1974: 1-15). This expansion has undoubtedly benefited almost all sections of our society although the share of the benefits differs according to location (rural or urban), sex, and socio-economic status. The chief beneficiaries of this expansion have been the middle sections of our society in the urban areas. In the rural areas, the landowning groups and the middle castes have taken greater advantage of the new opportunities (Kamat, 1973:313).

However, despite quantitative expansion, the educational system suffers from serious drawbacks. For example, even in 1978 we are nowhere near achieving the target of providing universal elementary education.[2] Further, the progress of literacy has been very slow. Moreover, the number of illiterates is growing.[3] Again, there is no nationwide movement to introduce adult education on a large scale as is being done in some countries of Latin America. We have yet to grasp the fact that the problem of illiteracy will have to be fought through adult education.[4]

Moreover, the pattern of educational expansion is linear (ICSSR, 1977:5). Thus, its impact is felt more at the higher than at the elementary level. For example, the increase in enrolment

has been more rapid in the former than in the latter. The expenditure on elementary education is also the least, while secondary and higher education claim the largest share of the educational budget — receiving 60 per cent of the total educational expenditure (ICSSR, 1977:5). Therefore, the extent of subsidy is much higher at the secondary and higher educational levels than at the elementary level. Further, this subsidy differs not only according to the level of education but also according to the type of education. For instance, it goes up in the institutions of professional education which are more prestigious and which lead to better paid jobs. Furthermore, most of the expansion at the higher level has been in general education, thereby increasing the number of graduates who are not trained for specific jobs but queue up for clerical and other supervisory positions in the expanding bureaucracy.

The contribution of the private sector at the secondary and university levels has considerably increased, despite higher subsidy from public funds. The social and political implications of the role of the private sector in education have been explored by some social scientists and have been mentioned briefly in this paper elsewhere. Suffice it to say here that it has created a dual system of education wherein the educational institutions run by the government, providing free elementary education and using the regional languages as the media of instruction, form the inferior stream, and the private institutions using English as the medium of instruction and the institutions of professional education (e g, the IIT's and colleges of medicine, etc) receiving huge State subsidies, form the superior stream of education. The implications of this dual system for various sections of our society will be discussed presently.

Most surveys by sociologists have brought out the point rather forcefully that the majority of students in our country are from the upper and middle strata of society. I discuss this in detail in the next section. Suffice it to say here that the educational system has not only increased the social inequities, it has also created them where none existed before. The constitutional objective of an egalitarian society is thus far from being realised. Therefore, it is imperative to take a close look at the contribution by education to equality of opportunity in our society. This will enable us to appreciate the nature of our educational system.

I should like to stress that the educational system could not have promoted the type of social change which it was expected to. I shall confine myself to this area for two reasons. One of the dominant themes in educational reform during the last 30 years has been the extension of educational opportunities to wider sections of our society. In general, it meant free schooling, scholarships, and maintenance grants for needy students, reservations of seats in the educational institutions and of jobs in public sector undertakings. In particular, this is the policy of positive discrimination which was adopted by the Constitution. The objective of all this was to provide equal educational opportunity. The thrust of the programme in education was, therefore, expected to be in the direction of equality. This is therefore the best point of departure for elucidating the relationship between education and social change in India. Secondly, the main contribution of sociologists to educational studies is to the relationship between patterns of stratification and educational opportunity. Social historians, too, have provided similar data on the British period. Therefore, it shall be possible to substantiate my arguments from social stratification much more easily than in any other area.

III

Our Constitution enshrined democratisation as one of the main objectives of education and anticipated that the democratic expansion of education would serve social and economic mobility. The Education Commission noted:

> One of the important social objectives of education is to equalise opportunity, enabling the backward or underprivileged classes and individuals to use education as a lever for the improvement of their condition. Every society that values social justice and is anxious to improve the lot of the common man and cultivate all available talent must ensure progressive equality of opportunity to all sections of the population. This is the only guarantee for the building up of an egalitarian and human society in which the exploitation of the weak will be minimised ("India, 1966":108).

Given this optimism, one is tempted to ask if the expansion of opportunities for the underprivileged groups has had the ameliorative and equalising effect anticipated by our Constitution-makers, or whether newly created educational opportunities remain restricted in terms of social and economic status.

Since Independence the proportion of the scheduled castes in educational institutions has increased rapidly as a result of the encouragement offered to traditionally underprivileged sections, changing socio-cultural attitudes, and greater investment in education. However, most of the students in our country are from the upper and middle strata of society.[5] In fact, the higher the level of education, the higher the status of the students. Therefore, there is a close correspondence between the social background of the students and the level of education. The inequity in access is related also to the type of institutions. For instance, the lower strata tend to pass through the inferior stream while the better-off sections monopolise the more expensive and prestigious institutions. Furthermore, within these institutions, there is close congruence between the social background and the discipline of one's choice. The students from upper and middle strata tend to dominate those courses which lead to the better paid and the more prestigious jobs. Thus, there is a vicious circle of inequity. According to Naik,

> The entire educational system has been oriented... to meet the requirements of the top one-third of the population (the well-to-do sections, and the upper and middle classes in urban and rural areas) and the interests of the poor (who form the lower two-thirds of the population) have, by and large, been ignored (1974:6).

In fact, the educational system in India did not make a radical departure from the one which the British had implanted here. One has heard and read about the problems of educated unemployment, limited access to the underprivileged or rather selection at all stages, etc, for the last century or so (McCully, 1940; ICSSR, 1977; Kamat, 1977). Some of the earlier imbalances continue to characterise the educational system of Independent India. We have not so far been able to correct these imbalances.

A number of studies have also appeared on the socio-economic conditions of the scheduled castes and the impact of the policy of positive discrimination upon them.[6] These studies have shown that the spread of education among the scheduled castes has been slow compared to among the non-scheduled castes. Further, they have indicated that the growth of education has not been uniform among them taken as a whole (see Patwardhan, 1973; Chitnis, 1975, 1977; Shah and Patel, 1977). Their capacity to utilise the privileges offered by the government has tended to vary from one sub-group

to another. Thus, a small sub-elite among the scheduled castes has been benefiting from the policy of positive discrimination while the large majority of these communities have lagged behind. Studies have also shown that, while there has been a tremendous increase in their numbers, the representation of the scheduled castes in education is lower than their proportionate representation in the population and the students from these underprivileged groups tend to attend 'inferior' or less prestigious institutions. Moreover, their proportion in some of the less prestigious courses also tends to be higher so that the likelihood of their getting prestigious and highly paid jobs remains thin (Chitnis, 1975; Neelson, 1972; Rao, 1976; Naik, 1971).

Thus various levels of inequity can be identified within the educational system. It is being stated that "the school systems ... reflect and, in turn, reinforce the inequalities in the social structure" (Myrdal, 1968: 1978). This makes it quite obvious that the impact of education on social stratification, or on social change by reducing social distance among the strata in our society, has been very limited.

Now the question arises: Why has education failed to equalise opportunity and thereby equalise social status? Did we provide the extra supports needed by education to bring about desired changes? The answer to the second question is clearly in the negative. We have already referred to some of the features of the educational system that have a bearing on this question. We noted that the educational system continues to expand vertically, though its horizontal expansion at the elementary level is imperative to enable the poorer sections of our society benefit from education. The eradication of mass illiteracy through adult education has also not received priority. Even now higher education receives proportionately more funds than elementary education. The existence of the dual system of education along with the fact that education, despite huge subsidy, continues to be expensive for the poor are deterrents to the realisation of the goal of equality.

The first question leads us to society and also to the misplaced faith of planners and policy-makers. Researches on equality demonstrate a circular causal relationship between social and economic inequality on the one hand and inequality in educational opportunity on the other. For one thing, the latter seems to be reinforcing the former. "Education", states Myrdal,

> is probably the most fundamental monopoly element in an inegalitarian social and economic stratification. At the same time, this kind of stratification makes it more difficult to democratise education because of the unchallenged power of a small minority of the educated and articulate, who have vested interests in preserving their position (1968: 1805).

So far, we have elaborated some of the characteristics of the Indian educational system to illustrate the point that education is closely intertwined with society. Therefore, the Indian educational system should not have been expected to rise above it and generate changes which were not supported by factors of change in the rest of society. Now, we will proceed to argue that we have to go beyond this perspective to look for answers to the complicated relationship between education and social change.

IV

Eggleston has noted, "... the study of social change is handicapped by the theoretical uncertainty and the practical difficulty of formulating and testing useful hypotheses" (1974: 12). Although the relationship between education and social change has been a theme of considerable theoretical and practical interest, we are nowhere close to a satisfactory conceptualisation of that relationship. The principal difficulty in this connection has arisen from the fact that education is simultaneously the cause and the effect of social change. It is a product as well as the process. This makes it difficult to outline its role in social change. The difficulty is heightened by the fact that the theoretical frameworks used so far for understanding that role have tended to emphasise only one or the other of the two aspects of education. For instance, purely economic deterministic positions, while treating education only as an instrument of social change, lack any scope for explaining 'ideational' changes, and the role of education in knowledge dissemination. Equally, the analogy which posits a direct relationship between education and economic growth lacks realism. The use of this approach in developing countries is fraught with uncertainties and failures. It fails to take note of the differential stages of growth of societies. The problem is further complicated by the fact that educational expansion in our country cannot be explained simply in economic terms. Social factors are also very crucial (Roberts, 1973: 148). This approach is unable to explain away the effects of education while looking at education as a condition of development and social change.

The lack of research in this area from a perspective which would lend realism to the outlook of the planners and policy-makers has also been responsible for our failure to understand the complexity of the relationship between education and social change. Sociologists in India too, except perhaps those using Marxist frameworks, have not come to the aid of the educationists, planners and policy-makers. As indicated earlier, most of them have tended to depend heavily on the position which imputes an overwhelmingly economic position to education. They have failed to project the view that our country is at a different stage of development and, therefore, the role of education may differ or that the close link between a rapidly expanding educational system and the economy could be maintained only in certain conditions, or that our priorities may be different from those in other countries. Moreover, political considerations are crucial and further complicate the relationship between the two. Politics, apart from economic factors, are significant in determining the uses and abuses of education in a democracy.

It has been stated earlier that the optimism about the role of education in social change is evident in the writings of educationists, planners, and policy-makers. Although sociologists elsewhere have, by and large, been taking the position that education is so intermeshed with society that most of the time it cannot rise above its constraints and limitations "this fact", as Kamat has stated:

> ... has been unfortunately ignored by most of our educationists, and policy-makers and planners all these years, and particularly by the 'pure education-wallahs'. The latter were busy, many of them still are, with merely making fresh plans every few years, and suggesting what they consider to be suitable educational technologies to accomplish them. For instance, you will hardly find any of this analysis in the great report of the Kothari Education published only nine years ago. It is only now that some of them are taking the turn, some of them still haltingly, calling it a drift (Kamat, 1977a: 18).

Those in charge of education have failed to see this. Nevertheless, it is quite clear that so long as society is unequal and certain other forces are not unleashed to promote equality, education alone cannot achieve much. That is why one is likely to view with

scepticism the more optimistic claims to reform society by somewhat limited changes in school reorganisation. It is unlikely, for instance, that either the changeover to the 10+2+3 system or even to non-formal education or the abolition of public schools will succeed by themselves in introducing radical changes in our society. If the objective is equalisation of educational opportunity, the minimum that is required is that we spend more on adult education and elementary education than we have done so far. Moreover, the dual system of education should not be allowed to continue. Private enterprise in education seems to negate the very idea of social and distributive justice, equality and quality (see Madan & Halbar, 1972: 147; Dibona, 1974; 158-159; Gould, 1972: 102; Desai, 1967: 118-119; Myrdal, 1968: 1707, 1801; Seshadri, 1976: 225-229). The huge subsidy at the secondary and higher level should be discontinued particularly when it is not even being utilised to evolve an educational policy. As Myrdal states:

> It is strange to find that there has been so little constructive discussion of the fees system. The discussion has most often focused either on the desirability of lowering the fees ... or on the necessity of retaining the fees .... Regulation of fees as the means of guiding students in a planned direction — for instance, away from general secondary schools to vocational ones has not been raised as an issue. Nor has the regulatory power of the state authorities — granting permits to operate schools, issuing directives, and placing such schools under state inspection — been used for purposes of educational policy other than to guarantee a minimum level of quality for teachers and facilities and rarely even then. With all the emphasis on planning ... it is almost incredible that in the educational field there has, in fact, been a *laissez-faire* attitude — except for pressures to enlarge the school system so as to accommodate more pupils (1968: 1712).

I am not saying that the steps outlined ought to be taken *per se*. What I am arguing for is that, if the objective is equality of educational opportunity and if we want education to initiate changes in social stratification, then the above mentioned changes would appear to be imperative. The reforms in education have to be determined by objectives which will determine our priorities. Thus, the failure of education in equalising opportunity is understandable. What surprises one is that all the so-called ills of society should now be laid at the door of education. It is possible that all or none of these criticisms may be based on facts. What is clear is that our research has done very little to reveal them. Otherwise, how could one hope that the country would achieve the target of universal primary education in 10 years? Those very people who were depending on education for restructuring society are now unhappy being unable to realise that the fault was more in their misplaced optimism than in the drawbacks of the educational system.

In fact, had the educational system achieved what it was expected to — and that too under the existing constraints mentioned earlier — it would have been more surprising. Education, as it has been and continues to be, could only have promoted equality on a limited scale. The nature of social mobility could not have been different. In fact, the system is so designed that it could promote mobility for the few, not for the many. Again, education does not create jobs so it can also not be held responsible for unemployment. Or, if the educated persons dislike manual work, it is not a value of the educational system. It is a societal value which is being reinforced by the educational system (Myrdal, 1968: 1802). After all, even a farmer in the village who tills his own land has a lower status than the one who has it tilled by someone else. Besides birth, wealth, political power and, more recently, education, one's status in India is determined by what one actually does. The closeness of touch and degree of defilement are also important determinants of social status. Recent researches by social anthropologists in this area provide rich material to elucidate the argument.[7] The sociologists interested in education should turn to this area and try to provide answers to some of the much-heard-of problems relating to education and values.

V

The thrust of this paper thus far has been that education cannot contribute to social change independently of the social structure. This should not, however, lead us to suppose that it can make no contribution to social change. Education can be viewed as a vehicle for introducing a developing society to new needs and expectations and even to the idea of change itself. All this it can do through the transmission of values and by changing the attitudes of the people. In other words, education can help take our society away from the old, and towards the new, it can inspire a belief in change, in adaptability and achievement, and in rationality.

There are few studies relating education to change in attitudes and values in our society.[8] Even those done elsewhere do not provide conclusive evidence on the part played by education in changing values. Nevertheless, there is now greater awareness of the problems of research in this area. If it is combined with interest in such issues as the curriculum formulation and the content analysis of textbooks, etc, then we are likely to understand the relationship between education and social change. The main drawback of the sociology of education is that it continues to be concerned with the relationship between stratification or social background on the one hand and educational opportunity on the other. Little effort has been made so far to ask questions concerned about the genesis and transmission of knowledge.

Education involves selection and organisation of the available knowledge at a particular time. This process of selection consists of conscious and unconscious choices about what is to be transmitted and what is to be held back. The sociologist interested in education cannot afford to overlook the principles of selection and organisation underlying the curriculum. It is only by uncovering them and then relating them to their institutional setting and to the wider social setting that one can provide better and perhaps more precise answers to the contribution of education to social change through 'ideational' change. Furthermore, since education mirrors the ideology of the dominant group in a society, we must at least have some conception of the controlling groups both within education and in society at large. This will also enable us to uncover the decision-making processes relating to education and within education and to the study of how knowledge is selected, organised, transmitted and assessed in educational institutions. This area has so far been neglected by the sociologists interested in education.

Partly the failure of the sociologists interested in the study of education and social change to turn to the problem of genesis and transmission of knowledge — i e, to the sociology of knowledge in its extended sense — owes itself to their ideological and methodological assumptions. Partly it is also due to the institutional context within which the sub-discipline developed, particularly in India. It has been noted already that the sociology of education has relied from the beginning upon either Marxist or structural-

functional frameworks in their researches. We have already drawn attention to the drawbacks of purely economic deterministic frameworks in delineating the relationship between education and social change. The functional framework, too, has tended to focus on the problem of the structure of the educational institutions, namely, of social stratification. As Young has noted, those who are using this framework have not examined the social nature of education. For instance, the content of school curriculum in which pupils are exposed to several subjects bearing little or no relation to each other, or to the experiences of the pupils (1973:343). Neither those who are using the purely deterministic approach nor the functionalists realise that it is not only people but knowledge too which is 'processed' in educational institutions and that it is the interaction between people and knowledge that must form the starting point of studies on 'ideational' change.

As in the West, the sociology of education in India developed primarily from a sociological interest in demonstrating the relationship between the distribution of life-chances and education on the one hand and social background on the other.[9] Therefore, the sociologists who turned to the study of education started working on the social context of education, with an emphasis on social background (*viz*, caste, and parental occupation) and moved on to the consideration of the educational problem of the scheduled castes and tribes, and the implications of the policy of positive discrimination in education for their social and economic status.

Most sociologists who have worked on education in India have presupposed at a very general level an agreed set of societal values or goals. These values or goals are supposed to define both the selection and organisation of knowledge through curricula. However, the main concern of the sociologists is with the organisation and processing of people. For instance, it is assumed that curricula are defined by societal values. But questions like which values and whose values are not asked. These questions are likely to lead one to the identification of groups, the role of dominant groups in knowledge transmission, and the conflict between the values of these groups in the educational setting. Relation between power structure and curricula, between access to knowledge and the opportunity to legitimise it as 'superior', between knowledge and its functions in different societies. This perspective is also limited by the absence of an overall framework which will link the principles of selection of content to the social structure. Hence the neglect of questions such as how curricula are influenced by the values and interests of the controlling groups involved.

Therefore, what we need to do is to undertake extensive research with a focus on what goes into courses, what relationship the courses have to one another, what system of rewards and sanctions should be adopted, how time is distributed, and so on. Or, again, how these decisions are transmitted to students and teaching staff.

As Davies has observed:

> The entire exercise may be compared to a series of masques and anti-masques. What goes on behind the charades, the pageants and the masquarades is more important than the play-acting, but the structure of the play is what the various individuals and groups concerned use to make sense of these relationships. In some cases they may make no sense at all, while in others the masques and anti-masques may fit only too well. Thus Bernstein's type of curriculum structure approximates to the masques. *Institutional education, as much as politics, or religion, is an attempt to initiate students into the rituals of a dominant culture.* We need to study how effective the entire exercise is and which masques are provided for which subordinate groups and with what results (Davies, 1973:333-34, emphasis added).

Notes

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1 Since planning is crucial to this approach, deviations from this are looked upon as 'dysfunctions' that result from inadequate planning and resources. However, the failure of the planning policies and related manpower needs in developing countries have thrown the whole approach over-board. Therefore, the importance of education in economic development is being questioned. Moreover, experience suggests that so far as economic growth is concerned, education is more a dependent than an independent variable.

2 In 1975, elementary education was free for both boys and girls in all the 9 Union Territories of India. It was free for girls in 20 of the 22 states. In Meghalaya and West Bengal it was free for boys upto III and IV standards, respectively (India, 1976:40-43). The enrolment then stood at 90 per cent. However, these figures would be somewhat misleading if taken at face value. If one excluded from this figure those below and above the corresponding age-group (6-11) as well as accounted for the proportion of wastage, which is quite high, the effective figures would work out to about two-thirds of this age-group (for details see Kamat, 1977:13; ICSSR, 1977: 23-24).

3 The number of illiterates has risen from 247 million in 1961 to 307 million in 1971.

4 Recently, a high powered committee under the Chairmanship of the Minister of Education has been formed to look into the matter. A policy statement and an outline of the National Adult Education Programme (NAEP) has also been prepared. The NAEP has set up an ambitious target to cover 100 million adults (15-35 age group) by 1983-84. This will mean an increase in the annual coverage from the present 1.5 million to 35.0 million in 1983-84 (India, 1978:3). Whether this target will be achieved or not is a different matter. What is to be underscored is the thrust in the direction of expanding the programme of adult literacy.

5 For evidence on this point see Ahmad (1974:183-188), Shils (1961: 20), Misra (1963:54), Kamat and Deshmukh (1963:5-6), Desai (1953: 17), Shah (1964:19-22), Parekh (1966:56), Naik (1965:23, 108), ICSSR (1977:6-8), Kamat (1973, 324-28), Neelson (1972:73-74), Saberwal (1975:191-192), Jayaram (1977:184-185).

6 See, for instance, Oommen (1968), Dushkin (1972), Galanter (1972), Chitnis (1972, 1977), Karlekar (1975), Rao (1976), Sachchidanand (1977), Ahmad (1978).

7 The literature on caste values is vast. However, the general link between caste values and patterns of life style as well as attitudes to occupation and work would be quite evident from a perusal of Beteille (1965) and Dumont (1970).

8 Some of studies that have dealt with this theme are Singh (1972) Adams (1974), Faneuff (1974), Malik & Marquette (1974), and Shah (1964).

9 Most of the teaching and published work in the sociology of education has taken place in colleges, institutes and departments of education. Coupled with that is the fact that very few sociologists in India are involved in research on education. Till now it remains a secondary interest of most of them.

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Rural Class Structure in Post-Independence Assam

Ranajit K Bhadra

Rural society in Assam is composed of various ethnic groups of both castes and tribes which have given rise to a peculiar social structure. Under British rule, this feudal society was rapidly transformed into a semi-feudal state, with considerable changes in the social structure. In British and post-independence periods, several land regulation and land reform measures have been enacted which too have brought about further changes.

An attempt is made in this paper to show how developments in post-independence Assam have brought about changes in agrarian relations, with a view to showing the emerging pattern in rural Assam.

AGRARIAN stratification in Assam is characterised by the landlords at the top and the landless labourers at the bottom. The tenant-cultivators occupy the middle position. The social organisation of the agrarian system gives rise to various patterns of works and property rights, privileges and duties of the different classes. The structure of agrarian production can be understood on the basis of three types of relations, namely, family labour, hired labour and tenant-cultivator. These three, however, can be found in the same family or unit, and hence it is difficult to identify different class groupings. Besides, these class groups overlap with caste divisions. Therefore, there are obvious lack of articulations among these class groupings to realise their respective interests.

During the post-independence period various changes have occurred in the agrarian sectors: (1) newly emerged agrarian groupings have altered the old class structure; (2) contractual relations have emerged; (3) since agricultural production is not for the village community only but, for the wider society, there has been a shift towards growing cash crops and commercialisation. Following these we may formulate the following questions: (1) what are the agrarian classes emerging in the rural areas? (2) what are the inter-relations among these classes? (3) how these class groups are distinctly indentifiable and do not overlap with other structural groupings?

Due to various changes in the tenurial system the relationships among the agrarian classes have changed considerably. *The Assam Adhiars protection and Regulation Act, 1948* regulated landlord-adhiar relations and gave security to the adhiars. *The Assam Acquisition of Zamindari Act, 1951* and *The Assam State Asquisition of Land belonging to Religious or Charitable Institution of Public Nature Act, 1959* gave tenants the right of self-cultivation and of ownership. *The Assam Fixation of Ceiling of Landholding Act, 1956* fixed a ceiling on landholding by an individual or a family at 150 bighas. These land laws had a greater impact in the Zamindari areas of Goalpara and Cachar districts where all the zamindars, except, a few, lost their land; but in the raiyatwari areas most of the medium and small raiyats retained their land.

The new land laws adversely affected the proprietors and other intermediaries of the lower income groups by terminating their rights who were also not given reasonable compensation. The laws are liberal enough to allow 133 acres of land under the possession of the big zamindars. Moreover, they are also allowed to keep 16 acres of land free of revenue. Thus after losing a considerable proportion of land the big zamindars are still in the highest position in the class hierarchy, whereas the petty zamindars, without enough land and without a permanent source of income have come down in the class hierarchy.[1]

Land is still a basic productive source in rural Assam, but it is not the only source of livelihood; the number of persons engaged in "production other than agriculture" and "salaried jobs" has been growing.[2] Absentee landlords are quite common in rural areas (specially in the ex-zamindari areas). They are educated and hold jobs, many of them have either sold their land or have it cultivated by the tenants. It has been observed that the number of cultivators has declined in the second generation compared to the first generation among the higher castes, and there is also a concomitant rise in the number of service holders among them.[3]

Though, under the different situation, landowners have sold their land, they continue to be a landowning class. Their land is bought by the people of other classes specially by the cultivating tenants. Thus the ownership of land has been transferred to people of different class and caste groups. But the agricultural labourers have not increased their landholdings and remain in the same position. At present landowners have lost their uniform class characters and have emerged as three types of classes: (a) absentee landlords who live in the cities and have their land cultivated by the tenants; (b) non-cultivating landlords who live in the village, but have their land cultivated by others; and (c) petty landlords who live in the village and cultivate their land themselves. The ex-zamindari areas and the raiyatwari areas in Assam show different pictures regarding the emergence of these agrarian classes. Tables 1 and 2 depict the distribution of agrarian classes in the two districts of Assam — Goalpara, an ex-zamindari area and Sibsagar, raiyatwari area.

From Table 1, it is seen that in Goalpara district, an ex-zamindari area, the growth of agricultural classes is conspicuous due to the abolition of the zamindari system. Here the cultivating owners constitute the largest group, being 34.03 per cent of the households surveyed, and the rent-receivers the smallest group — 5.56 per cent. But

TABLE 1: AGRARIAN CLASSES IN GOALPARA DISTRICT

(figures in brackets percentages of total)

Number of households surveyed	144
Agricultural Classes	
(a) Cultivating owners	49 (34.03)
(b) Cultivating tenants	9 (6.25)
(c) Cultivating owners and tenants	28 (19.44)
(d) Cultivating owners and rent receivers	6 (4.17)
(e) Rent Receivers	8 (5.56)
(f) Agricultural labourers	13 (9.02)
Total	113 (78.47)
Non-Agricultural Classes	
Total	31 (21.53)

Source: N C Dutta, "Land Problem and Land Reform in Assam", 1968.

TABLE 2: AGRARIAN CLASSES IN SIBSAGAR DISTRICT

(figures in brackets percentages of total)

Number of household surveyed	2,682
Agricultural classes	
(a) Cultivating owners	1,318 (60.40)
(b) Tenants	369 (16.21)
(c) Cultivating owners and tenants	490 (22.46)
(d) Agricultural labourers	5 (0.23)

Source: S C Sarma, 'A Survey of the rural economic conditions in Sibsagar', 1952.

Sibsagar district, a raiyatwari area, shows a different picture where the rent-receivers are totally absent, and the cultivating owners constitute 60.40 per cent of the households surveyed. As the raiyatwari system prevailed all over Assam except in the districts of Goalpara and Cachar, *large land-ownership under* a few persons did not develop. Regarding agricultural labourers it is seen that in Goalpara their number is high (9.02 per cent) but in Sibsagar it is only 0.23 per cent.

Absentee landlords are a type of rentiers who do not enter into any agricultural activities with their tenants. They comprise a class of rentiers and intermediaries between the tillers of the land and the government. The land-ownership rights are with them, hence they deal with the state government. Any dealing by the tenants with the government may lead to the transfer of *their ownership rights to the tenants* As the absentee landowners are gradually increasing in number relations between the landowners and the tenants have been undergoing changes. The same applies to the non-cultivating landlords living in the village. But the petty landowning cultivators, besides themselves cultivating their land, have a part of their land cultivated by sharecroppers. They invest capital for productive purposes and employ their family labour or hired labour for production.

Generally four patterns of relationships emerge as a result of the present functioning of these agrarian groups: (1) between absentee landlords and tenants; (2) between non-absentee but non-cultivating landowners and tenants; (3) between petty landowning cultivators and agricultural labourers and tenants, and (4) between tenants and agricultural labourers. These classes are bound by economic as well as social ties. The tenants as a class may belong to two categories; sometimes a person may have a small amount of land where he is regarded as landowner and at the same time, he cultivates land of other persons for which he is regarded as tenant. In the other case, a person is regarded as a tenant who lives on cultivation of land owned by others. Due to *these reasons* there is a problem of identification of the class of the people.

There are three different systems of payment of land taxes by the tenants to the landlords. (1) the widely prevalent fixed cash-rent system; (2) the system of sharecropping which itself is of two types — 'boka-adhi' and 'guti-adhi'; (In the 'boka-adhi' system land is equally divided between the landlord and the tenant. The tenant cultivates both the *pieces* and the landowner supplies agricultural implements only. Both the parties take the harvest from their respective cultivated land. In the 'guti-adhi' system the tenant cultivates the owner's land and the harvest is equally divided between the two parties.) (3) the system of fixed rent in kind where a tenant gives to his landlord a fixed amount of produce irrespective of the output. This fixed rent is much higher than the rent in cash, but lower than that of the sharecropping.[4]

The landowner only pays the revenue and the other expenses are borne by the tenant. But the Adhiar Protection Act has reduced the landowners share to one *third of the crop on condition of* supplying seeds and draught animals and one fourth of the crop when the same are supplied by the tenant himself. But this regulation is not fully implemented. It has been seen that about 42.43 per cent of the landlords do not give any assistance to the adhiars, and 43.90 per cent of the adhiars do not get any assistance from their landlords.[5] The tenant does not possess any right over the land, and the term of the tenancy and right of enjoyment are very insecure and restricted. The sharecropper's status was previously similar to that of the hired labourer receiving wages in kind. But *The Adhiar Protection and Regulation Act, 1948* has safeguarded the interests of the sharecropper.

Previously tenurial status was transmitted from one generation to another, but the landlords could evict the tenants at any time. But under *The Assam Temporarily Settled Tenancy Act, 1935 and 1971* the tenants' interests have been protected in many respects. At present it is difficult for a landlord to evict the tenant. But in Goalpara and Cachar districts the Act is not yet implemented and in most of the cases, it has been found that the landlords have been evicting the adhiars according to their whims.[6] The big tenants do not always cultivate their land themselves; sometimes they sublet it or have it cultivated by hired labourers. Such a legal provision, therefore, created a system of subtenancy and middlemanship between the zamindars and the real tillers of the soil.

In Assam agricultural labourers as a class are not numerically significant. But their number has been growing. In 1951 they constituted 1.7 per cent of the population; by the time of the Agricultural Labour Enquiry of 1963, they constituted 11 per cent, still a low percentage compared to the all India average of 30.39.

Generally, the agricultural labourers do not own land and subsist on daily wages. in rare cases they possess small strips of land which do not produce enough to live on. In 1950-51, 48.35 per cent of the agricultural labour households were without land, compared to the all India average of 50.07 per cent, while in 1956-57, 63.01 per cent of them were without land, compared to the all India average of 57.18 per cent.[7] Their meagre income from the irregular employment and consequent insecurity of it put them below the subsistence level. All these have resulted into a particular way of life distinct from that of the landowners or the tenants. The common difference between the agricultural labourers and the tenant-cultivators is that unlike the latter, the former do not have any security of employment. However, the agricultural labourers in Assam are economically better off than those of the other parts of India. In Assam they annually get employment on an average for 208 days, whereas at the all-India level they get it only for 189 days. However, they have to seek some employment in the non-agricultural sector, especially during the lean agricultural season. Hence it is difficult to identify the agricultural labourers as a concrete class.

Almost everyday the agricultural labourers have to seek new employment from the landowners or the tenant-cultivators. They only supply their labour in the agricultural operations and do not invest any capital; whereas the employers provide them with agricultural implements, seeds, manure, etc. Their payment is made very irregularly. The labourers who use their own ploughs and buffaloes get slightly higher wages than those who do not.

Today relations among the agrarian classes have changed to a great extent. It is, perhaps, due to the impact of various agrarian reforms and partly due to the new market situation. Now relations between the landowners and the labourers are formal, contractual and impersonal in nature, and social distance between them is very great. Though in the past this social distance was not

[illegible]
bound by some [illegible] ligation, rights and duties. The interdependence among the classes in the economic and social affairs was more than what it is today. This was probably further strengthened by the functional division of caste, the spirit of paternalism and extension of kinship obligation. However, besides these economic relationships, there are socio-cultural relationships among the classes which have not been touched upon here.

Pre-British Assamese society had a class structure of feudal character where kings were at the top and the common people were at the bottom of the hierarchy. In between these two groups there were hierarchies of the nobles. British rule and British land policy created a class of landed interests and intermediaries between the cultivators and the landlords. The organic character of agriculture was also changed to a large extent as a result of these new land relations, and hence non-communitarian, contractual and impersonal relations emerged. British [illegible] ideas of the landlords along with impersonality and contractuality. However, the post-independence land reform measures have not brought about the expected changes in the agrarian social structure; instead, these have created more inequalities among them.

Notes

1 N C Dutta, "Land Problem and Land Reform in Assam", S Chand and Co, New Delhi, 1968.
2 P C Goswami, "The Economic Development in Assam", Asia Publishing House, Calcutta, 1963. See also his "A study of rural change in Assam in Dispur", Agro-Economic Research Centre for North-Eastern India, Jorhat, 1967.
3 M C Goswami, S N Ratha, and F Nesha, 'Caste and Occupation in an Assamese Village', *Man in India*, Volume 46, Number 3, 1966.
4 S O Sarma, "A Survey of the Rural Economic conditions in Sibsagar", Government of Assam, Department of Economics and Statistics, Shillong, 1952.
5 N C Dutta, *op cit.*
6 *Ibid.*
7 *Ibid.*

Agricultural Holdings Tax: A Modified Scheme

A Comment

D Bandyopadhyay

LAND REVENUE is the oldest form of state impost on the citizens. Though notionally it is linked to general productivity and/or benefit potential of land, this impost is not directly related to either gross or net product of land or quantified benefits accruing therefrom. It is an impost on the ownership of land *per se*. In view of this, it is a bit surprising to find in Amaresh Bagchi's paper (*EPW*, September 23, 1978) that he suggested shifting of the incidence of the agricultural holdings tax under his modified scheme to the sharecroppers. Perhaps, his suggestion has been made out of a misunderstanding of the nature of the basic character of the agricultural holdings tax and the relationship between the sharecropper (bargadar in West Bengal) and the landowner.

Agricultural Holdings Tax, as will be amply clear from Bagchi's paper, is basically a land revenue. The modified scheme of the tax is intended only to rationalise the basis of the levy and assessment of land revenue in the light of changes in the agrarian economy. The land revenue system as it prevails or prevailed in most of the states was the outcome of a long historical process. Many anomalies and irrationalities crept into it over time. As for example, in West Bengal the rate of rent that was prevalent in 1937 was accepted as land revenue from the raiyats after the zamindary system was abolished. Under the zamindary system, the rate of rent varied from plot to plot having similar advantage and facility depending upon the relationship between the raiyat and his superior intermediary and various other extraneous economic and non-economic factors. As a result, for the same type of land there was wide variation in the rates of revenue. This obviously called for a rationalisation of the system of revenue broadly related to notional productivity/benefit potential of the land belonging to any landowner. So, any scheme of agricultural holdings tax is basically a scheme of rationalised land revenue payable by the owner for the use and occupation of the land under the state, as distinct from any other tax based on income or individual paying capacity.

Since a modified agricultural holdings tax is basically a revenue on land holding, there is neither any scope nor any [illegible] need for making any distinction for the purpose of levy of revenue between a self-cultivated land and a land which is being cultivated by a sharecropper (bargadar). The decision to get his own plot of land cultivated by a bargadar is a conscious economic choice of the landowner who might as well have cultivated it with his own labour or through hired labour. A landowner is under no compulsion, legal or otherwise, for having his land tilled by bargadars. He does so entirely on the grounds of relative advantage. Hence, in a tax scheme based on ownership of land such a distinction is totally irrelevant and cannot be the basis of any reasonable classification in the context of Article 14 of the Constitution.

Further, the misunderstanding arises because of the confusion about the status of tenant and bargadar. Under the West Bengal land system, a land owner who keeps the land in his khas possession may induct bargadar for cultivating his land on the basis of share of produce. Induction of bargadar does not affect the ownership right at all. No tenancy right accrues to the bargadar and the land could be resumed by the landowner for self-cultivation under certain specified circumstances. Therefore, the circumstance of a landowner who cultivates the land himself or gets the land cultivated through a bargadar, is not so radically different as to justify or to call for the kind of distinction which Bagchi has in mind.

Moreover, if Bagchi's suggestions were given effect to, landowners who are having their lands cultivated by bargadars and thereby getting risk-free unearned rent income would be treated more advantageously than the landowners who cultivate the land themselves or through hired labour with all the attending risks and costs. The effect would be the same if any tax scheme provided relief to the owners of barga land. This would be contrary to the whole concept of progressive taxation. And in fact such a scheme would as well be described as a regressive and retrograde measure.

It is also relevant to point out in this connection that even in the existing system there is an element of progression in land revenue in West Bengal as well as in several other states based on size of ownership holding. The present system does not provide for any distinction between self-cultivated land and land tilled by bargadars so far as levy and assessment of land revenue is concerned. If this position has been universally accepted as fair and equitable it is difficult to see why the rationalised system of land revenue,

which the AHT essentially is, should be opened to challenge merely on this ground. On the other hand, the landowners always insist on getting the receipt for revenue payment as evidence of their possession and title over their own land and they would not certainly like to legally shift a part of the new land revenue to their share-croppers thereby introducing a risk element in their claim of continued possession and title.

In this context, it is, perhaps, germane to point out that the exising land revenue covers not only agricultural but also non-agricultural land. How a landowner uses his land is again basically his conscious economic choice. The law on the subject, particularly in West Bengal, gives the landowner almost absolute freedom in the matter of use of land owned by him. The nomenclature of the new revenue system as agricultural holdings tax might give rise to the misconception that the new impost would apply only to lands which are being used exclusively for agricultural purposes. In West Bengal, almost all lands are capable of producing agricultural crop. But the landowners do not utilise all these lands exclusively for agricultural purposes. Therefore, the term 'agricultural holdings tax' should not be misconstrued as a tax or impost only on land used for agricultural purposes. In West Bengal, particularly, there are extensive areas of land on the fringes of metropolitan agglomerations and the developing industrial complexes which are put profitably to various non-agricultural uses. A case in point is the 'bheries' (fisheries) near Calcutta which supply the bulk of fish to the metropolitan market. These 'bheries' (vast water areas spread over hundreds of acres) were created by inundating agricultural lands and not infrequently by means not quite fair. They yield very high income. These lands on which land revenue is assessed currently would get excluded unless the scheme provides for bringing such lands within the land tax net. Therefore, while suggesting a scheme for rationalisation of land revenue, one has to bear in mind the need to update and rationalise the rateable value of such lands which are put to profitable uses other than agricultural purposes. Perhaps, a change in the nomenclature would be desirable. Instead of calling the new scheme 'agricultural holdings tax' it could be called 'farm holding revenue' or 'land holding revenue'. This would remove any scope or possibility of misunderstanding about the true import and coverage of the new scheme of land taxation.

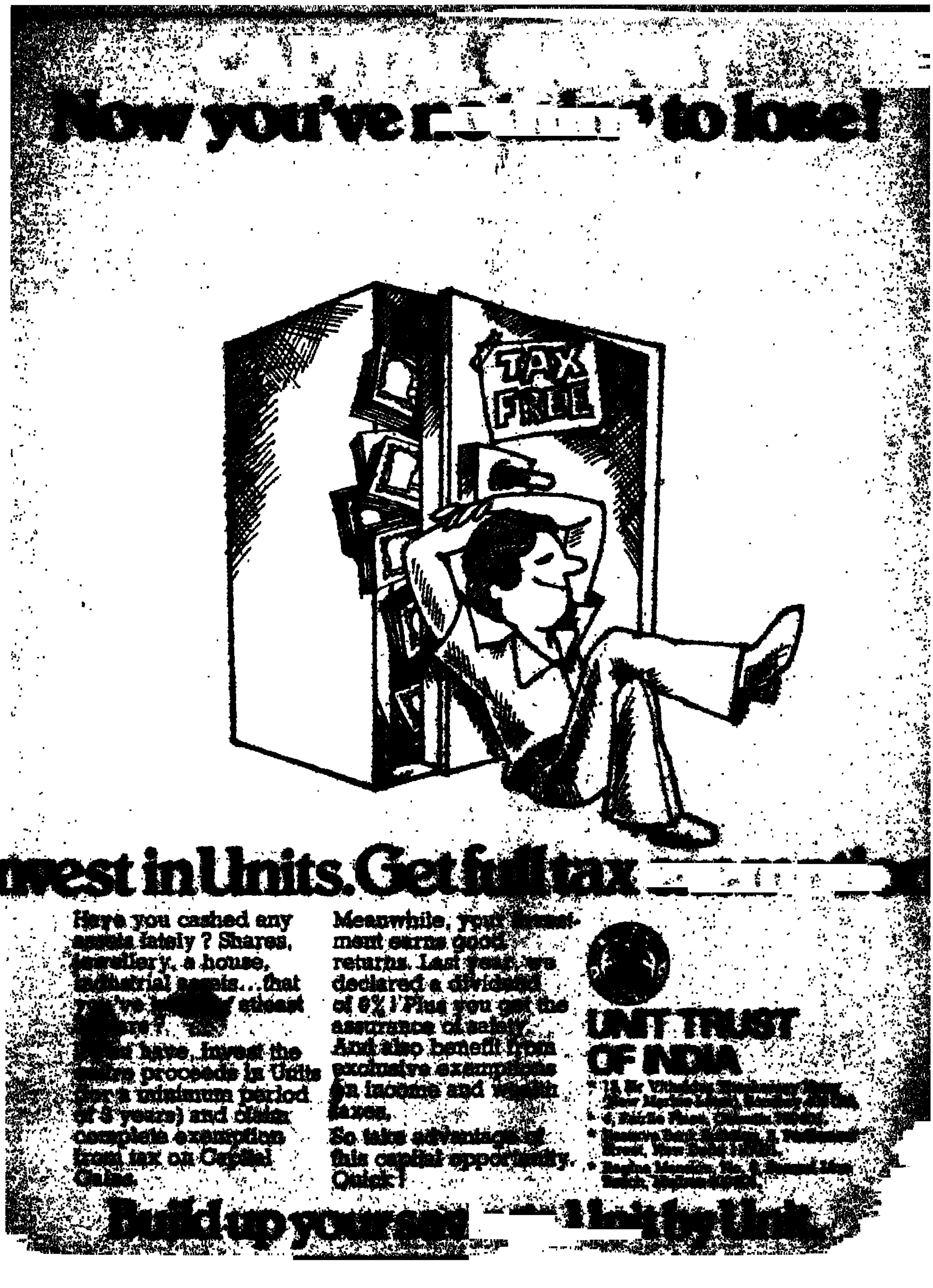
Reply

Amaresh Bagchi

THE points made in Bandyopadhyay's note about the modified AHT scheme are basically twofold, *viz* (i) that in a scheme of holdings tax based on *ownership* of land it is unnecessary and undesirable to make any distinction between self-cultivated land and land given to a share-cropper (bargadar), and (ii) that there should be some arrangement for bringing into the tax fold lands under non-agricultural uses like fishery and poultry.

The suggestion made in the modified scheme of agricultural holdings tax put forward by me for permitting landowners to pass on an "appropriate part" of their AHT liability to the tenants where the land is let out, was based primarily on the consideration that if the canon of equality as enshrined in Article 14 of the Constitution is not to be violated, a reasonable classification is needed as between taxpayers in dissimilar circumstances since equal treatment of unequals might give rise to complaints of inequity. If it can be argued — as Bandyopadhyay has done with considerable force — that the circumstance of a landowner who gets his land cultivated by a bargadar cannot be regarded as materially different from that of one who chooses to cultivate his land himself or by hiring labour, since basically giving land to a bargadar involves an economic choice, there is no need for making any special provision for barga land in the proposed tax scheme under a bargadar. The fact that the AHT is essentially a land tax like land revenue and that land revenue despite the superimposition of surcharges thereon has come to be accepted as equitable, lands support to Bandyopadhyay's contention. A tax scheme based only on ownership also has the merit of simplicity as it avoids the complications of inquiries into the tenancy status of the land in question. It was only by way of abundant caution that the suggestion was made for putting a provision in the land to permit owners of 'barga' land to shift an "appropriate part" of the tax and it may be pointed out that the appropriate part contemplated in this context is the tax that would work out if the Rateable Val[illegible] tion was taxed at the lowest rate (next to zero) prescribed in the tax schedule. Such a provision might help to remove all scope for challenge to the tax scheme on grounds of lack of reasonable classification. A provision like this, I felt, would detract less from the progressivity of the tax scheme than alternative arrangements like exclusion of a portion of land under a sharecropper as has been provided for in the West Bengal Land (Farm-Holding) Revenue Bill, 1978. However, in the interests of simplicity and also in view of the facts mentioned by Bandyopadhyay, namely that a bargadar is not exactly a tenant under the law, and that the present land revenue system which is based on ownership holding is widely accepted as equitable despite an element of progressivity built into it in several states it would appear that a purely ownership basis for the AHT is preferable. Any attempt to allow for the bargadar's share in the tax in determining the liability of the owner or to frame the tax on occupational holding basis as was suggested by the Raj Committee would obviously give rise to serious administrative problems and also create a gap in the tax scheme.

As for the assessment of lands put to non-agricultural use, the need for devising some way of bringing such lands too within the fold of land taxation cannot be denied. I did not go into this question as the focus of the AHT is on rationalisation of taxation of agricultural lands. Since, however, it would not be easy to treat lands used for non-agricultural holdings on a homogeneous basis in the same manner as suggested for agricultural lands situated within a given area or block one has to think of some way of assessing the tax for such lands which would reflect the economic potential of the land while avoiding assessment of the actual return derived from each holding individually. One way of doing so would be to go by the *value* of the land in each area and take a fraction of the capital value as the rateable value of the land in question for purposes of the holdings tax. However, in the case of assessment of such lands the scope of appellate review has perhaps to be a little wider than in the case of assessment of agricultural lands where, for reasons set out in my paper of September 23, 1978, the right of appeal may be restricted only to a review of the classification of individual holdings so that this RVL of a given area would not be open to challenge by individual taxpayers.


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CONOMIC AND OLITICAL WEEKLY

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JUTE WORKERS' STRUGGLE

BEYOND DEMOGRAPHIC DEVELOPMENT

WOMEN IN CHINA

SOUTH ASIAN MIGRANTS OVERSEAS

FINANCING OF EDUCATION

CASTE IDIOM FOR CLASS CONFLICT



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Deceptive Stability

THE index numbers of wholesale prices for December 1978, released this week, do at first appear to bear out the government's claim that prices have been stable. The index for all commodities for December 1978 stood at 184.8 (base 1970-71=100) and in fact showed a slight fall of 0.4 per cent over December 1977. The overall position is not substantially altered even if, instead of a point-to-point comparison, the average of the monthly index numbers for 1978 is compared with that for 1977. A closer look at the index numbers, however, brings out some significant, and not altogether reassuring, aspects of the price situation.

For the 'primary articles' group as a whole, the index number for December 1978 showed a fall of 2.8 per cent over December 1977. Taking some specific items within the group, there was a decline of 4.1 per cent *for cereals, 14.2 per cent for oilseeds and 7.1* [illegible] for fibres (mainly cotton and jute). In what light, however, are [illegible] to be seen?

To take cereals, the problem facing th[illegible]overnment [illegible] recent years has been actually one of providing price s[illegible]t to [illegible] of late, this has been true also of other crops like sug[illegible]e [illegible] cotto[illegible] The government's extensive procurement operations in [illegible] have be[illegible]med at preventing prices from falling below the so-ca[illegible] prices which are now really support prices. Experience in d[illegible] of the country has shown that these operations benefit mainly the big farmers both because they have the largest surpluses to sell and because, for one reason or the other, the government purchase agents do not manage to reach the smaller farmers in the villages. The succession of good harvests is only superficially responsible for necessitating government intervention to prop up foodgrain prices; basically this situation has arisen because of the lack of incomes and purchasing power in the hands of a very large proportion of the population. At the same time, through its public distribution system, the government has tried to keep down consumer prices of cereals, especially in the metropolitan cities and the larger towns. The simultaneous pursuit of these two objectives of price support for the larger farmer and controlled prices for the urban population has not been without a heavy cost. The subsidy on the government's cereals procurement and distribution operations was Rs 506 crores in 1976-77 and Rs 479 crores in 1977-78 and has been estimated at Rs 456 crores in the Budget for 1978-79, making a total of about Rs 1,450 crores in the three years.

Oilseeds, the wholesale price index for which was 14.2 per cent lower in December 1978 compared to December 1977, are another case where the government's seeming achievement on the price front has been expensively purchased, in this instance in terms of outlay of foreign exchange. No less than Rs 652 crores in foreign exchange were spent on importing edible oils in 1977-78. Similarly, the import of nearly Rs 400 crores worth of cotton and cotton substitutes in 1977-78 significantly influenced domestic prices of cotton.

All in all, therefore, the so-called price stability in respect of the 'primary articles' group must necessarily evoke very mixed reactions. In respect of cereals, it reflects the poverty of the people and the failure to generate employment and incomes among the poor. In regard to oilseeds (and edible oils) and also cereals what has been most notable is the government's anxiety to keep down prices for the benefit largely of the middle and upper classes, which objective has been achieved only at a heavy cost — in terms of outlay of foreign exchange in the case of oilseeds and cotton and erosion of the government's budgetary revenues in the case of cereals.

In respect of the 'manufactured products' group also, the overall picture presented by the index numbers of wholesale prices is misleading. For the group as a whole, the index for December 1978 was only 0.4 per cent higher than for December 1977. But this apparently satisfactory situation was entirely attributable to a 14.1 per cent decline in the index for the 'food products' sub-group which, in turn, was largely *the result of decline* in prices of sugar, khandsari and gur, edible oils and oilcakes. Virtually every other sub-group of manufactured products showed a substantial rise in prices. The index for paper and paper products was higher by 6.8 per cent, leather and leather products by 19.2 per cent, rubber and rubber products by 20.4 per cent, basic industrial chemicals by 11.5 per cent, non-metallic mineral products by 13.4 per cent, basic metals and alloys by 12.7 per cent and machinery and transport equipment by 5.1 per cent. Clearly, industrial

prices have been under strong upward pressure.

This raises a number of issues. First, in industries using agricultural raw materials, invariably there appears to have been a widening of the gap between raw material prices and prices of the finished industrial product. For instance, the benefits of the large import of cotton and cotton substitutes in terms of lower raw material costs for the textile industry have not gone to the consumer but have been appropriated by the industry.

Second, the claim, repeatedly advanced by the government and the Reserve Bank, that despite substantial expansion of bank credit and money supply, prices have not gone up is shown up to have no basis, if a sectoral instead of an aggregative view is taken of price movements. As seen above, industrial prices have gone up quite sharply virtually all along the line, and any assessment of the expansion of bank credit to industry must take this material fact into account

Third, the rise in industrial prices has had its impact on costs of living, even to the extent of completely neutralising the effect of the decline in prices of cereals, edible oils and sugar. The all-India average consumer price index number for industrial workers (1960=100) rose from 315 in September 1977 to 327 in September 1978 (on a twelve-monthly moving average basis). The consumer price index number for urban-manual employees (base 1960=100), on a monthly average basis, was 300 in the first seven months of 1978 compared to 292 in the whole of 1977.

Finally, the quite substantial and sustained rise in prices of cement, basic metals and industrial machinery cannot but have also raised the money costs of investment. Hence despite the overall 'price stability', real investment has lagged behind investment in money terms. *This is a sombre thought since even in money terms the level of investment in the public and private sectors is now acknowledged to have been poor.*

Congress Party

Brewing Tensions

WHILE Congress leaders continue to debate on the 'modalities' of 'merger' or 'unity' of factions of the party most of which are distinguishable only in the varying degrees of their subservience to Indira Gandhi, trouble seems to be brewing within the Congress (I) itself. In Karnataka and Andhra Pradesh the opposition to Chenna Reddy and Devaraj Urs has come from elements who hope, by their display of greater servility to Indira Gandhi, to replace them. Apparently, when Indira Gandhi was expelled from Parliament, the organised violence in Karnataka in the urban areas did not have the sanction of the Chief Minister (who was actually away from the state then) but was the handiwork of potential supplanters of Devaraj Urs. Similarly, the 're-entry' of Vengala Rao into Andhra Pradesh politics, and the very visible independent confabulations he has been carrying on with Indira Gandhi should have not in the least "amused" Chenna Reddy who, while actually claiming that he is "amused" at these goings-on, has promptly dissolved the old Congress (I) executive in the state and has formed a new one packed with his supporters. In Uttar Pradesh, the present leadership is under fire because it did not sufficiently exert itself and fill the jails following the expulsion of Indira Gandhi from Parliament; and in Maharashtra, so loyal an adherent to the cause as Nasikrao Tirpude is on the mat, again because he was not sufficiently indignant about his leader's expulsion from Parliament. In most of these cases, behind the differences apparently arising out of a competition in servility towards the party's supreme leader lie more material concerns — like in the efforts of one or other of the traditionally dominant castes in each of these states to replace the present leaderships.

These dissident activities in the Congress (I) might not be unduly worrying those leaders in the states where the party is not a ruling party; but the leaders of the party in Karnataka and Andhra Pradesh should have cause to worry. This perhaps explains such curious developments in recent days as the parallel wooing of dissident elements within the Janata party by the national leadership and the state leaderships of the Congress (I). With the re-induction of Charan Singh and most of his followers, the open wooing of Charan Singh himself has necessarily to discontinue; but it has not prevented Devaraj Urs from showering encomiums on Raj Narain for his crusade against the RSS, nor has it prevented C M Stephen from taking exception to the action of the Karnataka Chief Minister in securing the suspension of virtually the whole of the Opposition in the Karnataka assembly.

Bonded Labour

Island in an Ocean of Bondage

Our Bihar Correspondent writes:

IT is well over three years since the the bonded labourers of Gopalpur, 25 km west of Patna, began their struggle for debt redemption and higher wages (see "Not Out of Bondage", EPW, September 10, 1977). The struggle still continues, despite efforts, ranging from inducement to compromise to use of terror, to quell it.

Much has changed in the village meanwhile. The bonded labourers have become free workers. Their wages have gone up from 1.5 seers of foodgrains (valued at one to two rupees) to Rs 5 per day. Prolonged struggle has given *the people the courage to tell the truth to the face of the landlords, policemen* and government officials. On one occasion, about two months ago, they even came out with their traditional weapons to face the gun-wielding landlords — in the presence of the police. The landlords have tried to get the labourers bogged down in court cases. In the last three years, over 30 cases have been filed by the landlords, labourers and the police in the Danapur sub-divisional court. About 60 labourers in all have been implicated in these cases, Nagina Mistry, the workers' leader, has himself been involved in 12 cases. In cases filed by police under sections 107 and 113 of the IPC, both the parties have to produce bonds of Rs 10,000 to Rs 15,000, something which only the landlords can do. In the incident referred to above, after the labourers had faced the landlords armed with guns, the police arrested three persons each from the two sides. While the arrested landlords were released the next day, the labourers, unable to produce bonds of the requisite amounts, had to remain in the Danapur jail for 25 days before they were freed. The legal institutions are being manipulated by the landlords in many other ways as well. Twentytwo bonded labourers won their cases in the Danapur sub-divisional court for payment of wage arrears, amounting to several thousand rupees, but the landlords have challenged the sub-divisional court's orders in the Patna High Court, where the cases are still pending.

There has been a change of leadership of the labourers. Deonarain Ram, who had led the labourers in the first phase of their struggle, is now living "in exile". The labourers have thrown him out and virtually banned his entry into the village. Simple and truthful,

the labourers would not tolerate a leader who, they alleged, swindled the subscriptions raised for the struggle (for court and laywers' fees, bus fares to and from towns, etc) and finally, lured by handsome bribes, turned an 'agent' of the landlords. Wall slogans appeared in the harijan basti: 'dalal Deonarain se sawdhan!' (beware of agent Deonarain!). The leadership of the workers has now passed into the hands of Nagina Mistry, a mason, and Kesari Ram, a scheduled caste middle-schools teacher.

A significant development is the assumption of the political leadership of the Gopalpur struggle by one of the CPI(ML) groups. It may be that the activists of this group, like those of other Left parties, are dissipating all their energies in patient litigation, but they are also trying to inject ideology into the Gopalpur struggle. Aslo, some activists of the Bihar Students' Association are making efforts to raise the political consciousness of the labourers by associating themselves with the struggle. This change, as manifested in the posters put up in the village and in joint student-labourer demonstrations, in Patna, has put the police camp in Gopalpur "on the alert". Today every visitor in shirts and trousers to the village is carefully interrogated by the magistrate and policemen there. "A report has to be sent to the headquarters, you know" we were told by the magistrate. There was no such interrogation when we had first visited the village at the peak of the Emergency.

The labourers' struggle in Gopalpur has ushered in many changes but it also faces quite a few institutional hurdles. Though the bonded labourers of Gopalpur have become free workers, the system of bonded labour has not been rooted out. In the villages in the neighbourhood, bonded labour continues. Even in Gopalpur, the landlords have brought in bonded labourers from nearby villages. The freedom won by Gopalpur's labourers is, therefore, like an island in an ocean of bondage. Apart from the bonded labour system, what has not yet been undermined by the struggle is the caste solidarity of the landowners. Gopalpur has a population of 2,000. Fifty per cent of the people are middle caste Kurmi landowners and the rest labourers and poor peasants belonging to scheduled castes and other lower castes, like Tatwas, Kahars and Saos. There is political integration among the harijans and other lower castes. On the other hand, barring a few exceptions, the Kurmis, big and small, are united against the labourers. The three years of struggle and the repeated attempts to build up a broad anti-feudal peasant unity have failed to demolish the caste organisation of the landlords, despite the predominantly economic character of the conflict. Recently, the big landlords have convened a series of caste meetings to emphasise that "all this is nothing but a fight between Kurmis and harijans".

Pondicherry

A Calculated Move ?

IT is no use for the Prime Minister to try to explain away his remarks on Pondicherry during his Madras press conference on January 19 as merely his "personal views", and it is even more disingenuous for him to pretend to be "surprised" at the reaction in Pondicherry to his remarks. Admittedly, the political situation in Pondicherry has been vexing almost beyond imagination since the moment the results of the elections were announced in June 1977, and the rivalries between the chief minister and his home minister went on unabated during all the months of the existence of the ministry. These rivalries were only superficially related to the failure of the AIADMK which obtained the largest number of seats in the June 1977 elections to obtain a clear majority of the total number of seats in the legislature. At a deeper level, the rivalries were related to developments in Tamil Nadu whose shadow falls heavily on Pondicherry. Then, there were the many local factors which all came to the fore during the life of the AIADMK government, what with the Chief Minister unable to ever expand his ministry from the original number of two (himself and his Home Minister), but nevertheless managing to find further contentious issues like the distribution of the total of 22 portfolios between the two of them.

But granting all this it was extremely imprudent on the part of Morarji Desai to be at his schoolmasterish worst during his press conference and peremptorarily announce that the Union territory would be merged with the contiguous states of Tamil Nadu, Kerala and Andhra Pradesh, and further threaten to enforce the decision, notwithstanding any popular opposition to it, and suppress the opposition to such a move as well. It was clearly the Morarji Desai of the days of unilingual Bombay state speaking — an attitude of mind which then cost hundreds of lives.

Any yet, it would be wrong to dismiss the words of Morarji Desai as mere ravings of a self-opinionated man. At a more obvious level, neither the Prime Minister nor the Chief Minister of Tamil Nadu have been happy about the reluctance of the Pondicherry administration to modify in any signific manner their stand on prohibition. It was only recently — and with the most extreme reluctance — that a programme of 'dry days' was introduced by the Pondicherry administration; and the suggestion that there should also be a very wide 'dry belt' between the Union territory and Tamil Nadu is unlikely to be accepted by the Pondicherrians even during the period of the present direct rule by the Centre. The only sure way of further extending the 'dry belt' in Pondicherry was to merge it with Tamil Nadu whose Chief Minister, for all his political differences with the Centre, is one with the Prime Minister in his passion to prevent other people from drinking.

Secondly, and more importantly, it is no secret that while Kerala and Andhra Pradesh have not exactly been avid to incorporate into their territories the enclaves of Mahe and Yenam, Tamil Nadu has merely suffered the existence of Pondicherry and Karaikkal as separate units. Considering the fact that the Prime Minister needs all the support he can get in Parliament, could it be that he tried to make a deal with the AIADMK on Pondicherry, in return for some modification of the latter's stand on the Morarji Desai government at the Centre? It is true that Charan Singh has returned to the Cabinet and the Desai government faces no immediate danger. But given the circumstance of the 'great reconciliation', it is only being realistic not to lay high hope on the continued viability of the present arrangement at the Centre; and if one were to go by the development

Annual Number 1979

The 1979 Annual Number will be published in the third week of February. It will be priced Rs 10 per copy, but will be supplied free to subscribers. In view of the Annual Number, the next weekly issue will be that of March 3.

in Uttar Pradesh — and the threatened developments in Bihar and other Janata ruled states — the knives might be out even before they have been properly sheathed. Part of the consequences of such wheeling and dealing has been the killing of two persons, heavy damage to public property, and Morarji Desai himself being forced to express, though quite unconvincingly, his "surprise" at the sharp reaction to his statement. But such facts would of course not unduly trouble one who claims that he is at peace with himself and his Maker.

The Press

Not in Public Interest?

A Correspondent writes:

BENNETT, COLEMAN AND CO is the largest newspaper publishing company in India with an annual gross revenue approximating the annual revenues of states like Meghalaya, Sikkim and Tripura, give or take a few crores. It publishes such well known dailies as *Times of India*, *Economic Times*, *Maharashtra Times* and *Navbharat Times* and money-spinners like *Illustrated Weekly of India*, *Dharmayug* (Hindi weekly) and *Filmfare* (film fortnightly). There are a number of other publications in the Bennett, Coleman stables. Not all of them are financial successes and in fact the need to nurse the loss-making publications has been advanced as the justification by Bennett, Coleman for raising the advertisement tariffs of *Times of India* more than once in the last few months. Bennett, Coleman is controlled by Ashok Jain, whose interests stretch well beyond newspapers to jute, cement, etc. But Bennett, Coleman is perhaps the only goose that has continued to lay golden eggs for him. So when the newspaper company recently announced in the public notices columns of *Times of India* that it proposes to amend its memorandum of association to enable it to "diversify its activities, particularly in the field of manufacture of cement, chemicals, fertiliser, synthetic fibre, etc" it was news indeed. Especially so since it appeared in the wake of a news report that a move was afoot to merge certain loss-making companies of the Jain group with Bennett, Coleman.

The proposed amendment enabling diversification is also interesting for another reason. Hitherto Bennett, Coleman had rested content with investment of a part of its surplus in shares of companies in the Jain group, including some loss-making companies. Now, along with diversification, it is proposed, according to the notice, to delete the words "not immediately required" from the company's memorandum, so that the amended clause reads "to invest and deal with moneys of the company upon such securities and in such manner as may from time to time be determined". The deletion would remove the constraint on investment stemming from the current requirement that investment should be made with moneys not immediately required, that is, from out of surplus.

The proposed amendment to the articles of association is an enabling measure and it does not necessarily follow that the company would indeed diversify or that, in the process, it would take over companies like New Central Jute, Rohtas Industries, Ashoka Cement or Sone Valley. Besides, the government has in its wisdom under section 72A of the Indian Income Tax Act extended tax benefits to viable units in case they absorb sick units. Even if the enabling measure is translated into practice, diversification might be considered to be within the framework of the law in a narrow sense. An idea of the losses of some of the Jain companies have incurred may be had from the accompanying Table.

Table

(Rs lakhs)

Company	Year Ended	Profit or Loss*	Unprovided Depreciation
New Central Jute	March 1978	— 158	31
	March 1977	— 137	—
	March 1976	+ 91	—
Rohtas Industries	March 1978	— 164	107
	March 1977	— 211	—
	March 1976	— 71	72
Ashok Cement**	March 1978	— 105	27
	March 1977	— 106	58
	March 1976	— 94	46

* Without adjusting for accumulated loss.

** Cement unit of company was taken over by Rohtas in July 1977; compensation awarded by arbitrator Rs 250 lakhs.

Legality or the lack of it is, however, not the point at issue even if the various departments of the government concerned with the amendments to the memorandum of articles of association, eventual diversification of the newspaper company and/or merger of sick units with Bennett, Coleman might make it out to be so. The real issue is whether a newspaper company should be enabled to divert funds away from the newspaper business in which the funds are generated. The Press Commission of the fifties did not unfortunately concern itself specifically with this question. The Commission did express a certain disquiet over the fact that bussiness groups from jute or other industries had made forays into newspaper business. There was concern over the fact that other business interests weighed heavily on the editorial policies of newspapers. Beyond that the Press Commission interested itself with separation of accounts of different newspapers belonging to a chain. Pooling of accounts was frowned upon by the Commission, though in a context different from that arising from merger of different businesses.

It is the Fact Finding Committee on Newspaper Economics which, in its report of January 1975, after noting *inter alia* the attempt by a major newspaper company to takeover a steel company, stated that the main economic advantage of delinking of newspaper interests from other business "will be that newspaper profits would not be capable of being easily used for purposes other than operating newspapers". There have been a number of cases, the report pointed out, of close connections between non-newspaper business and the business of running newspapers. Newspaper profits have been used for acquiring shares in industrial enterprises. Deposits attracted from the public in the name of newspapers have been used for a variety of purposes, sometimes creating difficulties in meeting the repayment obligations. Another material fact is that newspapers are subsidised by the government in a number of ways, on the ground that they are a public service. Thus the news services of the news agencies are made available at rates which do not cover costs. Newspapers also benefit from specially low postal and telegraph rates. Obviously, such subsidisation makes an important contribution to the profits of newspaper companies. Diversion of these profits to other businesses would tantamount to misuse of the subsidies extended to newspapers. As the Committee on Newspaper Economics had emphasised, "if newspapers are

[illegible] essential that profits earned from newspapers should be ploughed back into the newspaper enterprises itself". The committee had, therefore, recommended that pending the adoption and implementation of the requisite legal measures, it would be desirable "to take steps for checking the use of newspaper profits for non-newspaper purposes".

Should not then the entire issue be referred by the government to the new Press Commission? Pending its recommendations, would it not be desirable in the public interest to take preemptive measures against diversification of newspaper companies into cement, chemicals, fertiliser, synthetic fibre, etc?

Religion

Wrong Kind of Politics

ON Sunday, January 28, Pope John Paul II addressed the conference of Cardinals and Bishops of Latin America in Mexico City. In the days of Pope John XXIII and his encyclical, many thought that attempts were afoot to subvert the Church and even infiltrate Reds into it. But Pope John Paul II, himself a native of Poland, has clearly put a stop to all such outlandish notions by his call to the Cardinals and Bishops of Latin America to sternly eschew 'politics'. He was not merely indulging in generalities; in a meeting with hundreds of Mexican priests and members of religious orders after his formal inaugural address; he was much more specific. He asked the clergy to keep out of political and social activities, a growing tendency in Latin America for the past decade. The clergy, according to Pope John Paul, "should not give in to social-political radicalisms which in the long run become inopportune and counter-productive You are spiritual guides who try to orient and improve the hearts of the faithful. You are priests ... you are not social leaders, political leaders or employees of temporal power. Do not forget that temporal leadership can easily become a source of division while the priest must be a sign and a factor of unity, of brotherhood".

Since the Roman Catholic Church itself has ever eschewed 'politics', what Pope John Paul II is disapproving of is only one kind of 'politics' — the political involvement of the so-called 'dissident' clergymen in many Latin American countries. The dissident clergymen, belonging for the most part to middle and lower levels of the [illegible] and being in the most close contact with the actual reality of existence in Latin America for the overwhelming majority of its people, could not but be active in their opposition to the many authoritarian regimes of the region. These were sometimes merely an embarrassment to the established clergy, sometimes were more actively involved in organising and mobilising popular struggles, and on occasion, as in the case of Camilo Torres, were joining the armed guerilla struggle "because there could be no other solution", and dying fighting.

It is, however, Francisco Pizarro and Hernando Cortez, rather than Camilo Torres who have been the true representatives of the Roman Catholic Church in Latin America. Hence it is perfectly 'christian' for Pope John Paul II to admonish the dissident priests and urge them not to give in to "social-political radicalism" while remaining silent about the denial of basic freedoms in many Latin American countries.

Iraq

Distress Signals

A RECENT report in the CPI's central organ, *New Age* (January 21) has spoken rather plaintively of the intense persecution the Iraqi Communist Party (ICP) has been subjected to by the ruling Baath Party in Iraq, when the ICP is "formally part of the coalition within the Progressive Patriotic National Front". The persecution and killing of communists in Iraq are no recent matter, for the *New Age* report itself speaks of more than 30 executions and five deaths under torture of communists during "last year". Moreover, throughout last year when these killings were going on — there were reports of such killings towards the end of May last year when the secretary-general of the Progressive Patriotic National Front announced that 21 communists had been executed; in June when seven more executions were reported; and in August when 17 more such executions, this time of 11 soldiers and six civilians unlike in May and June when all those sentenced to death were soldiers, were reported — there was not a ripple in *New Age*, presumably because the ICP had not yet acknowledged what it has now apparently done — that its partnership in the ruling Progressive Patriotic National Front is "in fact ... just a fiction".

However, the persecution of Communists in Iraq, on the realisation by the ICP that its being formally part of a coalition with the Progressive Patriotic National Front there is "in fact ... just a fiction" does not seem to have led to any basic reassessment of the line of building national democratic alliances with bourgeois parties in the underdeveloped countries and newly *liberated colonies — a line which* the ICP, the CPI and various other communist parties in the regions are finding it increasingly difficult to implement. There is now hardly any Communist Party in the newly liberated areas of the underdeveloped world which has not been virtually ruined in pursuit of this thoroughly bankrupt line. Nevertheless the *New Age* report speaks of how the ICP, with the obvious intention of seeking approval and understanding of its bourgeois partner, "made considerable concessions and gave up many of its demands in the interest of national unity. For instance, it suspended its mass organisations among youth, students and women because the Baathist rulers had insisted on this as a condition for the formation of the United Front". After making this confession of rank opportunism and surrender — in return for which the Baathists let loose their compaign of killings and terror, repression and torture upon the communists — the ICP is apparently even now "striving to stop deterioration in the relations with the ruling Baath Party, and not only to preserve the co-operation of the two parties but to develop and deepen it still further". The reason for all hope not being still lost is that, there are, as the *New Age* report very kindly goes on to identify, "right-wing forces of the Baathist Party" which are being used by "reactionary Arab forces and by the zionists and imperialists to destroy the coalition and patriotic unity and to turn Iraq into the way shown by Sadat of Egypt". Further, "these forces in the Baathist Party are not only anti-communist they are also anti-Soviet. They are against the Palestine Liberation Organisation and they want to influence Syria away from friendship with the Soviet Union and to capture the Baathist ruling party in Syria".

It was not so long ago that the Baath'st Party in Syria was being accused precisely of following such 'rightist' policies and of wanting to subvert the 'progressive' Baathist regime in Iraq. Now one has presumably to wait for the Syrian regime to resume murdering communists in Syria for fresh distress signals to be hoisted.

Industrial Sickness and Management Policy

THE article "Sickness in Industry: A Case Study of Deliberate Management Policy" by Jayati Ghosh (*EPW*, January 13) was interesting reading. I have the following comments to make regarding the data furnished and other statements made therein:

(1) It appears from Table 2 (Raw Material Costs) that total expenditure on materials ranged from 7.2 per cent in 1966-67 to 15.2 per cent in 1967-68. For most of the years it has been steady at about 11 per cent. This is rather surprising as the Selected Characteristics by Industry Groups furnished in the Annual Survey of Industries 1975-76 published by the Central Statistical Organisation indicates a widely different ratio between raw material costs and total inputs in respect of the industries falling under the group of industries (industry code 323) covering the case under study:

	(Rs Lakhs)
Total emoluments	789
Fuels consumed	783
Materials consumed	1243
Products	3788
Total output	4006
Depreciation	197
Value added	1331
Net income	1058

In the light of these data, the ratio of raw materials to total costs as given in the study seems to be very low. In fact there is hardly an industry falling in the main group of similar industries where the emoluments figure is higher than the materials costs. This needs looking into.

(2) While the impact of the devaluation of the rupee is visible in the abnormal escalation of materials cost in 1967-68, the subsequent downward trend is not clearly understood. Is this decrease in subsequent years due to the rationalising of purchasing operations which, if true, is highly commendable, or is it due to reduced volume of purchases, which seems more likely in view of the disturbing performance of the undertaking? The latter is encouraged by the fact that the ratio of materials costs to total expenditure remained almost the same for the post-devaluation period.

(3) It appears that purchasing operations of the unit have not been gone through, possibly because of the low percentage of materials costs to the total costs and also the assumed difficulty in examining them, as mentioned in the study. As regards the low materials costs I have already expressed my doubts at (1) above. Examination of purchase operations is not such a difficult task that it cannot be undertaken in post mortem. There are certain basic points which need checking. Whether purchases were made in a competitive manner or were the orders placed on past suppliers without regard to the reasonableness of their rates? What steps were taken to effect reduction in costs by way of value analysis of specifications, use of substitutes, etc? What were the arrangements for ensuring quality control of materials purchased? Were these tested and checked by the factory properly or were the materials got tested at a reputable laboratory in India or abroad? How were the payments made, in advance or after receipt of correct materials? These are some of the points which on scrutiny would reveal the effectiveness of the purchasing operations. I wonder if the writer had gone through these issues. These are very relevant as leakage through faulty purchase operations has been the undoing of many undertakings and these usually go unchecked.

P P KAPOOR

New Delhi,
January 18.

Invasion of Kampuchea

THE Working Panel of the Analysis' Forum, Bombay, in a meeting held on January 19, adopted the following resolution:

(1) The Panel unequivocally condemns the Soviet backed Vietnamese aggression in Kampuchea and appeals to all the democratic and freedom-loving forces in India and elsewhere to extend and mobilise support for the people of Kampuchea now involved in a just struggle against the Vietnamese aggressors who are working at the behest of Soviet social imperialism which is desperately trying to execute its 'collective security' plot in the form of an Indo-Chinese Federation.

(2) The Panel has firm conviction in the ultimate victory of the Kampuchean people fighting under the leadership of Prime Minister Pol Pot and the Communist Party of Kampuchea. The recent formation of a Democratic and Patriotic Front for National Unity is a welcome development. The war in Kampuchea is a people's war in which the tactics of guerilla warfare are being heroically employed and is going to be a protracted war.

(3) The Panel observes that the aggression in Kampuchea has further demonstrated the correctness of Mao Zedong theory of three worlds, according to which Soviet social imperialism, cloaking itself under the garb of 'national liberation' stunts and flaunting the red banner, is the number one enemy of the peoples of the world and the most dangerous source of world war. An international united front of all countries and peoples against this fascist menace is the need of the hour. The Panel particularly condemns Enver Hoxa and the renegade Albanian leadership who, in the name of fighting everybody and all imperialism, are rendering useful services to the Soviet social imperialism, and are openly supporting the Vietnamese invaders. The Panel also condemns the CPI (M) leadership which, by supporting the Soviet social imperialism in Kampuchea, has now completely exposed itself as yet another variety of a renegade revisionist party.

J P DIXIT

Secretary,
Analysts' Forum, Bombay,
January 19.

Correction

In the book review "Irrelevance of Solar Energy" by Jashbhai Patel (December 23-30, 1978), the following details about the book were omitted:

Industrial Application of Solar Energy; National Productivity Council, New Delhi, 1976, pp 336, Rs 50.

—Ed.

Charan-ing the Finance Ministry

Romesh Thapar

THE Janata party's credibility in the Capital can be measured by the overwhelming number of serious observers who believe that Charan Singh's opportunist re-entry into the Union Cabinet does not mean the end of in-fighting within this ruling formation. The Jan Sangh tangle with the BLD segment, particularly in Uttar Pradesh, is a sample of the new tensions that will take over — and Raj Narain notwithstanding!

It is rather naive to imagine that the Janata party can subdue the in-fighting by quiet deals at the leadership level. As the jockeying for power at senior levels becomes unashamed, the political unknowns in Parliament and the legislatures are beginning to turn their attention to the kind of problems which need urgent tackling and which might give the party the stamp of a meaningful ruler.

This thinking is becoming more pronounced, believe it or not, with the entry of Charan Singh into the Finance Ministry. While the familiar analysis tells us about the impending threat to national budgeting from a man obsessed with the village and contemptuous of the role of industry, the ground-level "intelligence" is that the party backbenchers are expecting Charan Singh and George Fernandes to go into a political-economic embrace on what has to be done in the rural areas. Indeed, even Madhu Limaye will approve!

Reading the daily press, one would think that George Fernandes is some kind of a crazy character who is only interested in nationalising Tata Steel and some third-rate automobile plants. Actually, the Minister for Industry is largely concerned with the problems of making small-scale industrial enterprise in the villages productive and viable. He believes, with many thoughtful economists, that this effort would create employment for many millions and build the demand on industry for goods which the rural population cannot afford at the moment.

Of course, there are dangers inherent in any major economic restructuring. Defective co-ordination can create shortages and inflationary situations. However, the concern of George Fernandes is to get his District Industrial Centres launched and to build markets for the produce of village industry. Within the Janata party, the thought occurs that Charan Singh in the Finance Ministry can become a major lever in support of these policies.

One of the factors in the Janata party's lack of credibility has been the absence of any determination to implement the rural correction or orientation. George Fernandes' projection of his new policies was not matched by Finance Ministry and Planning Commission commitments. The party's activists, and they are not to be ignored in the northern states, lived in a make-belief world of expectancy and frustration. All this may well change in the coming months as Charan Singh settles down to budget for his kisans.

I do not know whether the peace-makers and patch-up men realised all this when they were pushing for a balance of power between the three old men of the party. I doubt it. And as you focus on this kind of stirring in the Janata party, it is possible to get an idea of the political fall-out. As part of the policy of rural revival, there is mounting suspicion of the role that traders and large industrial houses are likely to play. Is the Jan Sangh antagonism to Charan Singh also rooted in similar calculations? It's worth looking at.

Charan Singh is not a very reliable factor in any national assessment. He is too mercurial and given to unbalanced generalisations on economic and political theory. And there is the unexpected factor of Raj Narain lurking in the corners of the political arena. But it appears that the realisation is now widespread that the politician as such has become a symbol of contempt and ridicule, and all parties feel that something will have to be done soon to change the image. The manipulators of the ruling Janata party cannot be unaware of this powerful sentiment.

Even the demoralised and confused ranks of Congressmen, conscious that the old core support is returning to the party despite the endless bickerings over unity manoeuvres, are beginning to wonder whether they have not lost sight of the critical issues in their intense cogitations over Indira Gandhi and her inexplicable equation with her unrepentant son, Sanjay. In their minds, the question forms: will we for ever be political fodder for mother and son in their court battles?

Maybe, solid sense will prevail when Swaran Singh has finished his marathon negotiations which have no beginning and no end. Maybe, for Congressmen continue to lack confidence in themselves — and Indian Communist emissaries from Moscow continue pushing Indira Gandhi as the person to be supported!

It is a pity that Prime Minister Morarji Desai did not move Jagjivan Ram into the Home Ministry — or even Chandrashekhar. The Janata government is too complacent about the fears of the Harijans and the Muslims. These two segments are crucial to the calculations of the Congress groups, and the Janata party continues to drag its feet about their future security and well-being. H M Patel could do a great deal to establish new frameworks of real justice and equality to replace the vague commitments of the past, but will he be allowed to move?

That's how it is as we begin the second phase in the Janata party's attempt to remain united and to regain its coherence as an alternative to the Congress. In this context, the ripples from the Finance Ministry will be worth study.

January 27

ICICI

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI) has made notable contribution in the field of development banking during the last 24 years of its existence. Its net sanctions have reached Rs 1,053 crores. According to James Raj, new chairman of the corporation, this assistance has gone to over 1,200 companies for nearly 2,500 projects of medium, large and small sizes covering various industries like fertilisers, petro-chemicals, power generation, sugar, cement, paper, textiles, machinery manufacture, electrical equipment, etc. Its normal function as a development bank apart, the corporation has also played an important role in institution building. It has identified gaps in the institutional structure and tried to fill these.

Financial Innovativeness by Government Company

Hansavivek

MYSORE PAPER MILLS is going ahead with its Rs 100-crore expansion scheme. Loans from public financial institutions, commercial banks and Chemical Bank, New York, have already been tied up to meet the major part of the financing needs of the project. An amount of $ 25 million has already been drawn out of $ 35 million of loan from the Chemical Bank and used for the project. As a part of the financing scheme for the project, the company has to increase its paid-up capital. It is proposed to make a bonus issue in the proportion 1:1 and thereafter a 'rights' issue in the ratio 1:2. In addition, it is proposed to make an issue of 32,78,100 equity shares of Rs 10 each to non-resident Indians who have intimated their intention to invest in the company, and of 42,21,900 equity shares to the government of Karnataka which intends to maintain the existing percentage of its stake in the company's capital. All these capital issues will raise the company's paid-up capital from Rs 1.5 crores to Rs 12 crores. As a means of raising immediate finance for the expansion project and also for setting up a sugar factory, the management has also considered a scheme of issuing 10 per cent unsecured convertible bonds. The proposed sugar factory will be an integral part of the mills. This integration of paper and sugar is the first of its kind. Production services and utilities of the paper unit will be beneficially made use of for the sugar unit and bagasse produced by the sugar unit will be an essential raw material for the paper unit. The company has concluded agreements with Jaako Poyry Engineering of Helsinki for expert assistance for project monitoring in addition to the National Industrial Development Corporation who would attend to detailed engineering and implementation of the expansion project. Equity holding of the state government has increased to 56.22 per cent of the total paid up capital of the company, since it acquired the shares from Jalan group. MPM has, therefore, become a government company. During 1977-78, it produced slightly more at 26,167 tonnes against previous year's 26,118 tonnes. Net sales amounted to Rs 8.96 crores against Rs 8.33 crores, but gross profit was lower at Rs 100 lakhs against Rs 107 lakhs. With both depreciation and taxation requiring less, net profit turned out to be higher at Rs 51 lakhs (Rs 39 lakhs). The proposed unchanged dividend of 10 per cent is covered 2.73 times.

BINNY has sunk deep into the red and is being rescued by the Centre and its financial institutions. The company requires Rs 17 crores for its long term viability which is aimed to be achieved by implementing a modernisation and rehabilitation programme. The financial institutions will provide, under their soft loan scheme, Rs 10 crores and the

The Week's Companies (Rs in Lakhs)

	Mysore Paper		Binny		India Forge		Unichem	
	Latest Year 31-3-78	Last Year 31-3-77	Latest Year 30-6-78	Last Year 30-6-77	Latest Year 30-6-78	Last Year 30-6-77	Latest Year 30-9-78	Last Year 30-9-77
Paid-up Capital	150	150	706	706	65	70	72	72
Reserves	285	238	244	232	60	46	145	132
Borrowings	1275	272	920	943	61	92	227	269
of which Term borrowings	1161	190	699	722	30	39	31	44
Gross fixed assets	898	835	3377	3374	225	223	332	313
Net fixed assets	314	291	915	1037	72	79	163	165
Investments	—	—	56	55	—	—	1	1
Current liabilities	304	316	4245	3587	61	33	180	161
Current assets	444	496	3263	3175	174	161	460	467
Stocks	169	214	2335	2329	134	107	198	234
Book debts	270	262	907	809	39	53	230	187
Net sales	896	833	7258	6624	248	117	1094	946
Other income	15	12	168	197	9	7	23	17
New material costs	246	246	2978	2964	114	45	427	338
Wages	176	160	1679	1536	66	29	217	179
Interest	32	24	413	457	16	17	36	43
Gross profit(+)/loss(—)	100	107	—307	—784	31	—8	70	77
Depreciation provision	38	43	140	142	10	9	22	26
Tax provision	11	25	—	—	—	—	24	28
Net profit(+)/loss(—)	51	39	—447	—926	21	—17	24	23
Development rebate provision	10	12	9	23	—	1	2	1
Transfer to reserves	26	12	—	—	15	—	12	12
Dividend								
Amount	P — E 15	— 15	P — E —	— —	P 2 E 6	— —	P — E 10	— 10
Rate (per cent)	P — E 10	— 10	P — E —	— —	P 11 E 10	— —	P — E 15	— 14
Cover (times)	2.73	1.80	—	—	3.50	—	2.20	2.20
Ratios (per cent)								
Gross profit/sales	11.16	12.84	—	—	12.50	—	6.40	8.14
Net profit/capital employed	11.72	10.05	—	—	16.80	—	11.06	11.27
Inventories/sales	18.86	25.69	32.17	35.16	54.03	91.49	18.09	24.73
Wages/sales	19.64	19.21	23.13	23.19	26.61	24.78	19.83	18.92

Central government the remaining Rs 7 crores. In addition, State Bank of India has granted concessions in interest with effect from January 1, 1978. With the revival of markets and improved raw material position, the current year's outlook appears to be satisfactory. Production has stabilised in both the mills, but the recent ordinance imposing an additional excise duty is likely to have an adverse effect. During 1977-78, the company showed further net loss of Rs 4.47 crores, as against the previous year's Rs 9.26 crores. After making certain adjustments, the accumulated loss has increased from Rs 16.77 crores to Rs 20.88 crores to stand against a share capital of Rs 7.06 crores and reserves of Rs 2.44 crores. The performance of the textiles division improved considerably during 1977-78, even though the operations of the Bangalore mills were disrupted because of a strike followed by a lockout for almost two months on the bonus issue. Steps were taken to speed up rationalisation in the textile units and agreements were reached in some of the departments. Further progress is expected during the current year. The trading and agency division continued to do well and maintained its performance. Efforts are being made to get more agencies. The performance of the engineering division has been satisfactory and is expected to improve in the coming years. There have been quite a few changes in the board J R Joshi, who was appointed as an additional director on February 24, 1978, resigned on May 29 and in his place B Ramu was appointed as a director. Jaykrishna Harivallabdas, the well known industrialist from Gujarat, was appointed as an additional director on May 25, 1978. A Padmanabhan vacated the office of managing director with effect from April 2, 1978, and in his place P Unnikrishnan was appointed.

INDIA FORGE AND DROP STAMPINGS has fared well during 1977-78. With sales up from 1.17 crores to Rs 2.48 crores, the company earned a gross profit of Rs 31 lakhs as against a trading loss of Rs 8 lakhs incurred previously. After depreciation, there is a net profit of Rs 21 lakhs against a net loss of Rs 17 lakhs. This outcome has enabled the company to return to the dividend list with a 10 per cent payment on equity after an absence of three years besides disbursement of the usual dividend on preference shares including arrears for 1976-77. What is more, the company has also been able to plough back a surplus of Rs 15 lakhs to the general reserve. These results have followed increase in production from 847 tonnes to 2,149 tonnes even though there was a poor offtake of the company's products during the first half of the year due to disturbed conditions in several vital auto ancillaries. The previous year's operations were crippled by a prolonged lockout in the company. The management has concluded a 3-year agreement with the labour union involving revision of wages and benefits. It also provides for increase in productivity of the plant which in the past has been a recurring source of friction in the company's industrial relations. Manufacturers of commercial vehicles are planning to double their current production over the next five years. With a view to expanding and diversifying its range of products and services, the company is setting up facilities for foundry operations at Faridabad in Haryana with an initial annual capacity of 600 tonnes of alloy iron castings. The forging capacity is being augmented by establishing a plant at Poona for manufacture of automotive forgings with integrated facilities to cater primarily to the market in Western India. These proposals are intended to be implemented in stages.

UNICHEM LABORATORIES' chairman, A V Mody, complains that the old drugs price control order is still in force and has not been revised, although the Central government had announced its new drug policy in April last. "This is a classic case of administrative delay", he remarks. He also observes that for want of specific basic guidelines, applications remain pending and they are cleared or rejected in an arbitrary manner. Referring to the difficulties faced by Unichem, he says it is not allowed expansion of its production capacities at Ghaziabad on the ground that it is a developing urban centre. The company can compete and grow by cutting down its overheads through expansion at existing places and by marketing new products. It has spare capacities for formulations available both at Bombay and Ghaziabad. Under the present industrial policy, even a new formulation requires a new industrial licence. A blanket ban on new industrial licences in urban centres means every new formulation will have to be manufactured by setting up new facilities at places other than Bombay and Ghaziabad. Unichem's 1977-78 results show higher sales with lower profits. Thinned margins are attributed to rise in materials costs and higher wage bill. As a result of a settlement arrived at with the union, the company had to pay arrears for the past two years, extra bonus and revised incentive bonus. The management feels that with the co-operation of employees better results will be achieved in coming years.

KOLMAK CHEMICALS is making a public issue of 3.10 lakh equity shares of Rs 10 each at par to raise a part of the funds required for its Rs 1.65-crore project for manufacture of 1,350 tonnes of rutile grade titanium dioxide, 400 tonnes of basic chrome sulphate and 100 tonnes of green chrome oxides and its derivatives per annum in technical collaboration with Indian Oxygen which has developed the processes for manufacture of these products at its research centre. The project is located at Kalyani, a 'backward' area in West Bengal. The company has been promoted by professional managers — headed by P C Basu, who is ex-deputy managing director of Indian Oxygen. Production of chrome chemicals is expected to commence within a year and that of rutile grade titanium dioxide in about two years. Chrome Chemicals are used mainly for leather tanning, metal treatment and for manufacture of chromium metal and ferro chrome and various other products. Titanium dioxide is used as a raw material in the paint, paper, plastic, rubber, printing ink and other industries. Almost the entire quantity of titanium dioxide, which Kolmak proposes to manufacture, is now being imported. Kolmak's expected cost of production compares favourably with the landed cost of the imported product. It does not envisage any difficulty in marketing its entire output which represents a small fraction of the country's total demand for rutile grade titanium dioxide. Of the total share capital of Rs 50 lakhs, Indian Oxygen is taking up 26 per cent and promoters and their friends are taking up another 12 per cent and the balance is being offered to the public for subscription. The subscription list will open on February 14. The public issue is managed by the merchant banking division of Grindlays Bank.

Finances of State Governments

REVENUE AND CAPITAL RECEIPTS OF STATE GOVERNMENTS

(Rs crores)

	1978-79 (Budget)	1977-78 (Revised)	1976-77 (Accounts)	1975-76 (Accounts)	1974-75 (Accounts)	1973-74 (Accounts)
Revenue Receipts						
I Revenue from State Taxes	4655	4301	4033	3546	2881	2305
	(+8.2)	(+6.6)	(+13.7)	(+23.1)	(+25.0)	
(a) Taxes on income	69	67	62	46	16	14
(i) Agricultural income tax	39	39	35	29	14	12
(ii) Profession tax	30	28	28	17	2	3
(b) Taxes on property and capital transactions	434	418	424	456	372	333
(i) Stamps and registration fees	266	252	232	217	205	172
(ii) Land revenue	157	158	183	230	161	157
(iii) Surcharge on cash crops	1	1	2	2	1	—
(iv) Urban immovable property tax	10	6	7	8	6	4
(c) Taxes on commodities and services	4152	3818	3548	3044	2493	1958
(i) Sales tax	2673	2446	2270	1944	1550	1143
(ii) State excise duties	561	550	505	436	387	354
(iii) Taxes on vehicles	288	259	239	203	176	148
(iv) Taxes on goods and passengers	231	205	190	167	142	114
(v) Electricity duties	158	141	133	111	91	81
(vi) Entertainment tax	198	184	175	150	126	100
(v) Other taxes and duties	44	34	36	34	21	18
II Share in Central taxes	2018	1820	1680	1599	1229	1162
	(+10.9)	(+8.3)	(+5.1)	(+30.2)	(+5.6)	
(a) Income tax	735	702	651	734	516	523
(b) Estate duty	10	10	9	8	10	11
(c) Union excise duties	1273	1108	1020	857	703	628
III Total tax revenue	6673	6121	5713	5145	4109	3468
	(+9.0)	(+7.1)	(+11.0)	(+25.2)	(+18.5)	
IV Non-tax revenue	4375	3810	3324	2793	2322	2084
	(+14.8)	(+14.6)	(+19.0)	(+20.2)	(+11.5)	
(a) Grants from Centre	2270	1880	1505	1219	1022	937
	(+20.6)	(+25.0)	(+23.5)	(+19.3)	(+9.1)	
(b) Other non-tax revenue	2105	1929	1819	1574	1301	1147
(i) Interest receipts	575	480	496	377	329	328
(ii) Dividends	23	21	20	16	10	12
(iii) General services	189	183	197	186	123	
(iv) Social and community services	206	201	182	182	137	807
(v) Economic services	1112	1045	925	814	702	
V Total revenue receipts	11047	9931	9037	7938	6432	5552
	(+11.2)	(+9.9)	(+13.8)	(+23.4)	(+15.9)	
Capital Receipts						
(1) Internal debt	405	386	406	396	392	221
(a) Market loans	296	284	287	275	306	166
(b) Loans from SBI and other banks (net)	12	2	14	64	25	17
(c) Loans from LIC	21	20	23	19	22	11
(d) Others	76	79	82	38	38	26
(2) Loans from Centre	2253	1990	1446	1294	1075	1553
	(+13.2)	(+37.6)	(+11.7)	(+20.4)	(−30.8)	
(3) Recovery of loans and advances	350	378	360	420	288	235
(4) Small savings, provident funds, etc (net)	264	245	201	149	144	131
(5) Contingency Fund (net)	5	81	70	−6	19	−1
(6) Reserve funds (net)	137	156	158	117	76	278
(7) Deposits and advances (net)	106	97	133	106	45	105
(8) Suspense and miscellaneous (net)	95	101	90	108	133	−38
(9) Appropriation to Contingency Fund	—	—	20	10	—	—
Total capital receipts	3614	3434	2883	2594	2171	2483
	(+5.2)	(+19.1)	(+11.1)	(+19.5)	(−12.6)	
Total receipts ; revenue and capital	14661	13365	11920	10532	8603	8035
	(+9.7)	(+12.1)	(+13.2)	(+22.4)	(+7.1)	

Note : Figures in brackets represent per cent change over previous year.

REVENUE EXPENDITURE AND CAPITAL DISBURSEMENTS OF STATE GOVERNMENTS

(Rs crores)

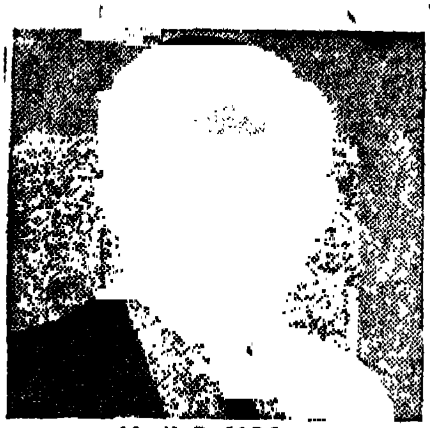
	1978-79 Budget	1977-78 Revised	1976-77 Accounts	1975-76 Accounts	1974-75 Accounts	1973-74 Accounts
Revenue Expenditure						
A Developmental expenditure	**6998**	**6312**	**5369**	**4709**	**4103**	**3743**
(1) Social and community services	3925	3632	3138	2798	2425	2327
(a) Education, art and culture, scientific services and research	2233	2065	1783	1620	1394	
(b) Medical services, family planning, public health, sanitation and water supply	977	865	809	648	565	
(c) Housing	57	58	54	46	34	
(d) Labour and employment	76	59	50	47	45	
(e) Social security and welfare	414	345	276	248	217	
(f) Natural calamities relief	62	137	85	118	116	
(g) Others	106	105	83	71	54	
(2) Economic Services	**3073**	**2679**	**2231**	**1191**	**1678**	**1416**
(a) General economic services	315	259	212	168	144	
(b) Agriculture and allied services	1625	1384	1143	1006	837	
(c) Industry and minerals	163	142	122	98	91	
(d) Water and power development	545	482	393	343	319	
(e) Transport and communications	426	412	361	297	288	
B Non-developmental expenditure	**3106**	**2833**	**2478**	**2183**	**1862**	**1867**
(1) Organs of state	106	135	106	85	73	
(2) Fiscal services	493	460	398	313	268	
(3) Appropriation to reserves	139	154	143	143	135	
(4) Interest payments	946	852	757	688	539	
(5) Administrative services	1132	1002	881	798	731	
of which Police	569	546	483	438	398	
(6) Pensions and miscellaneous general services	291	231	193	157	116	
C Compensation and assignments to local bodies	**112**	**109**	**93**	**74**	**72**	**59**
Total revenue expenditure	**10217**	**9254**	**7940**	**6967**	**6037**	**5669**
Capital Disbursements						
A Developmental outlay	**2292**	**1849**	**1623**	**1382**	**1087**	**953**
(1) Social and community services	194	191	174	140	118	101
(a) Education, art and culture, scientific services and research	23	22	18	15	11	
(b) Medical services, family planning, public health, etc	122	107	88	74	63	
(c) Housing	37	38	36	25	26	
(d) Others	12	25	33	26	18	
(2) Economic services	2099	1658	1449	1242	969	853
(a) General economic services	158	125	128	89	86	
(b) Agriculture and allied services	279	139	174	234	167	
(c) Industry and minerals	98	98	107	86	65	
(d) Water and power development	1258	1057	829	658	506	
(e) Transport and communications	306	238	211	175	145	
B Non-developmental outlay	**46**	**36**	**32**	**22**	**23**	**31**
C Discharge of internal debt	**140**	**171**	**136**	**33**	**124**	**34**
D Repayment of loans to Centre	**748**	**807**	**719**	**762**	**505**	**934**
E Loans and advances to third parties	**1601**	**1474**	**1317**	**1090**	**816**	**603**
of which (a) Agriculture	62	73	57	62	54	
(b) Minor irrigation	34	36	25	20	23	
(c) Industrial research and development	28	22	18	12	12	
(d) Power projects	1063	865	722	556	397	
F Others	**−11**	**65**	**105**	**202**	**42**	**36**
Total capital disbursements	**4817**	**4401**	**3932**	**3491**	**2597**	**2592**
Aggregate disbursements (revenue and capital)	**15033**	**13655**	**11872**	**10457**	**8634**	**8261**
	(+ 10.1)	(+ 15 0)	(+ 13.5)	(+ 21 1)	(+ 4 5)	
Developmental	10808	9558	8234	7073	5944	5118
	(+ 13.1)	(+ 16 1)	(+ 16 4)	(+ 19.0)	(+ 16 1)	
Non-developmental	3236	2946	2585	2314	1946	2080
	(+ 9.8)	(+ 14 0)	(+ 11.7)	(+ 18.9)	(− 6 4)	

Note: Figures in brackets represent per cent change over previous year.

Source: Reserve Bank of India *Bulletin*, September 1978.

IOL Indian Oxygen Limited

Chairman's Statement



Mr K D MOORE

(The following is an abbreviated version of the Statement of Mr K D Moore, Chairman, Indian Oxygen Limited. The full text has been circulated to the shareholders along with the Company's Annual Report for the year ended 30 September 1978).

The performance of the economy during the past year has not been uniformly satisfactory. Although the year ended 31 March 1978 recorded a growth rate of about 5% in GNP, this was mainly due to an increase of over 10% in agricultural production Industrial production increased by less than 4% as against 10.4% in the previous year; this increase too was mainly accounted for by certain sectors of industry

Since April 1978 the overall industrial growth rate has picked up slightly, but this higher growth rate is still not broadly representative as major industries like engineering and textiles are not amongst those which have recorded an increase in output. The industrial scene has moreover been beset by serious problems such as shortages of coal, power and wagons. The shortage of coking coal and power in turn has affected the production of steel.

The early part of the year saw widespread industrial unrest, notably in Maharashtra and South India; recovery from the effects of this has been slow in West Bengal where some 60% of IOL's employees and capacity is located and in Northern India, serious power shortages developed in 1978 and are likely to continue.

The climate for investment continues to be unfavourable. Some of the pronouncements of Government spokesmen and recommendations of Government appointed committees such as the Sachar Committee, have created serious apprehensions in industrial circles. Neither are credit policies and lending rates helpful.

Reference must also be made to the guidelines recently published regarding top management remuneration in the country. We believe these guidelines to be seriously detrimental to the motivation and professionalisation of management which Government avowedly seeks to promote.

It is disappointing too that the positive and necessary new policy of the present Government, in giving priority to rural and small industry development, has had its counterpart in a negative approach to organised industry in the private sector. The need to prevent stagnation in organised industry, the growth of which has been a source of pride and strength to the country over the past decade, has been paid lip service, but the practical effect of persisting in present policies cannot be ignored indefinitely

The result of longstanding denial of growth is inevitable decline, which will unfortunately be reflected not merely in reduced profits but more importantly to the country, in increasing technical obsolescence and reduced standards of performance. Surely this must be a matter of grave public concern, especially where it involves a technology-based industry whose products are vital to almost every kind of manufacturing and infrastructural activity in the country.

OPERATIONS

Although the turnover for the year at Rs 49.9 crores slightly exceeded the previous year's, volumetric sales of most major products were lower. The impact of severe power shortages in some parts of the country, of industrial unrest affecting customers' activities especially in the west and the south, and of demand slack in certain sectors of the economy adversely affected sales. Loss of production and increased operating costs from power interruptions and shortages are calculated to have caused loss of profit by upwards of Rs 80 lakhs. This loss in conjunction with substantial increases in materials and employee costs could not be fully recovered in higher prices and brought a marked fall in IOL results after the improved figures of the two previous years.

PROFIT, TAXATION & DIVIDEND

The profit for the year before taxation amounted to Rs 3,16,29,800 as against Rs 5,10,16,493 last year, after providing depreciation of Rs 1,00,54,000 (previous year Rs 96,82,000) and interest charges of Rs 1,04,92,000 (previous year Rs 86,07,962). The setback in operational performance, coupled with all round cost increases—the major part of which had to remain unrecovered through pricing action because of depressed market conditions and stiff price resistance, particularly from Government and quasi-government customers, was mainly responsible for the sharp decline in profits.

Tax provision for the year amounted to Rs 1,45,00 000 (previous year Rs 2,94,00,000) leaving a net profit of Rs1,71,29,800 as against Rs2,16,16,493 last year. After transferring Rs27,00,000 (previous year Rs 28,00,000) to Investment Allowance Reserve and bringing back Rs 7,00,000 (previous year Rs13,00,000) from Development Rebate Reserve and taking into account Rs 16,04,241 brought forward from previous year the amount available for appropriation was Rs 1,67,34,041 as against Rs 2,31,24,241 last year.

In view of the substantial disinvestment of shares by the Company's major shareholder, BOC International Limited, your directors considered it fair and equitable to declare an interim dividend at the rate of 12%, subject to deduction of tax, payable on 1 December 1978. This was also necessary as the selling price for the shares to be disinvested was fixed on the basis of ex-dividend transfer. After careful consideration your directors have decided to transfer Rs 28,00,000 to General Reserve and to recommend payment of a final dividend at the rate of 3% subject to deduction of tax, leaving Rs 16,14,041 for carry forward to next year. If approved by the members, this final dividend, together with the interim dividend already declared, would represent the same quantum of distribution as in the previous year, although on an enhanced capital base resulting from the last Bonus Share issue.

FINANCE & SHARE CAPITAL

Due to depressed trading conditions, it became increasingly difficult to generate adequate cash flow to take care of the inflationary pressures on working capital and at the same time to meet the pressing need for capital expenditure to maintain and improve operational efficiency. To meet the shortfall, overdraft facilities were enhanced from Rs 640 lakhs to Rs 815 lakhs on a consortium basis from Punjab National Bank, The Chartered Bank, Grindlays Bank Ltd. and United Bank of India. In addition, necessary permission was also obtained from

the Reserve Bank of India for accepting deposits up to Rs 100 lakhs. Both the facilities are being fully utilised.

As a result of the issue of 20,53,333 new ordinary shares of Rs 10 each as Bonus Shares, the issued and subscribed share capital of the Company increased from Rs 6,16,00,000 to Rs 8,21,33,330 during the year. Under the Foreign Exchange Regulation Act, 1973, the Reserve Bank of India ultimately decided that the foreign equity participation in the Company should be brought down to a level not exceeding 40% In the absence of Government approval of any worthwhile expansion or diversification projects which might justify a new capital issue by the Company, it was decided to comply with the Reserve Bank's decision by BOC International Limited disinvesting 21 60 440 Shares in the Company by 'Offer for Sale' Members are already aware of the manner of this disinvestment and the terms of the offer I am sure our Indian shareholders will welcome this opportunity of increasing their equity participation and at the same time of reaffirming their faith and confidence in the Company I also trust that the members are pleased to see that some Shares have been reserved for the employees and business associates of the Company BOC International Limited has agreed to retain the sale proceeds of the Shares with your Company as an interest free loan until they are repatriated in the phased manner laid down by the Bank

MANAGEMENT & PERSONNEL

Within the Company, industrial relations remained generally satisfactory with only minor disruptions Following negotiations with the Unions substantial benefits were extended to the Company's units in West Bengal and at Gauhati and Ranchi by way of additional dearness allowance. Settlements on fringe benefits were also reached with Unions representing the majority of the Company's units Negotiations with the Unions at the remaining units remain inconclusive, but we shall persevere in our efforts to reach amicable settlements

Through sustained efforts over the recent years, a management develop ment system is now well established During the year the Company's training activities were expanded For the first time a residential development programme for supervisory staff was held The welfare activities of our employees continued to receive close attention. I am again pleased to record appreciation of the loyal efforts of workers and management without which even the somewhat disappointing results of the past year would not have been possible. The Company is no longer in a situation where it can operate successfully with efforts any less than the best on the part of all. The emergence of competitors for almost all our products requires that not only the quality of our goods and services should be high, but also that we give great attention to our costs Aspirations for monetary reward and remuneration will need to be moulded against this background.

DEVELOPMENT & EXPANSION

My statement last year referred to the further efforts on the part of the Company to obtain the approval of the Government of India in regard to the Company's major diversification project for manufacture of a range of castor based chemical products Nearly 4½ years have elapsed since the project was submitted to the Government for approval and a final decision has yet to be communicated to us Over this period there have been substantial changes in world market conditions which make it now uncertain whether the project would still be viable.

My statement last year also referred to the industrial licence application in respect of a new factory at Barbil, Orissa, for manufacturing liquid oxygen explosives This application has unfortunately recently been rejected but a final representation to the Industry Minister will be made shortly in view of current urgent need for explosives in the country

An application has recently been submitted for Government approval of manufacture of continuous welding consumables and submerged arc welding fluxes at our Ambattur factory The proposal is designed to meet the rising domestic demand for these products which are used in the sophisticated automatic welding processes being increasingly used The project involves technology which has been developed within the Company and we hope that the proposal will be considered favourably

At the Annual General Meeting held in February 1977, the shareholders approved the investment by the Company in the equity shares of a new company which would utilise the technical know-how developed at the Company's Research and Development Centre We have now received the necessary approval of the Government of India for investment of Rs 13 lakhs in the equity capital of Kolmak Chemicals Limited, which will undertake manufacture of titanium dioxide and certain other products used in the paint industry Kolmak Chemicals Limited is progressing in its project satisfactorily and I hope that the collaboration between the two companies will be a mutually beneficial one.

SOCIAL CONTRIBUTION

We believe our prime social contribution should be through the service we provide to our customers and through the responsible and sensitive discharge of our duties to our employees. In addition, we seek to be good citizens and especially to assist weaker and distressed members of the community The Company contributed Rs 5,60,000 in the aggregate for relief work among the victims of cyclone in Andhra Pradesh and Tamil Nadu last winter and of the recent floods in West Bengal, Bihar, Uttar Pradesh and Delhi For relief work in West Bengal, most employees of the Company's units in the State have contributed one day's earnings. We have also granted some advance to those employees who have been affected

The Company is one of six companies which have sponsored a rural development programme under the aegis of The Bengal Chamber of Commerce & Industry in a backward area in Barasat Block not far from Calcutta. Contributions were made to more than one institute for management studies and All India Management Association Our executives are encouraged to play meaningful roles in organisations which work for furtherance of social welfare and professional development.

PROSPECTS

Given stable industrial relations throughout the country generally, the improved rate of industrial growth in recent months should be sustained. Whilst operations in Eastern India will continue to be hampered by shortage of power, IOL can expect to benefit from increasing demand both for its traditional products and for its growing range of higher technology gas and equipment products Pressures on costs and prices will remain but we anticipate that a degree of recovery from the reduced profit level of 1977/78 will be achieved

As to the longer term future, much will depend on Government attitudes now that IOL is no longer a foreign controlled Company Whilst the Company will continue to seek worthwhile opportunities for expanding its range of activities into other fields in which it can use its technologies, know-how and management expertise to advantage, the sustenance and health of our existing main businesses remain essential to the long term well being of the Company and will continue to be our first priority.

Calcutta
7 December 1978

K D MOORE
Chairman

Caste Idiom for Class Conflict: Case of Khanjawala

Anjan Ghosh

THE belief still persists that the caste system in India is a relic of the past which will disappear once industrialisation gets off the ground. It is not often realised that industrialisation *per se*, especially in a peripheral social formation, can hardly lead to the eradication of caste discrimination. The specificity of a peripheral social formation arises from the precise nature of interaction between the capitalist and pre-capitalist elements within it. In India this interaction is manifested in *the nature of caste-class configuration* and conflict. In this report we hope to illustrate this specificity with the case of Khanjawala.

About 30 kms north west of the capital city of Delhi, in Nangloi block, lies the village of Khanjawala. The genesis of caste conflict in the village can be traced back to 1970. At that time 120 acres of the village grazing land had been distributed to 120 low caste families in the village for a period of five years. But it took seven years before the simmering caste tension erupted into violence in October 1977. In 1975 when the initial period of lease had run out there had been resistance to its renewal from the higher caste landowners who had taken the matter to court. But under the Emergency, the Delhi Administration overrode the decision of the Gaon Sabha to take back the land. Thus the lease had been extended for another five years. However, the Dalits were unable to cultivate the land till the end of the Emergency. After March 1977, when the Janata Party had assumed power, the allottees were allowed to cultivate the land under police protection. The reaction followed in October 1977 when the landowners, predominantly Jats, invaded the fields of the Dalit allottees and trampled over their crops with 250 heads of cattle. During the clash which ensued a number of landless and landowners were injured. A police picket was posted in the village after this incident.

The village of Khanjawala consists of [illegible] households. Of them about 16 per cent are Harijan (Dalit) families, 18 per cent non-Jat and *non-Harijan* families and 66 per cent Jat families. About 400 households are landless and subsist on non-agricultural employment. With regard to agriculture, none of the households own more than 30 acres of land, and except for three or four families most of the others have less than 88 acres (*IE*, July 30, 1978).

On July 7, 1978, the police picket posted in Khanjawala remained mere spectators to the orgy of violence unleashed upon the Dalits (mostly Chamars) by the Jat landowners of the village. Since then the conflict has been institutionalised.

A Bhumiheen Sangharsh Samiti was formed by the landless of Khanjawala, mainly the Dalits and other non-Jat low caste people, to protect their rights against the Jats and other higher caste landowners. The latter had already formed the Kisan Sangharsh Samiti.

Both the groups held their convention on July 30, 1978. About 10,000 people attended the landowners' rally (ST, July 31, 1978) which about 150 attended the meeting of the landless. The landowners came from Delhi, Haryana, UP and Rajasthan. For them proper arrangements had been made. Preparations had been afoot for some time to make it a massive show of strength. Funds and grain had been collected from nearly every house in the village. *Delegates coming from outside the* village were to be accommodated either by their kinsmen or in the 'spacious chaupal' in the centre of the village (*TOI*, July 28, 1978). Those who came for the Kisan Sangharsh Samiti rally streamed in throughout the day on foot and in trucks, bullock carts, camel drawn carts and tractors. Among them were a 'fair sprinkling of women' (*TOI*, July 31, 1978).

The *kisans* (i e, landowners) raised slogans like, 'kisan ekta zindabad', 'lathi danda khaenge, bhoomi ko wapas layenge', 'Jagjivan Ram murdabad', etc. Although they denied any hostility to the Dalits, yet most of the members were Jats or higher caste landowners from surrounding areas. The secretary of the Samiti was a Jat, Samar Singh Samar, while the President was a Brahmin, Pt Kheri Singh. Members of the Samiti were ostensibly drawn from all castes (*IE*, July 29, 1978). But it was not caste solidarity which held them, but their common interest in maintaining the present *status-quo* with regard to landownership. It is interesting to note that the secretary said that speakers at the rally would be representing their 'khaps'. Khap means a clan council which holds or dominates in a number of villages. The word is usually associated with the Jat clan council (M C Pradhan, "The Political System of the Jats", Bombay, 1966).

As the dominant caste in the region, the Jats dominated the rally (*ST*, July 31). They demanded: (a) that all distribution of *charagha* to the landless should be stopped; (b) official patronage should be extended on economic rather than caste basis; and (c) the division of people on caste lines should be ended. They resolved that they would present a petition to the government soon and, if even then nothing happened, they planned to hold a rally in front of the Prime Minister's house on August 13, 1978. The kisan leaders *blamed the government for politicising* the issue, as if the conflict over land was just a community affair. Their main resentment stemmed from the 'pampering of Harijans' by the government (*ST*, and TOI, July 31, 1978). The dispute is over land but it has acquired caste overtones as the landowners are predominantly Jats while the landless are Dalits. Yet the mobilisation over this conflict reflects the admixture of ritual and economic status Later we shall analyse some of the reasons for this.

After the kisan rally was over the meeting of the landless began, in the Dalit quarters of the village (*TOI*, July 31, 1978). The Delhi Pradesh Grameen Sramjeevi Union associated with the CPI provided leadership to the Dalits. The action committee which was formed as the Bhumiheen Sangharsh Samiti, called for immediate distribution of grazing land to the landless. In a later meeting they called for retrieval of lands which had been wrongly occupied by the landowners (*ST*, August 7, 1978). The meagre attendance at the meeting shows a definite lack of resources as compared to the kisans. Thus only the villagers from Khanjawala and nearby villages had come. Another contributory factor could be that most of them go out of the village to work and consequently could not be present at the meeting. For the Dalits dependence on the landowners within the village or on the world external to the village was a definite constraint.

While the leaders of the Kisan Sangharsh Samiti seemingly did not visualise the conflict in terms of case and were at great pains to "emphasise that they had nothing against the Harijans 'who are our brothers'" (*TOI*, July 31, 1978), yet they felt that they

were defending their traditional and customary right over the grazing land (*IE*, July 30, 1978). That the Delhi High Court had upheld the petition of the Gaon Sabha to retain the 120 acres of land as village grazing land after the expiry of the five year lease in 1975, added to the legitimacy of their demands. According to the Court judgment, it was the Gaon Sabha and not the government which could allot land (*IE*, July 30, 1978; *ST*, July 31, 1978). *On the other hand* the landless felt that instead of five year leases they should be given permanent rights over the allotted land and that the government had the authority to allot it to them.

On August 27, 1978, thousands of landowners attended a meeting of the Sarv-Khap in Khanjawala and decided to gherao Parliament House on August 30, if their demands were not conceded. After the meeting about 200 of the farmers courted arrest on the outskirts of the village. The meeting significanty was called a Sarv-Khap, a meeting of all peasant communities but not necessarily of all castes (*ST*, August 28, 1978; D Swamy, "The Khanjawala Agitation", *Frontier*, October 21-28, 1978). It is interesting to note the use of traditional caste idiom for a political issue. Originally Sarv-Khap means a meeting of the all-clan council which controls a *particular area* (Pradhan, *op cit*, p 6). But here caste and communal solidarity was being expressed for secular ends. The final list of demands as put forward by the Kisan Sangharsh Samiti included seven items, a skilful admixture of the interests of the rich and middle and small peasantry. It included:

(1) Pasture land should be provided in every village.
(2) Economic condition rather than caste should be the basis of job reservation, promotions, scholarships in education, etc.
(3) Irrigation rates should be brought down to the pre-1975 levels.
(4) The relationship between the prices of agricultural produce and those of fertiliser, seeds, pesticides, tractors, pumpsets, etc, should be fixed at the 1970 levels.
(5) Land in excess of the ceilings should be distributed amongst the cultivating marginal farmers and village industries should be established to provide jobs to the members of the landless families.
(6) The procurement prices of agricultural produce should be determined according to the cost of production.
(7) The government should not acquire cultivable lands under any circumstances. (Source: Swamy, *op cit*.)

Note the similarity with the charter of demands of the Kisan Rally on December 23, 1978.

Since then the Kisan Sangharsh Samiti have held rallies before the PM's residence and in front of Parliament. Sometimes there have been clashes with the police, at other times they have courted arrest. Not only have the men been mobilised but also the women. The struggle against the 'governmental pampering of Harijans' continues. According to an unofficial estimate three to six thousand people are in jail. In the rest of this report we shall try to analyse the significance of Khanjawala.

It is important to note that Khanjawala is located in what is known as the 'Green Revolution' belt. Capital intensive agriculture introduced as the 'Green Revolution' has had certain *social and economic* consequences. First, while it has increased inequality of income, it has also promoted a form of large-scale cultivation based on economies of scale. As a result, while the marginal farmers are increasingly reduced to wage labour, even the small and middle peasants find it extremely *difficult to maintain a semblance* of their earlier standard of living.

*In effect they are squeezed by the in*trusion of capitalism in agriculture which places the control over capital and credit in the hands of the kulak. Secondly, the Dalits who constitute the bulk of the landless agricultural labourers, have by virtue of the policy of protective discrimination been able to find entry, though on a very small scale, into urban jobs and occupations. Many of them are keen to move to the urban areas to obliterate the stigma of their ritual status. Others who live near a city, as in Khanjawala, seek to combine residence in the village with secular occupation in the city. This makes them visible in the village as a newly prosperous section compared to their earlier situation. Moreover, this shift of the Dalits into urban employment means that agricultural labour becomes scarce and this may at times lead to a temporary rise in the wage rates of agricultural labour, thus affecting the interests of kulaks. Again the Dalits' newly acquired prosperity needs to be contrasted with the relative impoverishment of the small and middle peasants. The latter belong to the regionally dominant castes, like Jats in the case of Khanjawala, and consequently resent their downward mobility relative to the improvement in the position of the Dalits. Thus the disparity *within* castes (i e, classes) gets projected into that *between* castes. The traditional relationships of subordination and superordination within the caste system is vouched for as the ideal social order. In other words, class positions are sought to be justified in caste idiom, obscuring the actual focus of *conflict*.

This is more so in areas where a particular caste has acquired dominance in the recent past, and so have a greater stake in maintaining the traditional system of exploitation. Any challenge to the existing order is thus seen as a threat to their position. Thirdly, while economically losing out, the small and middle peasants have not been able to avail themselves of education and other opportunities which would have allowed them entry into urban occupations like the bureaucracy, etc. Thus on a contracting agricultural base they still have to rely entirely on agriculture for their livelihood. So when they see the Dalits finding access to prized urban employment because of reservation, their hostility is easily diverted to this manifestation of disparity rather the real cause. Fourthly, for the kulaks who would like to pressurise the government for cheaper inputs for agriculture while getting higher prices for their produce, it is more easy and convenient to mobilise under a caste rubric because then economic differences and class antagonism can be conveniently overridden for their political gains. Also, they can get the support of the small and middle peasants against the Dalits and the government.

From the above it is not to be construed that the Kisan Sangharsh Samiti represents the interest of the small and middle peasants. It is in fact the kulaks who are leading them who have gained substantially from the Green Revolution and stand to gain from this movement. Moreover, since in 1980 the policy of Protective Discrimination will come up for review, if in the meanwhile they can mobilise they might be able to change the laws to their advantage. But while providing leadership, they realise that the support of the vast majority of small and middle peasantry is essential for the achievement of their ends. Thus the inclusion of the demand of redistribution of land to 'cultivating marginal farmers'. To maintain the numerical

preponderance of the movement, use of caste idiom and primordial loyalties help to obfuscate internal class differences. Thus within the movement we see a fusion of different classes with different interests held together by the primordial ties of caste and community. This may benefit the kulaks in the long run, but the small and middle peasants are ultimately bound to lose out. Presently the Dalits happen to be the victims, but are we sure the victims will not change?

[Abbreviations *IE* = *Indian Express*: *TOI* = *Times of India*, and *ST* = *Statesman*]

LABOUR

Jute Workers' Struggle

Timir Basu

BELYING the state government's hope that it would not last long, the strike of jute workers which began on January 5 is entering its fourth week at the time of writing. If the Indian Jute Mills Association (IJMA) sticks to its stubborn refusal to come to a fair settlement, 220,000 workers in 65 odd jute mills will have no alternative but to continue their long-overdue struggle. The root of this struggle may be traced to the promulgation of the Emergency when IJMA unilaterally increased the workload, retrenched some one lakh workmen, introduced contractual labour in the crudest form in contravention of laws, denied bonus and, to top it all, refused to renew the *tripartite* settlement which was to expire on December 31, 1975, as per the agreement of May 7, 1972.

All the central trade unions together put forward a 17-point charter of demands in December 1975, i e, on the eve of expiry of the 1972 settlement. The management did not even discuss the issues before the strike notice was served. The major demands of the workers include, upward revision of wages of all categories of workmen, with a need-based minimum as the basis for determining the wages of the lowest-paid workers, implementation of Raghunath Reddy's recommendations on badli workers, payment of dearness allowance as recommended by the *Bhattacharjee Commission*, fixation of the rate of adjustment for every point rise or fall in the linked series with 1960 base at Rs 1.65, immediate introduction of the West Bengal House Rent Allowance Act in the jute industry, payment of bonus for the years 1974 and 1975 and reinstatement of retrenched workers and withdrawal of additional workload imposed during the Emergency, ending of unfair labour practices like *bago* or contractual system in jobs of a perennial nature and assurance of statutory benefits like gratuity at the rate of 15 days' wages for every year of service.

The workers' overall monetary demand was Rs 100, but at the insistence of the CITU and its allies, the unions agreed to bring down their demand to a straight rise of Rs 75 in the basic wage, leaving the other issues to an expert committee. Management, on the other hand, offered a rise of just Rs 47, comprising Rs 28.50 in basic wage, Rs 15 in house rent and Rs 3.50 in DA. The management also demanded that the increased workload imposed during the Emergency should be regarded as the norm and proposed introduction of 21 shifts against the present 18 and monthly, instead of weekly, payment. The state labour minister's overcautious approach helped the IJMA to virtually ignore the government. At one stage the CITU allegedly decided to settle for a little over Rs 50, but the attempt was foiled by the SUC-controlled UTUC and its allies.

The IJMA's proposal of monthly payment system may seem *prima facie* reasonable, but the fact is that the workers' night allowance, shift allowance and production allowance will all be adversely affected if the weekly accounting procedure is changed to a monthly one without considering all these interconnected aspects. Again, the proposal to introduce 21 shifts in a week in place of the existing 18, without increasing the number of working hands virtually rules out the possibility of any holiday and results in consequent dilution of overtime benefit. Actually, this practice has already been in vogue in some units, as disclosed at the recently-concluded 40th annual conference of the CITU-led Bengal Chatkal Mazdoor Union. Thirty years ago, at the time of transfer of power, a worker in the jute industry had to produce 2.5 to 3 tons per year but now he has to ensure a production of 5.88 tons if not more. If account is taken of the decline in workers' real income on account of inflation, what this means is that workers now work more to earn less in real terms.

During 1976 and 1977 some one lakh jute workers had been thrown out of employment either through closure of mills or retrenchment. Casual workers, comprising more than 15 per cent of the total workforce, were hard hit due to adoption of unfair practices by the millowners. Despite reduction in workforce, the quantum of production keeps going up every year. The trade union circles fear a further cut in the workforce if IJMA's proposals for increased workload are accepted.

Even in money terms, the jute industry's total wage bill has remained virtually constant at Rs 100 crores over a decade. The share of salary and wages in total value of output of the top 40 mills, including the seven diversified ones, declined from 26.8 per cent in 1974-75 to 25 per cent in 1975-76. If the seven diversified units are taken by themselves, the decline will be even sharper.

The trend of wages of an unskilled worker in the jute industry speaks volumes for how poorly organised the jute workers still are, 50 years of trade union activity notwithstanding. Prior to 1948, the basic wage was just Rs 18 per month. There were meagre increases as a result of three tribunal awards in 1948, 1951 and 1958. Then in 1963 the Central Wage Board made the basic wage Rs 40.17, with a total wage of Rs 81 per month, including Rs 32.50 in the shape of variable DA and Rs 8.33 as Wage Board increment. Then for the next six years workers failed to get any increase. It was only in 1969 that they were able to sign a tripartite agreement guaranteeing Rs 167 as total monthly emoluments. Thereafter, the next break was achieved in 1972. As per the tripartite agreement dated May 7, 1972, the basic wage was fixed at Rs 160 per month and dearness allowance at Rs 75 per month, making a total pay of Rs 235. The DA was fixed as per the consumer price index number for Calcutta (base 1939=100) at 817 points with Re 0.25 per point rise or fall above 817 points.

The DA did not protect the workers against price increases because of the faulty calculation system which is nothing short of a crime against workers by the authorities concerned. Calculation of DA has been a bone of contention and, in the face of persistent agitation by workers on this issue, the government appointed a committee, popularly known as Bhattacharjee Com-

mission, to enquire into the matter in detail. The report of the commission did not, however, see the light of day. On the contrary, the then Ray government promulgated DIR in accordance with order No 7354 IR, bearing the date November 27, 1974, to stall the operation of the recommendations of the Commission. Instead, an *ad hoc* increase of Rs 16 was granted in DA as per the new consumer price index with 1960=100 as base instead of 1939=100. Simply the revocation of DIR can immediately release Rs 63 per jute worker, but surprisingly the CPI(M)-led government has been conspicuously silent on this question. The reported demand of the SUC-controlled UTUC that this be done, has been ignored. The highest pay drawn by an unskilled worker between November 1977 and January 1978 was Rs 401.55 per month when the CPI number shot upto 332 points.

On the other hand, the systematic rise in the workload is best manifested in the Bhagwala system which, though a most pernicious form of contractual labour, has not been fought in the proper perspective by the trade unions in the jute industry. The Bhagwala system, a kind of piece-rating, covers well over 40 per cent of the workforce in almost all the mills, it is alleged. A worker is asked to accept double the regular work norm in the carpet or hessian department and workmen are forced to hire outsiders, whom he pays out of his pocket, to fulfil the stipulated quota. These 'outsiders' are generally retrenched workers, sometimes of the same mill where they had once worked as permanent employees for years together, or women workers who happen to be wives of the respective workmen.

The severe neglect of women workers is another notable feature of the jute industry. There are only 3,000 female workers now against 30,000 in the late forties. Managements have systematically cut the number of women workers to avoid statutory obligations like maternity benefit, etc. Malpractices and violation of maternity act are also frequent.

It is unbelievable that workers in a long-established industry like jute should still be fighting for payment of gratuity as per the Act. The IJMA has been sticking to the formula of 13 days' payment instead of 15 days as provided in the law, on the ridiculous argument that since the month comprises 26 working days, half a month's gratuity really means not 15 days but only 13. This is in contravention of the law, but since the law is full of flaws IJMA is able to get away with it.

Another issue that has been hanging fire is the absence of graded scales for employees in offices and quality control department of jute companies. After the strike in 1974, there were some agreed points regarding introduction of graded scales for employees in offices and quality control departments, but even today 26 days form a month for these workers and nobody knows when all categories of jute workers will get a regular grade and scale.

Raghunath Reddy's award in 1972 on badli workers has also been a point of discord ever since it was made. At one time, it was agreed that 90 per cent of the total workforce would be assured permanency in service and the rest registered or given special badli work, i e, they would be guaranteed 220 days' work in a year. However, even the fringe of Reddy's award was not ever touched; on the contrary, the number of permanent workers was reduced, 220 days' work in a year was not provided and the unilateral productivity norm fixed during the Emergency came in handy for wage cuts — all of which triggered enormous discontent without any industrial action thanks to the ineffectiveness of the central trade unions.

Even this time the unions, though seemingly fighting unitedly, are actually divided. CITU and its allies had always tried to avoid the strike, despite the management's obdurate attitude. They were in fact forced to resort to the strike for fear of further isolation. But the CITU's presistent refusal to acknowledge the SUC-controlled UTUC (Lenin Sarani) has hastened the process of formation of an alliance of AITUC, UTUC (Lenin Sarani), a section of INTUC, HMS, BMS and NFITU against CITU, RSP-controlled UTUC and Forward Block-led TUCC, which is not centrally recognised.

The IJMA's plea of incapacity to pay more to the jute workers does not bear scrutiny. The profit in sacking, carpet-backing and hessian per ton has been of the order of Rs 500, Rs 600 and Rs 1,400, respectively, for quite some time, according to Niren Ghosh, president of the Bengal Chatkal Mazdoor Union. Clive Row, the citadel of the jute magnates, is heading for a bonanza of 1972 proportions, when profit after tax as percentage of net worth stood at 15, an all-time high and higher than that of all industries combined for that year. The oil crisis, which might turn worse if the turmoil in Iran continues, portends further profitable times for the jute industry.

On the other hand, distress sales of raw jute have been widely reported. The Jute Corporation has failed to provide even nominal support to the jute grower. The middle peasants or small intermediaries who constitute the lowest rung of village-level marketing structure, have suffered this season to the delight of the mills. Last week, the W-5 variety was available in Calcutta at far below the statutory minimum price. One of the demands of jute workers include fixation of raw jute prices at Rs 300 per quintal, but this demand has been on paper for a decade if not more without any action. Actually neither the unions nor the parties to which they belong have ever given serious thought to the issue. Marxists apparently think that the worker-peasant alliance can be built ignoring the material interests of the peasants.

With renewed efforts by the state labour minister, the stalemate in the jute industry may well be broken. But as matters stand now, workmen will get another hodge-podge which has become typical of almost every wage settlement.

BIHAR

Belchhi Now

Hemendra Narayan

THE nine square metre area in the centre of a well ploughed plot is untouched. It is green. It is a grim reminder of what happened on May 27, 1977 when on that spot eleven males including a boy of fourteen — nine of them harijans and all agricultural labourers — were burnt to death by a gang of rich kurmi farmers. But that is not the only reminder of the massacre. The surviving family members of the victims live in an atmosphere of constant threats emanating from those killers who managed to escape arrest as well as those arrested who have recently been released on bail. What stands between life and death for the harijan dwellers of Belchhi is the ten member police 'section' that is stationed at the village. The assurance that a police station proper would be set up at the village has not been kept by the government.

Several harijan families have abandoned the village altogether. Devnandan Rabidas now works at a shoe shop in Patna. Gulab Manjhi sells milk at Danapur, near Patna. Bishendev Paswan has shifted to Barbhiga. Mahendra Paswan who had a narrow escape on that day has gone to Biharsharif leaving his old parents at the village. The remaining people have been warned that something far more terrible than the event of May 27 is in the offing.

As before the mahatos are planning to implicate the poor harijans in false cases. Singhwa, the leader of the agricultural labourers killed 20 months ago, had also been branded as a criminal and had been implicated in murder cases, though chargesheets had never been filed, making it possible for the authorities to claim that the whole incident was a clash between two criminal gangs. This time they are thinking in terms of killing one of their own women, Shyama Devi, whose husband is in jail. The plot somehow leaked out and the police which was approached by both the harijans and Shyama Devi has registered a case of breach of peace. With their money the killers and those behind them are trying to buy off the witnesses in the case which continues to linger in the court. They are particularly interested in getting the charges against Inderdeo Choudhary, an independent MLA who is already on bail, quashed. This Choudhary who had carried out a Belchhi type massacre in Prasul village in 1975 has managed till now never to be convicted.

Apart from posting police, what the government seems to have done at Belchhi is distribution of relief. The attempt to distribute government land among the victims seems to have been foiled by the mahatos who were illegally occupying them. Six of the families of the victims were given government land about three kms from the village. While the plots of three were unculturable, three other harijans (whose plots were culturable) were chased away by those who were occupying it. The mahatos have already made known their opposition to such allotments. The father of Mahavir Mahato, the leader of the kurmis in Belchhi who allegedly led the raid on May 27, 1977, has taken possession of land allotted to Janaki Paswan and has told all that he is not quitting.

Out of the 25 mahato families who possess all the land in the village, ten have completely identified themselves with Mahavir. Most of the rest are also hostile towards the harijan families, and those mahatos who employ harijans have been warned The idea is to put so much pressure on the harijans that they will simply quit the village — as indeed some have already done.

PUNJAB

Settlers' Fight for Evacuee Land

Amarjit Chandan

ON January 18, the Punjab Chief Minister, Sardar Prakash Singh Badal, who is himself alleged to own hundreds of acres of benami land in Punjab and Rajasthan, announced the "historic" decision of his government to confer proprietory rights on small occupants of rural evacuee agricultural land upto five ordinary acres. In all about 12,000 to 15,000 families belonging to Ferozepur, Gurdaspur, Amritsar and Jullundur districts would benefit from the decision.

Though Badal claimed that with this decision "a vital election promise" of the Akali Dal had been fulfilled, in fact it is the organised struggle waged by abadkars (settlers) of Sanghowal (Jullundur) and Matewara-Hedon (Ludhiana) since the late sixties which made the present government concede their major demand Matewara-Hedon and Sanghowal are situated by the side of the Satluj river. Uncultivable land along the 65 miles long Satluj belt had been sold by the Central government to the Punjab government at a nominal rate of Rs 5 per acre in 1961. Harijan, jat and rajput abadkars had occupied land in the Satluj river bed in early sixties and started cultivation. The state government, however, decided to have potato seed-farms and sheep farms in the area and started forcibly evicting the abadkars The then CPI-Controlled PKS organised the abadkars and also took the issue to court. There was a clash between the police and the abadkars in August 1968. The Punjab High Court, in its verdict, held that it was a matter of state policy and that the land belonged to the state and not to the abadkars who had made it cultivable. On the pretext of curbing Naxalite activity, the state government let loose a reign of terror against the abadkars, who resisted by lying down before the government tractors. The situation improved with the Harchand Singh Committee Report (1972) and each abadkar family was given 4-5 acres of land, but without patta.

The Hedon abadkar agitation (1972-76) was notable because the abadkars, under the leadership of the PKS, waged a satyagraha against Banta Singh, who had occupied 450 acres of evacuee land. The struggle thus acquired an anti-landlord character. A peasant leader, Mohinderpal, was murdered by Banta's agents. With the Harchand Singh Report, Banta Singh's position became weak and the abadkars occupied 'his' land and

named the small colony of thatched huts as Swatantra Nagar, named after the late Teja Singh Swatantra, a communist leader of Punjab.

The Sanghowal abadkars' struggle is perhaps the only case of mass mobilisation by the CPI(M)-controlled PKS. In the Satlaj belt area of Sanghowal, 1,682 families, mainly of the Rai-Sikh tribe, had settled on 27,000 acres of land, out of which 8,000 acres were under river action. These people had migrated from West Pakistan in 1947 and settled in Ferozepur district. In 1957, because of the redemarcation of the Indo-Pak border, they were again displaced and had to come to Sanghowal in Jullundur district.

The state government had decided to start a seed-farm at Sanghowal with Soviet assistance. On October 23, 1968, a dozen Soviet-made tractors razed to the ground the huts of the abadkars and destroyed their standing crops; their water-pumps were also dismantled. Within a few days, a 27-member Abadkar Action Committee (AAC) was formed and a CPI(M) activist, Kulwant Singh, was elected its secretary. Deputations of abadkars met state officials and staged demonstrations. Now it became difficult for the government to hold open auctions of the evacuee land and to realise the land-tax. In mid-1969, the abadkars staged an impressive demonstration at Nakodar, armed with conventional weapons and even hoes, and presented a charter of demands to the SDM. The abadkars occupied the 150-acre farm of Gujjar Singh of Khaira Fauja Singh village and distributed the land among themselves. The illegal owner of the farm fled to his native town of Khanna. In June 1970, the Punjab police carried out the biggest-ever combing operation in its history from Ropar to Malsian to terrorise the abadkars. Every hut was searched and people were beaten up indiscriminately. In the same month, a joint Abadkar-Muzara convention at Ferozepur of the kisan wings of both the CPI and CPI(M) put forward the major demand of giving ownership rights to the abadkars.

In August 1970 the then Akali Finance Minister, Balwant Singh, announced in the Sanghowal kisan conference that every abadkar family, whether it had giddawri or not, would be given 4-5 acres of land with proprietory rights. Sanghowal fell in Balwant Singh's constituency.

Drawing a lesson from the Pepsu Tenants' Movement (1946-1951), the CPI(M) directed each abadkar family to occupy not more than five acres of land. During the Pepsu movement, occupancy and non-occupancy tenants had occupied land ranging from 20 to 100 acres. Later these tenants had not even voted for the CPI in the elections!

The Sanghowal leadership admits that in spite of their best efforts to integrate the tribal Rai-Sikhs with the other non-tribal sections of the peasantry of the adjoining areas, there was no success. A section of the Rai-Sikhs have already sold their occupancy rights, because they simply cannot afford farm inputs and have migrated to other places and started working as farm labourers.

The abadkars have thus got proprietory rights, not due to the grace of the Chief Minister, but thanks to their organised struggle.

MADHYA PRADESH

Janata on Way Out?

MADHYA PRADESH was a traditional Congress stronghold till the historic parliamentary election of 1977 when its jagirdari ended in what is one of strongest citadels of feudalism in the country. In the ensuing assembly poll the Congress was voted out of power for the first time in the 20 years of the existence of the state.

However, the scene is changing fast. The New Year began on a note of a likely transfer of power. The days of the Janata misrule seem to be over. The base of the ruling party, which had secured all but two of the forty Lok Sabha seats in the state and had crossed the two-third majority mark in the 320-member vidhan sabha later, has clearly been eroded as is apparent in its yielding ground to the Congress (I) in the civic election last month. In these elections, the Janata party and the Congress (I) both captured 26 municipal councils each of the 57 councils for which elections have been held. Both of them also shared equal seats in four others; and one, the Birla empire at Nagda, went to the CPI(M) and its allies. In the Chhattisgarh region, specially, the Janata party lost ground.

In the panchayat poll both Janata and Congress (I) claimed the allegiance of 65 to 75 per cent of the 15,000 elected sarpanchas. Since the elections were held on a "non-party basis", it is difficult to verify the rival claims. However, by the end of December, when the elections were held to choose 459 Janapad presidents, it became clear that the Congress (I) has certainly managed to retrieve much of the ground it had lost in the parliamentary and assembly elections. The party has made impressive gains in the Malawa and Nimar areas of Madhya Bharat region, considered the citadel of the former Jan Sangh. One of the reasons for the defeat of the Janata has been the anti-government feeling following the Narmada award, announced in September, which would submerge vast tracts of cultivable land in the region.

The Janata regime's biggest achievement has been that it has survived by adopting the policy of what one might call 'Unity in Adversity'. At times it seemed as if the party would split — at one stage, in the middle of the last year, the leader of the socialist wing, Raghu Thakur, even formed parallel organisations at district level — and the government would fall; but the sheer instinct of self-preservation helped it to pull on somehow.

Apart from a 33 per cent hike in the salaries and allowances of the MLAs, which would cost the state exchequer roughly eight lakh rupees annually, the only conspicuous achievement of the government has been the draconian ordinance putting a blanket ban on any form of agitation by any section of the population, reminding one of 1977's mini-MISA ordinance which was allowed to lapse after a public outcry against it.

On the other hand, even while the Harijan landless labourers were continued to be killed in the countryside in agrarian clashes the government has gone on with its gimmicks — like the ban on carrying of night-soil as head-loads by the scavengers — which flopped as soon as it was launched simply because the civic bodies failed to provide enough wheel-barrows to all the bhangis

China's Women: The Change and the Challenge

Govind S Kelkar

THE Communist Party of China has always regarded the emancipation of women as an integral part of the Chinese revolution. Women were considered "a decisive force" for victory of the revolution. At various stages of the revolutionary movement, the Party leadership expressed concern for women's liberation and for their participation in productive labour and socialist construction of the country. The Party's concern for women's liberation is reflected in some of the popular quotations of Chairman Mao:

> The day all women in China stand on their feet is the time for victory for the Chinese revolution.
> Times have changed, and today men and women are equal. Whatever men comrades can accomplish, women comrades can too.

I had informed the Chinese officials about my interest in the women's movement and had solicited their help in meeting the responsible members of Women's Federations in Peking, Shanghai and Canton.* Also, at the other places that I visited in China I had an opportunity to discuss the status and role of women with a cross-section of people, which included leading Party members, administrators, intellectuals, doctors, 'advanced' and model workers, as well as women and men from worker-peasant families.

There were two major themes that emerged from the discussions. The first one was related to the changed position of women in present Chinese society. The participation in socially productive labour was fundamental to women's emancipation in China. Only under the guidance of Chairman Mao Tsetung Thoughts, proletarian politics and the leadership of the Communist Party of China, women could liberate themselves. The other theme was a lack of political consciousness regarding the means to achieve the goals of a socialist society, a concept which in many cases advocated a unique 'female' position of women and suggested general constraints regarding women achieving full equality and socio-economic parity with men. In this note Chinese women, I have, therefore, called the two themes as 'the change and the challenge'. An attempt is made here to discuss how the Chinese women view their great progress in the revolutionary society, and the tasks that still require their protracted struggle in order to achieve complete liberation.

The emancipation of women started with the May 4 movement. In 1917 under the impact of the Soviet Revolution and with the practice of Marxism-Leninism, the women's movement began to grow. Under the leadership of the Communist Party of China, the women's movement gained momentum. Mao Tse-tung believed that the key to toppling the feudal, hierarchical system and Confucian ideology lay in the overthrow of the landlords who formed the backbone of all rural authority. Once the peasants succeeded in seizing power from the landlords, the other authoritarian-feudal systems would crumble. At the same time, the Party leadership felt that the special hardships suffered by women in the traditional social order of China provided them with great revolutionary potential. Mao said, "We should pay attention to the forces of women." The Chinese Communists began organising women's associations on their entry into the villages to be liberated.

In its drive for expansion and consolidation of the peasant movement, the Sixth National Congress of the Communist Party of China decided in 1928 to absorb peasant women into their revolutionary movement. Henceforth, one of the tasks of the Party was to bring masses of the peasant women under its influence. The party members and cadres helped women to organise themselves into associations. These women's associations were aimed at drawing women into both the revolutionary movement and productive activities, such as spinning, weaving, shoe-making, sewing, etc. The women's associations also took up the cases of maltreatment of wives by their husbands and in-laws. Women's associations met with strong resistance from men, but in time women's earning powers, gained through these associations, helped soften this resistance.

Women's position in the Communist controlled areas was further strengthened during the land reform when the land was redistributed to the individual, rather than only to the head of each household. For the first time in Chinese history, women legally possessed and controlled land. Later, the transformation in the ownership of productive forces which allowed female participation in productive labour and the Party policies were the key factors for the changed position of women.

In the early thirties, the Communist authorities in the Kiangsi Soviet system had legalised freedom of marriage and divorce. It is interesting to note that the Kuomintang Civil Code of 1931 had honoured the principle of equality between the sexes. The Kuomintang laws, however, did not penetrate the rural areas, where the deep-rooted customs and the feudal-patriarchical system were not to be changed by the decrees of a handful of urban intellectuals.

When the Party established its headquarters at Yenan, it had a commitment "to enhance the political consciousness and cultural level of its women members". Chairman Mao said that the revolution needed the support of women, who make up half of the nation's population. He encouraged women to assist the party in implementing its programme, to increase production and to seek improvement in the living conditions of women.

Women Revolutionaries and Women's Federation

The Chinese women's movement was begun by a group of women revolutionaries, among whom were Hsiang Ching-yu, a pioneer of the women's organisations, Yang Kai-hui, a close comrade-in-arms of Chairman Mao, Soong Ching-ling, Honorary President of the National Women's Federation, Tsai Chang, Chairman of the National Women's Federation, Teng Ying-chao, a Vice-Chairman of the Federation and Kang Ke-ching, a member of the Central Committee of the Communist Party of China and a Vice-Chairman of the National Women's Federation.

During our discussion in Peking, one of the federation members also referred to the story of Shanyana who took part in the revolutionary movement in the early twenties. When her daughter Hsia Chia-hsu (the present deputy minister) was five years old, Shanyana's husband died. Mother and daughter,

* The author visited China in April-May 1978. Some of her impressions of China were published in the *EPW* of December 2, 9, 16 and 23-30, 1978. The spellings of Chinese names in the article follow the old system of romanisation.

being women, did not have any rights to the property and were driven out of the village by the clan authorities. In spite of life being difficult Shanyana managed to send her daughter to school, and in 1921 she became a member of the Chinese Communist Party. Later both mother and daughter actively participated in the revolution.

To mobilise women, the Party set up a Women's Department and Hsiang Ching-yu was the first to head this department. She worked in France on a part-time study and work programme and returned to China in 1922 when she worked for the revolutionary cause and made great contributions. She called on women intellectuals to "go among the women workers and peasants, work for them and learn from them". She wrote a number of articles on women, emphasising the importance of their role in society. She said that the women's movement could be linked with the movement for the power to the proletariat. "Women's rights are not something to be begged for, not something to be given to us in charity by the ruling classes. They are the prize of the struggle we must seize back from the ruling classes." In 1928 Hsiang Ching-yu was arrested by the enemy and sentenced to death by the Kuomintang.

Later at Hsiang Ching-yu's suggestion, the Party organised women's associations in different parts of the country with worker-peasant women as the core force. For instance, in the liberated areas in the Yenan period, nearly 10 per cent of women were organised into various women's associations. In 1937, in the Shensi-Kansu-Ninghsia Border Region, the first All-Border Region Congress of Women, which was convened under the sponsorship of the Congress for Peasant Women, represented 30 mass organisations with a memership of 200,000 women from poor and middle-peasant families. Circulars were sent to these women's organisations in the Border Region in August by the Congress, requesting them to send delegates to participate in the preparatory work to establish a Border Region federation for women. The main purpose of such organisations was to reorganise women from all walks of life in the entire Border Region for the united front policy, and to participate in the War of Resistance against Japan, as well as to seek improvement in women's living. After six months of preparatory work, the Border Region Women's Federation was formally set up on International Women's Day (March 8), 1938.

The membership of the federation was open to women 18 years of age and older who maintained an anti-Japanese attitude and agreed to abide by the federation rules. The organisation of the federation was based on the principle of democratic centralism and a hierarchical structure along regional, county, district, township and village lines. The Border Region Congress of representatives was the highest organ of authority of the women's federation. During the recess of the congress, all the work and responsibility of the federation was placed under the leadership of executive committee. The executive committee was elected by the congress, as in other mass organisations. Under the executive committee there was a secretariat and three departments: organisation, propaganda and education, and wartime work. The three-member inspection team regularly visited the local women's federations to investigate their general progress and to provide them with guidelines for future work.

The First National Congress of Chinese Women in the early 1949 in Peking founded the All China Democratic Women's Federation. The Federation held congresses in 1949, 1953 and 1957. At the 1957 congress the name was changed to the National Women's Federation. The Fourth National Women's Congress was held in Peking from September 8 to 17, 1978. The Congress was attended by nearly 2,000 delegates from all over China.

Since 1949 women's federations have been set up at various levels in China, and their organisational structure is similar to that of the Yenan period. The national, provincial, county, and commune (or the Neighbourhood Committee in cities) divisions of the women's federation each has a congress of representatives and an executive committee. At the brigade level, there is the brigade congress of representatives of the women's federation, popularly known as the brigade section of women's affairs. During my visit to Shaoshan Production Brigade, I was told that in the brigade section of women's affairs, they discussed the following three aspects:

Political study: They received guidelines from the Party branch committee, and studied Mao's writings, sacrifices of his family and documents published in newspapers. Thrice a month, meetings were held in the evenings or sometimes in the afternoon. The current subjects were chosen for discussion, but emphasis was placed on ideological work. Meetings were held less frequently during sowing and harvesting seasons.

Production work: Work was distributed amongst the women in busy farming seasons. The women were encouraged to do ploughing and other heavy work such as carrying rice bags and fertilisers. They stressed Chairman Mao's policy on productive labour for women.

Family Planning: Nowadays after a woman has had two children, they persuaded her to go for family planning. (In the early sixties, this was done after she had had three children.) But some of the husbands (like in India), did not approve of their wives going in for family planning.

The Women's Federation in general works to encourage all its members to change their social and economic identity by leaving the confines of their homes to work in productive labour alongside men. They told me that the primary tasks of the Women's Federation centred on raising literacy and political consciousness among members; mobilising of women to support the Party leadership and its policies; increasing the participation of women in productive labour in order to increase production in general and to improve their social position; and protecting the rights of women.

Prior to 1949 there were 800 'joy houses' in Shanghai and 200 in Peking, in which several thousands of women served as prostitutes. The Women's Federation took up the cause of these socially handicapped women, and they were rehabilitated within a period of a few years. The Federation provided medical care and trained these women in productive work. These 'playthings' or prostitutes got back their dignity which they never had in the old feudal, oppressive society. The spread and persistence of prostitution in any country is due to socio-economic factors and it can be only eliminated by tackling these factors.

The Changed Position of Chinese Women since 1949

Since 1949, the role of women in the Chinese society has been completely changed. There are now women in all trades and professions; many are labour heroines oil-drillers, pilots, bridge-builders and high-tension power-line workers. The rights of women to social, political and economic equality with men have been formally proclaimed. The Party gives great encouragement to women to participate in socially productive labour and to make contributions to socialist revolution and national construction. Party propaganda materials have described many 'Iron Girls' teams who are engaged in unorthodox roles

in agriculture and industry. Of the 3,497 Deputies of the Fifth National People's Congress and the 1,510 delegates to the 11th National Congress of the Communist Party of China, women made up 21.2 to 19 per cent, respectively.

Women in today's China can be seen working side by side with men, and seemingly on an equal footing. Women's position in the present Chinese society appeared to me much better than in any part of South and South-East Asia, the United States and many other countries in the Western world. One finds them working in all walks of life, irrespective of day or night shift jobs. In Peking and Shanghai 90 per cent of the able-bodied women participate in productive labour. They have legal and political rights now. Unlike in the past, they also take part in the management of state affairs, more so at the grass-root level. For instance, in the Revolutionary Committees in all 18 districts of Peking, there are several women members including some holding leading positions. In the ministries of foreign affairs, light industry and communications, there are 12 leading women members including deputy ministers.

The emancipation of women had been greatly promoted by the enforcement of the Marriage Law of 1950, which guaranteed the equality of sexes in marriages and prohibited polygamy, concubinage, child betrothal and the exaction of money or gifts in connection with marriage. There is free mixing of boys and girls in today's Chinese society. One does not find anyone aware of his or her sex role in a work situation. Sexuality is not stressed in any form — dress, talks, jokes, advertisements, etc. This is their progress compared to their bound-feet mothers and grandmothers. The new generations of women, born and brought up in revolutionary China is not trained for house work alone or to play the exclusive roles of mothers and wives.

The fundamental reason for the improved position of Chinese women in the People's Republic is the change in ownership of productive forces. The system of state and collective ownership of productive forces gave employment opportunities to women. For example, today out of the 800,000 able-bodied women workers of Peking, 300,000 are employed in state-owned factories; 150,000 work in collective-owned factories; 150,000 work in the fields of education, sciences and technology, health care and physical culture; 120,000 are in the departmental stores and canteens; and the rest of women workers are organised as part-time workers in the factories run by the Neighbourhood Committees.

Women in China constitute 40 per cent of the labour force at the national level today. It was repeatedly emphasised during my discussions with the members of the Women's Federations at several places that the idea central to the women's liberation movement in China is that women are oppressed primarily because they are cut off from productive labour; in other words, women can gain liberation only through participation in productive work. The Party has repeatedly stressed that "women must stop looking on economic work as unimportant". In 1948 the Central Committee directives included, "In the first place women must not only be given equal economic rights and positions with men, and in the countryside get and keep an equal share of land and property, but above all they must be made to understand fully the importance of labour and must look on it as glorious".

Women's movement entered a new stage in China during the Great Leap Forward of 1958, when millions of housewives stepped out of their homes to work in the farms and industries run by the rural people's communes and the neighbourhood committees. For instance, in the year 1958, 60,000 women workers were recruited in Peking, out of which 4,800 were recruited in the handicraft industries to be run by neighbourhood committees. The women's federations throughout the country organised part-time and night schools to encourage women to educate themselves, realise their potential and take part in productive labour.

The Party and the government have shown great concern in freeing the Chinese women to participate in productive labour. The socialisation and modernisation of household chores is considered an important aspect of developing supportive work. There is a comprehensive range of supportive services such as public canteens, bakeries, laundries, tailoring shops, nurseries and kindergartens to reduce the burden in household chores and child care. In the factories, the trade unions have several women representatives who look after the interest of famale employees. Women workers are entitled to several kinds of leave, *viz*, (a) rest for two days and lighter work during menstruation; (b) from the 7th month of pregnancy working hours are reduced by one hour daily; (c) maternity leave of 56 days with full pay; in the case of a difficult delivery, the leave is extended to 70 days; (d) nursing mothers can take two to three 30-minute periods off to feed their babies during the working day; (e) during menopause, women are given light work and some rest periods (the last concern has been introduced recently and only in some factories).

Most factories have hospitals and day care centres. The factory hospital provides facilities for its women workers to undergo a free medical check up once a year, and family planning is propagated by the medical workers. Women can put their babies after 56 days upto one year in a day care centre run by the factory. After one year, they can put the babies in kindergartens. In Peking, there are 6,000 kindergarten schools with 280,000 children. (Before liberation, there were only 11 kindergartens with 300 children.) The bus run by the kindergarten picks up the child every Monday morning from the parents' home, and leaves the child back on Saturday in the evening. These are inexpensive facilities and cost only 50 to 70 cents per month. The other charges are subsidised by the factories or the organisations.

The retirement age for women industrial workers is 50; men retire at the age of 60 and intellectual and professional women (mental workers) when they reach 55. After retirement, they receive 70 to 85 per cent of their wages as pension. Workers and retired persons enjoy the same welfare facilities. They receive medical treatment free of charge and their family members are entitled to get semi-free health care facilities.

There are night schools for both men and women workers in the factories. Political study groups are held at regular intervals for ideological purposes. During these meetings they are also reminded of their 'bitter past' in the Confusian society and their improved status in the present society. Emancipation of women is connected with the liberation of the entire society. In the countryside, 'political night meetings' are organised generally two to three times in a month. The federation members referred to me the system in Tachai, "when men go to attend these meetings, women take care of the children and household work; when the women attend these meetings, it is the men who look after the children and household work".

All this signifies profound change in the position of women in China. The question is: Is women's liberation complete in China? One still finds many

manifestations of male prejudice, and surviving feudal influences on family life. For instance, women are expected to give more of their energies to problems of home and family. One also notices sexual division of jobs in the countryside and concentration of women in certain type of jobs, distribution of unequal work points for men and women and the failure to train women cadre in proper number. A systematic elimination of the Confucian, feudal remnants is the challenge before Chinese women.

CHALLENGE BEFORE CHINESE WOMEN

During my meetings with the leading members of Women's Federations in Peking, Shanghai and Canton, we also discussed the problems faced by women in China. I remarked that although Chinese women had achieved great success in all walks of life, yet they still had a long way to go to be on par with men. I gave two examples to stress my point: First, women earn less work points than men do; on an average 10 for men and 8 for women for a day's work. Secondly, women concentrate at the lower levels and only on certain types of jobs. Interestingly enough a great majority of the federation members agreed with my observations and even said "we have a long way to go in achieving social and economic parity with men". They explicitly pointed out the three major problem areas.

First, "women are excluded from heavy work in certain industries". But if machines could take care of the heavy work, then women would be treated equally with men. In the fields, men earned more work points because of their physical strength. But they hoped that with the development of science and technology and automation of heavy labour, men and women would be considered equal, and physical strength would not be considered the criterion for earning more work points.

The second problem was that housework was not being socialised and modernised enough. Although in the past the mass media have urged men to assist their wives with household chores, but it is only in the cities that men do share some housework. In the countryside, "men do not share any housework". To make housework easy and to enable women to devote more time to productive labour, it was necessary to have more supportive services, such as nurseries, kindergartens, schools, stores, public canteens and laundries and also use of machinery for household chores, particularly in the countryside.

The last of the problem areas was that the Women's Federation had to educate men and women to eliminate traditional influence, and develop self-confidence in women. They said, "We have a long history of feudal, imperialist rule. Women were lowest in the traditional society. Some of the traditional influences concerning women still continue." Thus there were historical reasons for insufficient representation of women in leading political and administrative organisations. Men have since ages secured training in all kinds of work, and women on the other hand did not feel confident enough to perform certain jobs. They emphatically pointed out the necessity for raising the scientific and cultural level of women, training skilled women workers and technicians who know how to operate modern equipment, women peasants who understand modern agricultural techniques, women managers who know how to run modern industry, and women designers, engineers as well as medical workers.

Women in China have already made a beginning in this direction. Women's Federation and women leading cadres organise political study groups in communes, factories and in neighbourhood committees to make housewives aware of the fact that they must take part in social productive work. In April-May 1978 when I was in China, 20 women in the Friendship Department Store in Peking had organised such study groups. In these study groups, they advocated that "taking part in social productive labour is a fundamental condition for women's liberation", they also criticised the remnants of Confucianism in society which considered men superior and women inferior. Another example was that of some women leading cadres who went to the communes to see that there were no unfair practices concerning women. In 1974 the Peking Women's Federation after a careful study and investigation protested against wage discrimination in Pingku County. Since then men and women have received equal work points there. Prior to their protest in 1974, men earned 10 work points for a day's work and women only 8 for doing the same labour.

It is significant that the whole socio-political context in China favours change in women's position and encourages struggle to destroy feudal ways of thinking and acting. The Party controlled mass media frequently launch mass campaigns attacking the old beliefs about women's inferiority and promoting women's participation in productive labour and distribution of equal pay for equal work. As long as there is recognition of these problems and the struggle against inequality and discrimination continues, there is no danger that these problems may become permanent features of the society.

This is only an announcement and not a prospectus

Ashok Leyland Limited

Incorporated on 7th September 1948, under the Indian Companies Act 1913
Registered office. Ennore, Madras 600 057

HISTORY OF THE COMPANY

The Company was incorporated in 1948 under the name of Ashok Motors Limited, which was subsequently changed to ASHOK LEYLAND LIMITED, to assemble manufacture and trade in motor cars motor buses and trucks diesel engines and all kinds of motor vehicles, their parts components and accessories

The Company obtained a certificate of commencement of business on 14th December 1948 and has been carrying on business since then Initially, the Company was engaged in assembling Austin cars and trucks In 1950 the assembly of Leyland commercial vehicles was added to its activities Steady progress was made in the volume of production and Ashok Motors Limited became recognised throughout India as one of the pioneers of a new industry

The name of the Company was changed to Ashok Leyland Limited on 4th July 1955 and a fresh certificate of incorporation was issued by the Registrar of Companies Tamil Nadu Madras

British Leyland International Holdings Limited, U K a member of the British Leyland Group of companies holds 59 57% of the total paid-up capital of this Company The British Leyland Group are manufacturers of trucks and buses known the world over for their quality besides being manufacturers of the well known Austin Morris, Jaguar, Rover and Triumph range of passenger cars and a variety of otheir products such as earth-moving and other specialised equipments,

OPERATIONS OF THE COMPANY

The Company is one of the leading manufacturers of commercial vehicles in the country From modest beginnings in 1948 as an assembly plant for Austin cars and trucks, the Company has grown in stature, having benefitted from it s collaboration with British Leyland and presently offers a variety of haulage and transport vehicles heavy-duty dumpers tippers, and tractors for off-the road and highway applications and industrial and marine engines

The Company, is the only manufacturer in India of Double Deck buses and of heavy vehicles like the Hippo and Beaver which are used mainly by the Defence Authorities The medium duty range of commercial vehicles includes the Viking and Cheetah version for passenger applications and the Comet and Tusker versions for the haulage applications The 100,000th vehicle produced by the Company was recently handed over to one of the Company's important clients

LOCATION

The Company has a modern, well-equipped factory at Ennore about 15 kms from Madras

TERMS OF ISSUE

The Equity Shares now being issued are subject to the terms of the Prospectus Application Form and the Memorandum and Articles of Association of the Company and the shares now being issued shall not be entitled to participate in any dividend that may be declared in respect of any period prior to 1st January 1979 They shall be entitled to participate in all dividends that may be declared after their respective allotments in respect of any period or periods from and after 1st January 1979 pari passu with the existing shares in proportion to the capital paid up thereon on the last day of the year of account in respect of which such dividend is declared irrespective of the dates when the shares were allotted or became so paid [illegible] interim dividends on the close of the last day of the period for which such dividend is declared irrespective of the dates when the shares were allotted or became so paid up and not with standing that the shares may have been allotted and [illegible] so paid up for only a part of the period for which such dividend or interim dividend is declared and in every other respect the said shares will rank pari passu with the existing Equity Shares.

PROSPECTUS AND FORM OF APPLICATION

Copies of the Prospectus and Application Forms may be obtained from the Registered Office of the Company Principal Broker, the Brokers to the Issue, Managers to the Issue, Registrars to the Issue and the Bankers to the Issue named herein or from any of the offices of the Bankers to the Issue mentioned against their names in the Application Form.

TERMS OF PAYMENT

On application Rs 4 per share and on allotment Rs 4 per share consisting in each case payment of Rs 2 50 on capital account and Rs. 1.50 on premium account

Cheques or bank drafts should be crossed " A/c Payee only" and made payable to any of the Bankers to the Issue with whom the application is lodged and should bear the words "A/c Ashok Leyland Equity Issue (For example " Bank A/c Ashok Leyland Equity Issue"). A separate cheque or bank draft must accompany each Application Form

BOARD OF DIRECTORS

Mr. Saurirajan Ranganathan, I.C.S. (Retd) Chairman

Mr. Arunachala Murugappa Murugappa Arunachalam Deputy Chairman

Mr. Ram Javharmal Shahaney Managing Director

Mr. David Roger Griffith Andrews

Mr William Kenneth Maclver

Mrs. Raksha Saran

Mr. Narayanaswamy Subrahmanyam ICS (Retd.)

Mr. Sivasubramaniam Kumarasundaram

Mr C.S.S. Setty

Executive Director and Secretary
Mr S Sankaranarayanan

Legal Advisers
Mr R Narasimhachariar and
Mr N Varadarajan

Auditors
M S Krishnaswami & Rajan
Suri & Company

Bankers to the Company
State Bank of India
6 & 7 North Beach Road
Madras 600 001

Grindlays Bank Limited
232 Netaji Subhas Chandra Bose Road
Madras 600 001

Bankers to the Issue
State Bank of India
Madras Main Branch
Madras 600 001

Grindlays Bank Limited
232 Netaji Subhas Chandra Bose Road
Madras 600 001

Canara Bank
Thousand Lights Branch 5 Greams Road
Madras 600 006

Bank of India
26 Errabalu Chetty Street
Madras 600 001

Registrars to the Issue
N D Management Services Private Ltd
43 Sembudoss Street, 2nd floor
Madras 600 001

PRINCIPAL BROKER

Bhupendra Champaklal Devidas
Regent Chambers
208 Ceremonial Boulevard
Nariman Point, Bombay 400 021.

BROKERS TO THE ISSUE

AHMEDABAD

Champaklal Bhailal Choksi
Manek Chowk
Near Share Bazar, Ahmedabad 380 001

Chinubhai Chimanlal Dalal
Mahurat Pole, Naka Manek Chowk
Ahmedabad 380 001

Gordhandas N Gupta
Anandji Kalyanji Building
Opp Dhanasuther Pole Relief Road
Ahmedabad 380 001

Nareshchandra Lalbhai Parikh
Manek Chowk
Ahmedabad 380 001

Shah Kalyanbhai Mayabhai
2242 Mahurat Pole Manek Chowk
Ahmedabad 380 001

BANGALORE

Alan J Chaves
19/3 Cunningham Road. Bangalore 560 052

Bhagya & Co
139 Gandhi Bazaar, Near Canara Bank
Bangalore 560 004

Jahgirdar & Co
21 2nd Main Road Seshadripuram
Bangalore 560 020,

L K S Murthy & Co
No 17 3rd Floor, Kempegowda Road
Bangalore 560 009.

Lokkur & Company
Kempegowda Road, P B No 9631
Bangalore 560 009

M Nanjappaiah Jahgirdar
205 K Kamaraj Road P B No 4271
Bangalore 560 042

Satyaprakash & Co.
Indian Bank Building 3rd floor
Kempegowda Road
Bangalore 560 009

Vijai & Company
9 Eleventh Main Road Malleswaram
Bangalore 560 003,

BOMBAY

Batlivala & Karani
Union Bank Building
Dalal Street Fort
Bombay 400 023

Bhupendra Champaklal Devidas
Bhupen Chambers Dalal Street
Bombay 400 023

Chimanlal J Dalal & Co
107 Stock Exchange New Building
Dalal Street Fort Bombay 400 023

Dhirajlal Maganlal Sons
Stock Exchange Central Building
4th floor Dalal Street
Bombay 400 023

D. S. Purbhoodas & Co
Stock Exchange Building, 3rd Floor
Bombay Samachar Marg
Bombay 400 023

Harish Chandra Gutt & Co.
45/47 Bombay Samachar Marg.
Bombay 400 023

Harkisondass Lukhmidass
Stock Exchange Building 5th Floor,
Bombay Samachar Marg
Bombay 400 023

Jamnadas Khushaldas & Co.
Stock Exchange Central Building,
Bombay Samachar Marg 2nd Floor,
Bombay 400 023

Jamnadas Morarjee & Co.
5-A Hamam Street 1st Floor, Fort.
Bombay 400 023

Jasvantlal Chhotalal & Co.
Bhupen Chambers Dalal Street,
Bombay 400 023

Jayantilal N. Patel
86 Stock Exchange New Building.
Bombay Samachar Marg.
Bombay 400 023

Kalki J. Khambatta
Stock Exchange Central Building
3rd Floor, Bombay Samachar Marg
Bombay 400 023

K.J. Shah & Sons
19, Stock Exchange Central Building,
Bombay Samachar Marg. Bombay 400 023.

Kantilal Isherlal
100, Stock Exchange New Building,
Bombay 400 023.

L.M. Panday
Maharashtra Bank
45/47, Bombay Sa
Bombay 400 023

Lewis & Jon
Bank of Baroda Bu
Bombay Samachar

Maganlal T. V
23, Bhupen Cham
Bombay 400 023

M.K. Choksey
Maharashtra Bank
45-47 Bombay Sa
Fort, Bombay 400

Mansukhlal B
Stock Exchange Ce
3rd Floor, Bombay
Bombay 400 023

Merwanjee B
Allahabad Bank Bu
Bombay Samachar

Nagindas Ch
66, Stock Exchang
Bombay Samachar

Narandas &
Union Bank Buildin
Bombay 400 023

Narendra M
15, Stock Exchang
1st Floor, Dalal Str
Bombay 400 023

Authorised
5 00,00 000 Equity

Issued*
2,80,43,814 Equity

Subscribed an
2,80,38,651 Equity
Add: 1,520 Forfei

* Out of this 1 24

Present Issue
49,61,349 Equity

Out of which
2,48,049 Equity Sh payable in full on ap Indian Directors) an associates not to ex exceed more than 4(of two years from th up by the Employee
47,13 300 Equity S the public for subsc of the shares reserv

The following figure accorded by the Com

Year Ending	P…
30 Sep 1973	7
30 Sep 1974	7
30 Sep 1975	7
31 Dec 1976 (15 Months)	9
31 Dec 1977	9
28 Oct 1978 (10 Months)	-

* The paid u as a result
** [illegible]
*** Restricted Act, 1974

subscription list will open at the commencement of banking hours on Wednesday, [illegible] February 1979, and will close at the close of banking hours on Saturday, the 24th February 1979, or earlier at the discretion of the Board of Directors of the Company but not before the close of banking hours on Friday, the 16th February 1979.

shares of the Company are listed on the Madras Stock Exchange [illegible] and the Stock Exchange Bombay. Applications have been made to the said Stock Exchanges for permission to deal in, and for an official quotation for, the Equity Shares of the Company now being issued.

OUNCEMENT REGARDING ISSUE OF EQUITY SHARES OF RS. 5 EACH FOR CASH AT A PREMIUM OF RS. 3 PER SHARE

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Parekh Brothers
19, Stock Exchange Building,
Bombay Samachar Marg,
Bombay 400 023.

Prabhudas Lilladher
Stock Exchange, 5A, Hamam Street,
Bombay 400 023.

Upendra M. Dalal
100, Stock Exchange New Building,
Bombay Samachar Marg, Bombay 400 023.

Valji Bhimji & Co.
24 Stock Exchange Central Building,
Dalal Street, Fort, Bombay 400 023.

V. B. Desai
Bhupen Chambers, Dalal Street,
Fort, Bombay 400 023.

V. D. Vakil
94, Stock Exchange New Building,
Bombay Samachar Marg,
Bombay 400 024.

CALCUTTA

Brijnath Khandelwal & Co.
13 India Exchange Place,
Calcutta 700 001

C. Mackertich
7, Lyons Range, Calcutta 700 001

G.M. Bose
7, Lyons Range, Calcutta 700 001

G.M. Pyne
14, India Exchange Place, Calcutta 700 001

Khandelwal Bros
Wardley House, 25, Swallow Lane,
Calcutta 700 001.

M.M. Murarka & Co.
Stock Exchange Building,
7, Lyons Range, Calcutta 700 001

N.L. Roy & Co.
7, Lyons Range, Calcutta 700 001

Narayandass Khandelwal & Co.
Wardley House, 25 Swallow Lane,
Calcutta 700 001.

Place, Siddons & Gough (Pvt.) Ltd.
6, Lyons Range, Calcutta 700 001.

Sajjan Kumar Saraf
7, Lyons Range, Calcutta 700 001

Stewart & Co.
14, India Exchange Place,
Calcutta 700 001

NEW DELHI

Amrit Lal Bajaj & Co.
606, Kailash Building,
26, Kasturba Gandhi Marg,
New Delhi 110 001.

Arkay & Co.
30, Stock Exchange,
Asaf Ali Road, New Delhi 110 002.

Bharat Bhushan & Co.
H-45, Connaught Place,
New Delhi 110 001.

Behari Lal & Co.
Stock Exchange Building,
Asaf Ali Road, New Delhi 110 002

Bhupendra & Co.
49, Stock Exchange Building,
Asaf Ali Road, New Delhi 110 002

Dewan Chand & Co.
Block 10 Street 3, Dev Nagar,
Karol Bagh, New Delhi 110 005

H.P. Mehta & Co.
304, Surya Kiran,
Kasturba Gandhi Marg,
New Delhi 110 001.

Harbans Singh Mehta & Co.
33, Regal Building Parliament Street
New Delhi 110 001

J.C. Mehta & Co.
308 Dramland, 1/18-B Asaf Ali Road,
New Delhi 110 002

Jalan & Co.
Stock Exchange Building,
Asaf Ali Road, New Delhi 110 002.

P.S. Khambete & Co.
M-45, Connaught Circus,
New Delhi 110 001

R.K. Chugh & Co.
6 & 54, Stock Exchange Building,
Asaf Ali Road New Delhi 110 002.

R.K. Relan & Co.
United India Life Building,
F, Connaught Place,
New Delhi 110 001.

Raja Ram Bhasin & Co.
Jewan Mansion,
8/4, Desh Bandhu Gupta Road,
New Delhi 110 055

Surinder Rode & Co.
1st Floor,
21-B, Bara Bazar Marg,
Rajinder Nagar
New Delhi 110 060

V.N. Bhasin & Co.
A-88, Defence Colony,
New Delhi 110 023.

Vinod Kumar & Co.
A-6, Connaught Place,
New Delhi 110 001

HYDERABAD

Laxminarayan Rathi
4-5-173, Hashmat Gunj, Sultan Bazar,
Hyderabad 500 001.

P.S. Afzulpurkar
4-5-195, Sultan Bazar,
Hyderabad 500 001.

S.S. Sodhi
5-9-1110/3, King Kothi Road,
Hyderabad 500 001.

INDORE

Govind Das Shrikishan Agrawal
97, M T. Cloth Market,
Indore 452 002.

Pushkarlal Ghudawala
44, Bada Sarafa,
Indore 452 002

Santosh & Co.
5, Sita Building, 1st Floor,
Yeshwant Niwas Road,
Indore 452 003.

MADRAS

Chitra & Co.
165, Linghi Chetty Street,
Madras 600 001

Dalal & Co.
224, N.S.C Bose Road,
Madras 600 001.

Kothari & Sons
Kothari Buildings,
Nungambakkam High Road,
Madras 600 034

Paterson & Co.
Vanguard House, 3rd Floor,
48, Second Line Beach,
Madras 600 001

Somayajulu & Co
Andhra Insurance Buildings,
New No 156 Thambu Chetty Street,
Madras 600 001

Subramaniam & Co.
49, Second Line Beach,
Ground Floor, Madras 600 001.

V.S. Krishnaswami & Co.
45, Armenian Street,
Madras 600 001.

Venkataraman & Co.
Bombay Mutual Building Annexe,
165, Linghi Chetty Street,
Madras 600 001

MANAGERS TO THE ISSUE
THE MERCHANT BANKING DIVISION OF THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED (ICICI)
163, Backbay Reclamation.
Bombay 400 020

SHARE CAPITAL

	Nominal Value Rs
5/- each	25,00,00,000
5/- each	14,02,19,070
5/- each fully paid	14,01,93,255
mount paid-up)	3,800
	14,01,97,055
Shares have been allotted as fully paid Bonus Shares.	
each for cash at a premium of Rs 3 per share	2 48,06,745
each for cash at a premium of Rs. 3/- per share been reserved for subscription by Employees (including sociates of the Company (firm, allotment to business hares) on condition that allotment per individual does not es and these shares shall not be transferable for a period made fully paid-up Equity Shares to the extent not taken d to the public quota	12,40,246
each at a premium of Rs 3 per share are offered to to which will be added the unsubscribed portion if any the Employees mentioned above	2,35,66,500

FINANCIAL HIGHLIGHTS

lited accounts, serve to highlight the consistent improvements bility and growth (Rs. in lakhs)

areholders' unds (Capital d reserves)	Turnover	Gross Profits * *	Profits after tax	Dividend %
1399 89	4842,48	512 07	158.92	12 5
1452 88	7044 55	901.21	239.67	*** 12.0
1790 61	8782.93	1003 66	330.26	16 0
2157 18	12748.16	1563 51	851.63	18.0
2526 95	9664 95	1441 43	537.00	18.0
3082 76	10154.26	1409.81	656 84	Not yet declared.

stands increased to Rs. 14, 01, 93, 255 on 30th December 1978

n and taxation.

the provisions of the Companies (Temporary Restrictions on Dividend)

Issue opens on 14th February 1979
closes on 24th February 1979 or earlier
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FROM AMERICA

Making Good the 'Losses'

M Arun Kumar

IT would be naive to believe that the much applauded establishment of diplomatic relations between the United States and China will necessarily herald peace on earth and goodwill among men. Instead, viewing the decision in the context of the emerging geopolitics of the Middle and Far East, the portents are for a new era of contentious economic and perhaps military imperialism in the region.

That the domino theory is alive and well is evidenced by President Carter's decision to move a US naval task force to the Persian Gulf. The US still sees itself as 'winning' or 'losing' nations. The recent perceived 'losses' have been Afghanistan, Ethiopia, Somalia and Southern Yemen. The impending "loss" of Iran will unnerve Saudi Arabia, an important ally. Zbigniew Brzezinski has referred to an "arc of crisis" that stretches "along the shores of the Indian Ocean, with fragile social and political structures in a region of vital importance to us, threatened with fragmentation. The resulting political chaos could well be filled by elements hostile to our values and sympathetic to our adversaries". Brzezinski's predecessor, Henry Kissinger speaks much the same language when he criticises the Carter Administration's human rights campaign on the grounds that it tends to undermine "the domestic structures" of the US allies. Kissinger has advocated a stronger pro-Shah line, suggesting that the US should have helped the Shah crush the opposition.

Now that the Shah has left Iran on a 'holiday' and is unlikely to return, the US will have to move quickly to restore the "balance of power" in the region. Speculation is rife as to its options.

The first hope in Washington is probably that an Israel-Egypt peace agreement will leave both nations more securely tied to the US, and by moving the US aid apparatus into action, Egypt can be completely 'won', if this is not already the case. Egypt and Israel may then be delegated the responsibility for maintaining "stability" in the region. On the other hand, it is equally likely that Israel with its well-trained military apparatus has gained in importance for US stability, hence Israel may not be overtly pressured to make the vital concessions that Egypt and the Arab world insist on.

A second speculation is that the US will seek another 'pillar' of 'stability', and the role of this 'second pillar' may fall on Pakistan, which is seen to have both the skills and population to take over Iran's erstwhile 'security mission'.

A third suggestion is that India has emerged more significant in the region after the fall of Iran. The US should therefore establish a 'special relationship' with India to give it a larger 'security' role in the Indian Ocean. It is difficult to say whether China would like to have a populous neighbouring power coming anywhere near its own pre-eminence in the power line-up. In view of China's old affinities with Pakistan, it is likely that the US-China relationship would shift the locus of US emphasis towards Pakistan.

The Soviet Union's tangible reaction to the US-China equation has been to slow the SALT negotiations in Geneva. Tough talking from the US and China's sideswipes at "hegemony", combined with the Soviet Union's own involvement all the way from Southern Yemen to Afghanistan do not make the chances for tranquility any the greater

Indeed, the world over, the trend is towards increased military expenditure, beginning with President Carter raising the US military budget by $ 10 billion even as he is assailing inflation as enemy no 1 in the US.

* * *

The technical and student exchanges with the People's Republic of China have commenced, as well as of course the business deals. China's "great leap outward" and her "four modernisations" are widely publicised here. Deng Xiaoping has duly been dubbed "Man of the Year" by *Time* (which has been called the Administration's "cover-up of the year" in certain circles). How do the Chinese view the drastic shift from the cultural revolution to the "modernisations"? An articulate and well informed Chinese friend here explained it thus: if something is bent sharply in one direction, it must be bent equally sharply in the opposite direction to restore normality; the cultural revolution was necessary, and also necessarily extreme; now, the leap outward is necessary, but to make it successful, it has to again necessarily be equally extreme in the opposite direction.

An American businessman related the story of China placing an order with him for a rare mineral that is not available in the US. Since, despite his protestations that the mineral was unavailable in the US, they insisted on placing the order, he procured the mineral for them from South Africa, and proceeded to make arrangements for shipments to China. When he informed the Chinese of his plans, they sent him a telegram saying that "South Africa is a non-country and a mineral from a non-country will be non-productive" The puzzled businessman got in touch with the Chinese officials and pointed out that they had ignored his earlier protestations that the mineral was unavailable in the US, and so had forced him to procure it from South Africa The Chinese then replied, "Yes, we ignored you then, why don't you ignore us now"? Comment would be superflous

Financial Flows on Commercial Terms to Underdeveloped Countries

WHEREAS the volume of financial resources made available to underdeveloped countries has increased in recent years, the structure of flows has deteriorated in several regards. On the one hand, with Overseas Development Assistance (ODA) from all sources roughly stagnant in real terms, its share of the total has declined sharply. Associated with the shortage of ODA, low-income countries have growingly taken recourse to sources of non-concessional funds, with a corresponding deterioration of their debt structure that could compound their long-term difficulties. But although the low-income countries' share of total non-concessional borrowing by underdeveloped countries has increased, the bulk of such lending continues to flow to the middle-income countries, which are better placed to take up capital on market terms and service the new debt out of the additional production it makes possible. Reproduced below, with minor changes, is the section on 'Non-Concessional Financial Flows' from the 1978 Review of "Development Co-operation" published by the Organisation for Economic Co-operation and Development (OECD), Paris, in November 1978.

Non-concessional flows from Development Assistance Committee (DAC) countries* comprise essentially (a) export credits, (b) private investment, and (c) international bank lending. These flows provide a significant and increasing contribution to the external finance of developing countries, accounting in 1975-77 for close to two-thirds of the total net flows from all sources to "non-oil" developing countries compared with less than half in 1969-71.

Resource flows at non-concessional terms to non-oil developing countries rose by about $ 30 billion between 1959 and 1977 and were absorbed mainly by the middle and higher-income developing countries; the low-income countries, in view of their limited savings potential, cannot afford to service large amounts of commercial debt and have only restricted access to private capital.

Appraising the distribution of these transfers among the different income groups of developing countries requires careful interpretation because of a number of statistical difficulties: substantial amounts (over one-third) of private investment are not allocated geographically in the data and the figures for bank loans, in so far as they reflect trade related finance operations, may overlap with parts of what is recorded as export credits. Attempts are being made to improve the data base. At all events, comparisons must be made of the shares of allocated amounts received by the income groups. They are valid only in so far as the distribution of allocated amounts gives a reasonably accurate portrayal of the distribution of total amounts.

The main features of the aggregate statistics can be summarised as follows: Low-income countries, including Indonesia, received slightly over one-fifth of export credits and private investment in 1975-76, and only four per cent of bank loans in 1977. If Indonesia is omitted, they received only 9 per cent of export credits.

Middle-income countries, including Nigeria, for the same periods, received two-thirds of export credits and bank loans and more than half of private investment. The countries at the lower end of the income bracket were more successful in attracting export credits (36 per cent) whereas those at the upper end tended to absorb more private investment (38 per cent) and bank credits (41 per cent) but only 12 per cent of export credits.

Higher-income countries accounted for only a small portion of total export credits to developing countries (12 per cent), but roughly one-quarter of private investment and bank loans.

(a) Export Credits

Net officially extended or guaranteed export credits (with a maturity of one year or more) from DAC countries rose from $ 7.3 billion in 1976 to $ 10.8 billion in 1977 — an increase of 40 per cent. The amounts recorded in 1975-77 were in nominal terms more than 2.5 times the annual average in 1969-71. Major creditor countries were the United States, France, Germany, Italy and Japan, which were the sources of about two-thirds of the net flow of export credits in 1975-76. One-third of the new export credits reported had maturities between one and five years, two-thirds a maturity of more than five years.

Member countries' policies in the field of export credits have recently been reviewed by the OECD Group on Export Credits and Credit Guarantees with the aim of preventing the distortion of trade which may result from excessive competition in official support for export credits. The Group agreed on an "Arrangement on Guidelines for Officially Supported Export Credits" which came into effect on April 1, 1978. The guidelines are applicable to credits with a repayment term of two years or more. They restrict the maximum repayment period to the range of 5 to 10 years, depending on which income group the country of destination belongs to ("relatively rich": $ 3,000 per capita income or more; "intermediatory": between $ 1,000 and $ 3,000; "relatively poor": below $ 1,000). The guidelines also fix minimum interest rates between 7.25 and 8 per cent, depending again on the group in which the recipient country belongs.

From 1970 to 1976, developing countries increased their share of total export credits extended by DAC member countries from 60 to 66 per cent. Asian developing countries (including major OPEC countries) received roughly one-third. African and Latin American countries each about one-quarter of the total.

Eight countries, all of them industrialising rapidly [Indonesia, Philippines, Korea, Brazil, Mexico, Taiwan, Yugoslavia and Greece], accounted for over half of the export credits received by all non-oil developing countries. For this group, the average ratio between export credits and imports from OECD countries was 15 per cent in 1976. This is much higher than the ratio for all developing countries (11 per cent) and seems to indicate that there may be scope for increased import financing by means of export credits, even after due allowance is made for problems of creditworthiness and credit ceilings that set limits for some recipient counrites.

(b) Private Investment

The patterns of direct foreign investment in developing countries, i e, financial outlays for the establishment, expansion or acquisition of an enterprise with the intention of controlling it, have changed in recent years, especially in the oil sector. There has been a shift away from the traditional concept of full or majority ownership and control towards more flexible forms of co-operation, including agreements on joint ventures, production-sharing, management and licensing. These changes are not reflected adequately in the data available which thus are not a full measure of the implications of investment for production and productivity growth in the host country. Over the medium term, a rising trend of net direct investment flows can be discerned (average annual growth rate of 13 per cent between 1970 and 1976). The provisional data for 1977 indicate that this trend was maintained in that year.

More than one-third of allocated net direct investment flows in 1975-76 went to Latin America (40 per cent) and to Asia and Oceania (42 per cent). The shares for Africa (11 per cent) and Europe (7 per cent) were considerably smaller.

As regards the allocation of investments to income groups of "non-oil" host countries, recipients in higher income brackets obtain the bulk of foreign direct investment — a pattern which one would expect, given their investment opportunities and absorptive capacity. The major destinations in 1976, in order of magnitude, were Brazil, Indonesia, Bermuda, Bahamas, Zaire, Argentina, Netherlands, Antilles,

* The members of the DAC are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the UK, the US and the Commission of the European Economic Communities.

TABLE : FLOW OF FINANCIAL RESOURCES TO UNDERDEVELOPED COUNTRIES FROM DAC COUNTRIES

($ million)

	1966-68 Average	1970	1975	1976	1977
I Official development assistance (ODA) (A+ B)	**6252.1**	**6786.5**	**13587.4**	**13665.4**	**14695.7**
(A) Bilateral official development assistance (1+ 2)	5664.9	5662.7	9815.1	9504.6	10083.7
(1) Grants and grant-like contributions	3535.2	3309.2	6268.0	6541.9	7202.7
1.1 Technical assistance	1329.9	1520.7	2921.6	2887.2	3066.4
1.2 Food aid	404.6	555.9	826.3	846.1	705.4
1.3 Debt forgiveness	—	—	48.1	93.6	167.6
1.4 Other grants	1800.7	1232.6	2472.0	2715.0	3263.3
(2) Development lending and capital	2129.7	2353.4	3547.1	2962.5	2881.1
2.1 New development lending	2042.5	[2296.9	2208.4	1827.8	2029.0
2.2 Food aid loans	—	—	805.1	601.8	(700.0)
2.3 Debt reorganisation	76.7	43.1	498.1	508.3	133.3
2.4 Equities and other bilateral assets	10.6	13.3	35.5	24.6	18.3
(B) Contributions to multilateral institutions (1+ 2+ 3)	587.1	1123.8	3771.9	4160.9	4611.9
(1) Grants	304.9	551.7	2028.7	1932.8	2234.9
1.1 UN Agencies	235.3	367.0	1197.2	1152.8	1303.0
1.2 EEC	62.2	157.6	672.3	622.5	718.7
1.3 Other	7 3	27.1	159.2	157.4	213.1
of which Food aid grants	—	59.3	497 9	342.3	507.1
(2) Capital subscription and similar payments to	261.2	540.6	1733.9	2166.6	2338.1
2.1 IBRD	12.3	3.9	3.6	27.1	75.0
2.2 IDA	189.5	288.7	1189.9	1359.0	1414.4
2.3 Regional development banks	59.4	284 0	540.4	763.3	804.7
2 4 Other	—	—	—	17.2	44.1
(3) Concessional lending	20.9	31.5	9.3	61.4	38.8
II Other Official flows net (A+ B)	**562.4**	**1108.7**	**3023.6**	**3305.3**	**3319.1**
(A) Bilateral other official flows (1+ 2)	541 8	838.1	2944.6	3186 1	3192 4
(1) Official export credits	438.1	547.8	1370.8	1822.7	2285.7
(2) Equities and other bilateral assets	103 7	290.3	1573.8	1363.4	906.7
(B) Multilateral institutions	20.6	270.6	79.0	119.1	126.7
of which IBRD	9.5	269.6	−52.3	18.0	(100.2)
Sub-total (I+ II) : Total official flows	**6814.5**	**7895.2**	**16611.0**	**16970.7**	**18014.8**
III Grants by private voluntary agencies	—	**857.5**	**1341.8**	**1354.5**	**1488.8**
IV Private flows at market terms (1 to 4)	**4859.0**	**7002.1**	**22427.6**	**22417.0**	**29987.9**
1 Direct investment	2437.1	3689.1	10493.8	7823.9	8791.7
2 Bilateral portfolio investment and other	709.1	696.9	5238.8	6072.5	10453.8
3 Multilateral portfolio investment	470.2	474.2	2552.9	3096.8	2642.3
4 Private export credits	1242.5	2141.9	4141 9	5423.8	8100.0
V Total resource flows (balance of payments basis) (I to IV)	**11673.6**	**15754.8**	**40380.4**	**40742.2**	**49491.7**

Source : "Development Co-operation : 1978 Review", Organisation for Economic Co-operation and Development, Paris, November 1978.

Peru and the Philippines, which accounted for 56 per cent of allocated investment flows to all developing countries.

The stock of book values of foreign private direct investment in developing countries at the end of 1976 amounted to $ 76 billion, the main host countries being, in Europe : Spain and Greece; in Africa : Nigeria and Liberia; in Central America: Mexico, Bermuda and Panama; in South America : Brazil, Venezuela and Argentina; in Asia : Indonesia, Malaysia, India, Singapore, Hong Kong and the Philippines. These countries account for roughly two-thirds of the total investment stock.

(c) International Lending : Bond Issues and Bank Lending

Developing countries have increasingly tapped private capital markets. On balance, in recent years, funds have been abundant, and competition among lenders has resulted in a marked tendency to lengthening maturities. Interest rates, of course, vary according to the currency in which a loan is denominated.

(i) Bond issues

Most developing countries have been unable to place public issues, either because of their poor credit standing as perceived by the lending public or because of their lack of experience and skills in tapping this market. Nevertheless, the number of developing countries (including OPEC members) making bond issues has grown : from 11 in 1971 to 22 in 1977. In 1976, issues placed by developing countries amounted to $ 2.3 billion, including $ 1.3 billion of international ('Euro') bonds and, in 1977, $ 4.4 billion (including $ 2.7 billion in 'Eurobonds'). Borrowers among the non-oil developing countries were mainly middle-income countries, the most active among them being Mexico, Brazil and the Philippines : their combined share was one-third in 1975, one-half in 1976 and nearly two-thirds in 1977. Countries from the higher income group also issued bonds for considerable amounts. The main borrowers here were Israel, Singapore and Spain, whose shares, however, declined over time : from about one-half of total issues in 1975, to one-third in 1976 and one-quarter in 1977.

(ii) International Bank Lending

Recent surveys by the Bank for International Settlements (BIS) have enabled the OECD Secretariat to make better estimates than any previously presented of the volume of net flows of medium and long-term bank lending in 1977, i e, loans extended by banks in DAC member countries and their branches in non-DAC financial centres to non-oil developing countries (other than 'international financial centres). The figures are based on changes in the dollar amount of debt due to private banks between December 1976 and December 1977, and are therefore subject to distortions arising from changes in exchange rates as between these two dates, affecting the comparability of the figures as between countries whose mix of currencies in their outstanding debt was significantly different.

Medium-term Euro-currency loans included in the overall banking statistics have played an ever-increasing role in providing financial resources to developing countries. From rather low levels in the early 1970s ($ 1 to 4 billion annually), new syndicated bank lending announced in published sources (the so-called 'tombstone' advertisements) jumped to over $ 9 billion in 1973 and 1974. For the following years the increases were even steeper : $ 12.7 billion in 1975, $ 17.3 billion in 1976 and $ 18.4 billion in 1977. This is, of course, only a portion of total bank lending, and there are no estimates of amortisation payments on this particular category of loans. Net disbursements of total bank lending to all developing countries (i e, the change in the total claims on these countries of the banking sector) amounted to $ 17.8 billion in 1977, of which $ 13.6 billion was borrowed by non-oil developing countries. One-quarter of the latter amount was absorbed by the group of lower middle-income countries and 41 per cent by countries in the upper middle-income group. The higher income group received 29 per cent and low-income countries only 4 per cent.

The patterns of distribution for previous years can only be assessed from the data on syndicated loans, and are therefore not comparable as to absolute amounts or, to the extent that terms and maturities have varied, structure. Nevertheless, these figures are indicative, and show middle-income countries accounting for over two-thirds of total announced loans in 1971-72 and 1975-76, similar to their share in the total net flow in 1977.

Supporting the continuing growth of this market are, on the supply side, the OPEC surplus funds (around $ 35

billion a year in 1975, 1976 and 1977, but probably declining to about $ 20 billion in 1978), a sizeable part of which is recycled by the private banking sector. With borrowing requirements by governments and industry in industrialised countries remaining at a relatively low level due to the sluggish recovery from recession, ample funds continue to be available. This liquidity has created a borrowers' market with a narrowing of "spreads" and a lengthening of maturities, but interest rates have been rising. The following average interest rates were recorded for six-month bank loans repayable in dollars :

		(per cent)
Dec	1976	5.4
Dec	1977	7.5
July	1978	9.0
Oct	1978	10.0

On the demand side, the market has been characterised by the continuing need of some developing countries to finance part of their balance-of-payments deficits and/or to restore their reserve holdings to more reasonable levels by borrowing from the private banking sector. As a result, developing countries' share in total syndicated bank lending has remained well over 50 per cent, and a growing number of developing countries have addressed the market for syndicated loans: 16 in 1971 and 54 in 1977.

As far as the distribution of international bank lending in 1977 among individual non-oil developing countries is concerned, the main borrowers were: in Latin America: Argentina, Brazil, Colombia and Mexico ($ 4.3 billion), in Europe: Greece, Spain and Yugoslavia ($ 4.0 billion); in Asia: Korea (Rep) and Taiwan ($ 2.0 billion). In addition, several OPEC member states were among the most active borrowers in 1977, in particular Algeria, Ecuador, Iran United Arab Emirates and Venezuela

THE FOURTH ESTATE

The Prime Minister and the Press

Nireekshak

THE tone and tenor of the Prime Minister's response to questions from the Press make one wonder whether any purpose at all is served by these official press conferences. One has only to go through the transcripts of his press conferences to discover the abrasive tone, a wierd defensive mechanism that verges on the aggressive while answering questions.

In Nehru's days, the monthly press conference was an institution even if Parliament's zealousness about its position inhibited him from answering questions on policy matters when Parliament was in session. The institution was moribund in the 18 months Lal Bahadur Shastri was in office. Indira Gandhi tried to revive it but without much success because she had nothing much to say. What began as a regular monthly feature became irregular and soon a point came when she had no need to communicate anything through the Press.

Morarji Desai began well, offering to meet the Press as often as it wanted to meet him. But after a few encounters, it has been increasingly turning out to be a barren exercise. Reticence and caution on the part of the Prime Minister is understandable, but not the built-in hostility. Morarji Desai's response to questions in Madras on (January 19) the issue of Pondicherry and Hindi highlights this built-in hostility to the Press. He rebuked reporters for no less than (What he considered) actual advocacy of the cause of the anti-mergerists in Pondicherry: "Are you interested in the service of the country? If so, help the government". On Hindi: "Is this the only way you can survive here"? Most of his answers were counter-questions or insinuations at reporters. When a reporter pointed out that he was prejudiced against the Press, he snapped back: "If I am prejudiced against you, will I meet you? Are you trying to blackmail me?"

His New Delhi press conference the following day was by comparison a tame affair but it was a precious 60 minutes of time wasted; for not only did it yield little copy, but it also exposed the limitations of the New Delhi Press Corps. Given the Prime Minister's apparent belief that the Press is the cause of much of the 'crisis' in the Janata party and government, the interlocutors could have really confronted Morarji Desai on this issue.

As in the past, it was a free for all. The attempt by the Principal Information Officer to regulate the proceedings by limiting discussion during the 60 minutes available to a few agreed subjects was not liked by the Prime Minister who seemed to suggest that anything could be discussed by anyone in any order. Not surprisingly, there was no focus at all to the press conference.

The New Delhi Press Corps is a disorganised lot. There is no one to speak for it. After Morarji Desai became the Prime Minister there was a feeble attempt at instilling order into his press conferences through a moderator. It was earnestly suggested that the head of the Press Association of India (which claims to represent all the accredited correspondents in New Delhi but is in reality a real estate agency concerning itself with subsidised government housing for its members) be the moderator. As a pro-government outfit the Press Association has little credibility and in any case does not represent all the accredited correspondents. It was later suggested that the Principal Information Officer (who heads the Press Information Bureau) should moderate the proceedings, but the Prime Minister thought it would not be a wholesome practice for an official to undertake such a role because government might be laying itself open to the charge of doctoring questions as part of a newsmanagement game.

So the chaos at the Prime Minister's press conferences continues. It should not be difficult to pin the Prime Minister down on questions if the questions are precisely formulated and backed by adequate home work. Correspondents who have never filed a story show up at the Prime Minister's press conferences to be noticed by officials and to be seen on the TV screen and ask vague, pointless questions on eradication of poverty and illiteracy. At his latest press conference in New Delhi, the Prime Minister must have found to his surprise that the Press Corps is very poorly informed on the question of nuclear non-proliferation and in turn purveys its poor and misleading understanding to its readers.

A press conference could be a productive exercise with a reticent and even somewhat unfriendly Prime Minister if the correspondents take their jobs seriously. Thus, the New Delhi press conference yielded some useful points of information when the questions were pointed and had substance — like those on Kampuchea and nuclear non-proliferation.

A question to counter a question might be an accepted method of debate but the Press wants information; and if the Prime Minister has nothing to communicate it is well that the practice of formal press conference where issues as wide-ranging as auto-urine therapy and prohibition and nuclear proliferation and disarmament are discussed without any focus are discontinued.

South Asian Migrants

W H McLeod

The Banyan Tree: Overseas Emigrants from India, Pakistan and Bangladesh by Hugh Tinker; Oxford University Press, 1977; pp x + 204, Rs 75.

Between Two Cultures: Migrants and Minorities in Britain edited by James L. Watson; Basil Blackwell, 1977; pp 338, price not stated.

UNCHARITABLE critics sometimes refer to the United Kingdom's 'race relations industry'. It is to be hoped that these critics will show more indulgence towards the emergent industry developing in academic circles as historians and sociologists become increasingly aware of the importance of South Asian communities in countries outside the subcontinent. The interest is a welcome one and it will become all the more valuable if it can stimulate a following within the South Asian countries from which the various migrant groups have gone. Both books discussed in this review contribute usefully to this growth and as such deserve more than a passing notice in India.

Hugh Tinker enjoys unique advantages as a contributor to the new industry. Prior to the resumption of his academic career (he is now Professor of Politics at the University of Lancaster in England) he was for several years Director of the Institute of Race Relations in London, a period which has already produced "A New System of Slavery: The Export of Indian Labour Overseas, 1830-1920". In "The Banyan Tree" he offers a more general coverage of the entire subject, dealing with 'free' as well as indentured migration and bringing the account very close to the present day. Essentially the approach is historical. Into his treatment of the historical development of South Asian migration, however, he meshes extensive comment on the immigrant societies which have emerged in various parts of the world, laying particular stress on the widely divergent prospects which now face these different groups.

The book's introductory chapter provides a general setting for a series of regional treatments. Following a very brief sketch of early pre-colonial Indian migration movements he deals in turn with indenture, various 'free' movements (including the modern 'professionals'), actual numbers, religious affiliation, language, class, and political influence. All of these topics are covered very quickly and it is important to remember that their purpose is strictly introductory. The substance comes later. Even here, however, one encounters points of fundamental importance. One which certainly deserves to be grasped by the more ill-informed of his readers in the various 'host' countries is his passing reference to the constituency of the immigrant groups. "Externally, these communities are viewed as monolithic groups: 'the Indians', or 'the Asians', in much the same way as reference is made to 'the Jews'. In reality, these are solid communities only in the perception of the dominant population: among themselves they are separated and often fragmented" (p 13).

The substance of the book is provided by its five remaining chapters, each of them dealing with a particular form of settlement or resultant experience, and each covering the areas which illustrate the particular form or result. Chapter 2, "Permanently second-class citizens", traces the Indian experience in Sri Lanka, South Africa, and (very briefly) Rhodesia. "Independent — but still colonised" treats the sugar-producing areas, concentrating on those where Indians now constitute an absolute (if diverse) majority. These are Guyana, Mauritius, and Fiji. Chapter 4, "An auxiliary minority", covers Malaysia and Kenya. If the emphasis on Kenya leaves one wondering about Uganda, the answer comes in chapter 5, "The departure signal". This chapter also includes Burma. Finally there is "The hope o integration", a treatment of the United Kingdom situation with a brief note on Indian migration to North America.

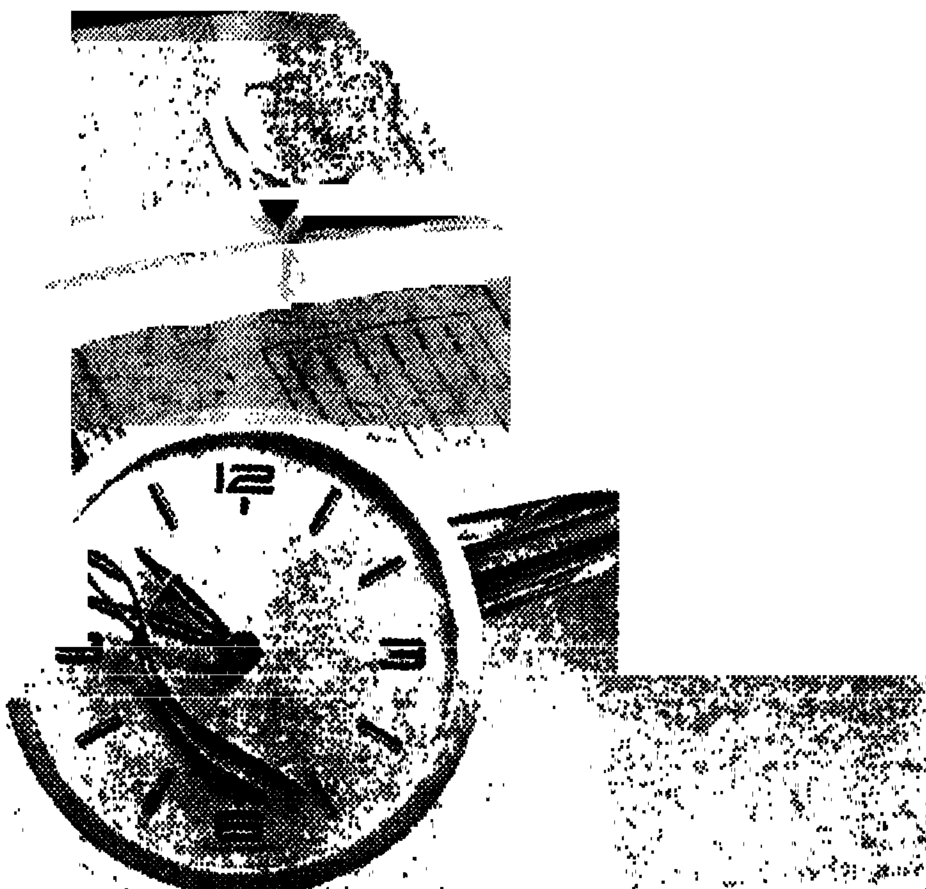
As the chapter headings imply, a certain sense of idealism and commitment informs the book as a whole, an attitude which is plainly and properly signalled in the book's preface. One should perhaps be critical of this approach, though to be honest I found it difficult to generate any such response. This may be because the viewpoint is so openly acknowledged, or perhaps because the author's sentiments seem so civilised and humane. The honest answer is probably that the reviewer found himself sharing the same ideals (or prejudices). Others will not share them and may therefore be inclined to take a less sympathetic view.

Regardless of his or her predilections the reader will find plenty of information packed into each of the five chapters covering the various regional concentrations of South Asian immigration. These are strongest when Hugh Tinker is on ground which he knows from direct personal experience, and when he sustains the regional organisation of his material. One section which I found particularly informative was his treatment of the Burma situation, a thoroughly readable account of an aspect which most readers (including the reviewer) will know only in the sketchiest of outlines. In contrast, the treatment of Fiji is somewhat disappointing. Hugh Tinker warns the reader in his preface that this may be the case, acknowledging that it is the one area which he has not actually visited. Even so, one is left with the feeling that Fiji would not have suffered quite so much had the standard regional treatment been consistently used in chapter 3 as elsewhere. The middle portion of the chapter does offer brief individual treatments of Guyana and Mauritius (and Jamaica), but the Fiji references are scattered through the chapter. The reader is left with a correspondingly disjointed impression, one which fails to bring out adequately the radical fears and uncertainties which currently afflict so many of the Indians in Fiji. This is a little difficult to understand, for the book as a whole is notable for its impressively coherent organisation and Hugh Tinker's earlier work convincingly demonstrates that he knows a great deal about Fiji.

This particular criticism points up the need to view the book as a whole rather than as a collection of disparate items. General surveys are invariably vulnerable to specialist interests, and nit-picking specialists can always find holes if they choose to focus their attention on this manner of approach. In my own case the corrections which I found myself wanting to make invariably came from either the South Pacific or the Sikh material, and generally concerned minor detail rather than broad interpretation. It could, for example, be pointed out that the first Sikh gurdwara in the United Kingdom was founded in 1908, not 1962 (p 180), and that the footnote dealing with Australia on page 195 is astray. But

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"The wheels that gear industrial growth in Gujarat"

this is unfair. General surveys are to be read as general surveys and not as compendiums of specialised monographs.

Who should read this book? The author himself expresses a preference: "It is hoped that this book will serve to introduce the people, originally from South Asia, settled in one part of the world to their brothers in another part... But my main purpose is to get British people of all kinds to consider what it is like to be a British or Commonwealth citizen when one's father came from South Asia" (p x). Although we may certainly hope that it will secure a following amongst both audiences I am inclined to the opinion that its greatest utility might well be served in home countries of South Asia, particularly in India. South Asian migrants to the United Kingdom are recent and articulate, and contacts with their home areas are well maintained. As a result one does not get the impression that the immigrant situation in the United Kingdom is by any means unknown in this country — at least not in Punjab! The same might also be said of East Africa, partly for the same reasons and partly because of Idi Amin. Name any other area, however, and it is most unlikely that one will encounter either *interest or understanding. This, surely,* is unfortunate and for those who agree "The Banyan Tree" will provide a ready remedy. It is to be hoped that the book will be widely read in this country, by general readers as well as those involved in the academic industry.

"Between Two Cultures" is explicitly intended for British readers and the book as a whole will obviously find its principal market in the United Kingdom. James L Watson of the School of Oriental and African Studies, London, has brought together a collection of papers by a group of social anthropologists, each of them dealing with a particular immigrant society in the United Kingdom. The contributions include, as one would expect, studies of South Asian and West Indian groups. They also include West Africans, Chinese, Poles, Italians, Greek Cypriots and Turkish Cypriots.

In his introduction the editor stresses the importance of taking European ethnic groups into account when dealing with the total British situation. This can be easily appreciated and one has little difficulty in accepting the claim that their inclusion serves a useful comparative purpose. Each of the contributions is nevertheless a self-contained unit which may be read without necessary reference to its companions, and readers with particular regional interests may well prefer to concentrate on the chapter or chapters which match this interest. Three portions of the book should attract the attention of readers in India. The first is the editor's useful introduction; the second is a paper on the Sikhs; and the third one on the Pakistanis from Mirpur district.

In his introduction James Watson describes the general approach adopted by his colleagues, stressing that all have had the opportunity of conducting their research from both ends of the migration chain. As he quite rightly indicates, research which is limited to the British end is doomed to serious distortion. The dual approach is unquestionably the sound one, provided of course that it is based upon a grasp of the home language and something more than a perfunctory experience of the home culture. Any work which enunciates this as an axiom is indeed to be welcomed.

Watson's introduction, however, does more than merely explain the intention of the book and the terms of reference observed by its several contributors. It also raises some very pertinent questions, frankly acknowledging that several of these are not yet amenable to answers. One stands out with particular clarity. "Although their writings sometimes obscure this fact, social scientists have found it very difficult to explain the causes of migration movements" (p 6). The 'push-pull' model is, he acknowledges, simplistic and as such is altogether inadequate as a sufficient explanation. The problem is well illustrated by the Sikh case. As the authors of the Sikh paper point out, a substantial majority of the Sikh migrants have come from the Jullundur Doaba. One can narrow the regional base still further, for it is the eastern portion of Doaba which has provided the principal source of Punjabi emigrants to the United Kingdom and to other parts of the world. Once the chain is established the process can be easily followed, but as far as I am aware no one has yet explained why other parts of Punjab have lagged so far behind Doaba. The problem becomes all the more perplexing when one realises that the earliest emigration movements were much more widely spread in terms of regional origins. During the latter years of the nineteenth century and the early twentieth century Malwais seem to have been just as numerous as Doabis, and Majhails were by no means absent. Pressure on eastern Doaba land-holdings is doubtless a part of the answer, but it is difficult to accept it as a total explanation.

This, however, should not be construed as a criticism of the Sikh paper which is in fact an excellent piece of work. Its authors are Roger and Catherine Ballard of Leeds, and Leeds has evidently been the focus of their work at the British end. This, interestingly, has involved them in a predominantly Ramgarhia community and one of the many strengths of their contribution is a clear recognition of the importance of caste connections. They begin by postulating a four-phase pattern of development, commencing with the initial seaman and pedlar origins and proceeding through all-male and family phases to the present "move away from the most unsalubrious ghettoes and the emergence into adulthood of a British-educated, if not yet British-born, second generation" (p 22).

When the Ballards began their research in 1971 the community's development had reached the third of these phases (the inner-city family phase) and their emphasis is thus placed upon this period and its successor. The result is fascinating, both for the generalisations which they draw and for the details which they record in pursuit of their generalisations. The latter include the interesting emergence of a city exogamy in the British situation, and a comment on leadership which deserves to be noted by race relations workers in Britain. As they quite rightly indicate, the leadership accepted by the native British normally derives from the Westernised fringe and does not represent the community's effective leadership.

One problem of approach which is tentatively raised but then put aside concerns the validity of treating the Sikhs as a self-contained unit. For a study which concentrates upon migration during the last decade this is perhaps an acceptable procedure, particularly in a city with a predominance of Ramgarhias. For the earlier period, however, one may well ask whether the primary unit ought not to be 'Punjabi' rather than 'Sikh'. Migration to the South Pacific certainly took a representative slice of the eastern Doaba rural population (including many Chamars) and although the Sikh identity assumed a particular prominence within this movement the movement as a whole was not an exclusively Sikh affair. An absolute majority have been Jats and, as in their home villages, the question of identity has been anything but clear-cut for many of these Jat migrants. Was this not the case in the United Kingdom also? The authors' reference to Ramgarhia insistence on the outward symbols implies a contrast with the Jats and suggests that the United Kingdom

experience probably matches that of the South Pacific and western America.

But then the British experience may perhaps have been different and the authors' indication that few untouchables migrated to the United Kingdom (p 27) suggests that in one important respect the later period of the United Kingdom movement did mean important differences. In New Zealand the Chamars are the second-largest group of Punjabi migrants after the Jats and the situation has probably been the same in Australia and Fiji. Feelings of antagonism are still very much alive, in New Zealand and Fiji at least, and if such feelings are absent in the United Kingdom their absence provides one more justification for treating the Sikhs as the primary unit.

The subject is a fascinating one and (for this reviewer at least) the Ballards have done it abundant justice. We look forward to future contributions from this knowledgeable and perceptive couple. One last comment deserves to be noted before we leave them, one which has nothing to do with the Sikhs but which (understandably) they were evidently unable to resist. Although Sylhet District is an inland area of Bangladesh many Sylhetis became seamen and as such specialised as cooks. This tradition they have sustained in the United Kingdom, with the result that most 'Indian' restaurants in Britain are run by Sylhetis.

The qualities manifested by the Ballards are also evident in Verity Saifullah Khan's contribution, "The Pakistanis: Mirpuri Villagers at Home and in Bradford". As the author points out the Pakistani population of the United Kingdom is a hetergeneous one and she wisely concentrates on the segment which plainly she knows well. Mirpur district in the portion of Kashmir occupied by Pakistan is another inland area with a strong sea-going tradition. Pakistanis comprise 10 per cent of Bradford's total population of 300,000, and of this 30,000 between 60 and 70 per cent are Mirpuris. In terms of language and culture the Mirpuris are essentially Punjabi and thus provide a particularly interesting comparison with the Sikhs of the preceding chapter.

The Mirpuris are, of course, Muslims and this offers an obvious point of contrast with the Sikhs. Does it amount to a significant difference in the British situation? For the women it certainly does, for whereas the Sikh woman enjoys a measure of social freedom (including regular access to the community life of the gurdwara) the Muslim wife must perforce live a much more restricted life. This lends support to the choice of the Sikhs as a basic unit. On the other hand, there is much in Verity Saifullah Khan's contribution which will sound very familiar to the reader who has had experience of Punjabi society on the Indian side of the border. The presence of caste, the importance of the biradari, the use of one's earnings, attitudes to the home village and its expectations — these and other features indicate the extensive nature of the common Punjabi inheritance. The author explicitly accepts the Ballards' four-phase model, placing the Mirpuris in the third phase and thus some 10 or 15 years 'behind' the Sikhs. She properly stresses that their fourth-phase experience may differ from that of the Sikhs. These will [illegible]

One minor correction in the Mirpur essay concerns the origin of the word *vilayat* (the term used to denote Britain). It does not derive from 'Blighty'. The reverse is in fact the case, 'Blighty' being the British soldiers' corruption of the Arabic/Persian (and thus Urdu) *vilayat*. A more general criticism applies to both chapters and indeed to some other parts of the book as well. Maps can greatly aid a reader's understanding and a map of the area from Mirpur to the Sutlej would have been a welcome addition. These, however, are slight blemishes. The book as a whole, and specifically its two South Asia chapters, sets a very welcome precedent.

Customs Union for Indian Sub-Continent

Rajendra Kumar

Economic Co-operation in the Indian Sub-Continent: A Customs Union Approach by T K Jayaraman; Orient Longman Limited, New Delhi, 1978; pp 161, Rs 28.

IN view of the growing sense of disillusionment among the less developed countries (LDCs) with regard to gaining trade preferences in the markets of the rich countries, there has been *increasing discussion of the possibilities* of mutual trade preferences among LDCs themselves. T K Jayaraman's book is a study of the economic gains that could flow from a customs union formed by Bangladesh, India, Nepal, Pakistan and Sri Lanka.

Essentially a free trade theorist, Jayaraman recommends trade liberalisation for LDCs as a superior alternative to seeking trade concessions from the dominant industrial countries. At the same time, he cautions them about the hazards of a worldwide free trade position unless the initiative were taken by the dominant industrial countries. He asserts that regional free trade along with common external tariff, as a second best alternative, should significantly remove the LDCs' foreign trade distortions and promote efficient allocation of resources. Jayaraman also suggests that such arrangements should be supplimented by a payments union. As an incidental advantage, this would improve the LDCs' bargaining power *vis-a-vis* the rich industrial countries.

Jayaraman explores the prospects of India forming a customs union with its neighbouring countries. He has processed a mass of available data for the five LDCs forming the proposed customs union. Looking to the small extent of their trade among themselves and the composition of this trade, his ex-ante calculations of 'static' effects with the help of estimated tariff rates and import elasticities show that the proposition is of "an adverse nature", the unfavourable trade-diversion effects being stronger than the favourable trade-creation effects. All the same, it is pointed out that the customs union would become 'critical' in theory when the common external tariff is lowered substantially, if only from the viewpoint of Bangladesh, India and Pakistan. Even then, the gains of the customs union will be modest — just above 1 per cent of GNP for Bangladesh and Sri Lanka and below 1 per cent of GNP for India, Nepal and Pakistan.

The theoretical conditions justifying a customs union of LDCs are realised only when their entire peoples are exposed to economic development. At present half of them live in poverty, having very low levels of consumption. For their own domestic market depelopment, the LDCs must resort to a customs union approach if only for the sake of integrated economic development. Then only would the proportion of their trade among themselves start mounting.

India is often referred to as a subcontinent, a single country having large territory, diverse resources and vast market potential. We do not have to wait for the formation of a hypothetical customs union; India itself

especially at [illegible] ... that India must strive for the [illegible] lessons to be drawn from the application of the customs union theory is ... tion of its domestic market through integrated rapid development.

Financing of Education

A R Kamat

Optimum Utilisation of Educational Expenditure in Gujarat by D T Lakdawala and K R Shah; Sardar Patel Institute of Economic and Social Research, Monograph Series 5, Ahmedabad, 1978; pp 269, Rs 50.

FINANCING of education has been explored in India off and on by several authors, particularly for its all-India trends; unit costs, and individual and social returns to investment in education at different levels. Since most educational policies become operational at the state level, even now after the inclusion of education in the concurrent list three years ago, state-level inquiry is always useful both for a better understanding of the situation and for suggesting policy changes. The publication of this long-awaited monograph on the educational expenditure in Gujarat is therefore a welcome addition to the literature in this area, although the delay of eight years between the data base and publication of results may somewhat diminish its present value, the new 10+2+3 pattern makes a great deal of difference.

As mentioned in the preface, the objective of the study was to identify areas for better utilisation of resources by examining the three layers of decision-making units: government, educational institutions (universities, colleges and high schools) and students. The study has made an exhaustive analysis of educational expenditure of Gujarat government and the finances of three universities for the period 1960-61 to 1969-70, and unit institutional cost in colleges for the year 1968-69. It also deals with three other related topics, but not as exhaustively nor as systemtically, unit costs in high schools for 1969-70, estimation of the percentage of the drop-outs from the SSC-pass students, and a socio-economic study of university and college students in Ahmedabad.

The findings cannot be described as startling: (affiliating) universities and colleges (of general education) depend more on fees than on government grants, ancillary activities of the universities are only partially covered by fees, the per-pupil government grants are decreasing over years and there exists many colleges and high schools of rather small size and therefore not economically viable. Economic and optimum sizes for colleges and high schools, etc, are discussed and the corresponding recommendations for better utilisation of resources follow. These are presented in lucid prose of 116 pages and supported by tabular information of 164 pages. Even so, after reading the volume one feels that the study should have covered a larger ground, and its methodology could have been improved in several respects. Moreover, although there is reference to decision-making units in the objectives, there is no examination of the actual decision-making of these units, except *post-facto* through the statistical data.

As to the coverage, while the title suggests that the study will encompass the expenditure on education at all the three levels, it hardly touches primary education. In secondary education its only concern is unit institutional cost and related variables; it does not examine the resources position of high schools (nor of colleges for that matter). It is therefore not surprising that the authors have not defined (nor evolved a methodology for determining) a financially viable institution, and have relied in this respect on the norms suggested by the Education Commission (1964-66).

The concept of optimality is also fraught with conceptual difficulties in that it cannot be simply equated with the minimum unit cost, irrespective of other factors. For instance, although many institutions, senior in age and traditions, may cost somewhat more than the bare minimum they may be compensating for this not-too-large cost difference by providing more varied subject-combinations and a fuller cultural and community life. The authors have mentioned the first but not these other considerations and in general have not explored or illustrated them. Thus the U-curves of their distributions may lose much of their significance if the authors had scrutinised in greater detail the right arm of the curve for these other aspects. Incidentally, have they bothered to inquire why the school data on unit costs do not give U-curves? The moral seems to be that in cases like education while the cost-efficiency approach is certainly relevant the 'theory-of-the-firm approach' may not be very promising.

Another question worth investigating was the health of the sub-optimum institutions, as to how they manage to survive. What resources do they muster to meet the two ends? Are there liberal provisions in grant-in-aid code to assist such low-size colleges and high schools? Or do they survive by just cheating the teachers and other employees of their legitimate remuneration? Perhaps both, but there is no inkling of this in the present study.

This study could have profitably investigated the role of the EBC concessions (besides local political pressures) in starting and sustaining chronically sub-optimum institutions. The authors have also ignored that the EBC concessions in effect may have substantially enhanced the government grants per student which they have noted to have reduced over the period. The experience of some other states has been that the EBC concessions have been responsible for maintaining many sub-standard low-size colleges and high schools so rampant in administrative and financial malpractices, including bogus enrolment.

But perhaps most surprising is the fact that nowhere have the authors referred to the research and extension activities of the university. The university is not only a teaching and examining body but is also an intellectual and cultural centre which owes extension programmes to the general public. Even if extension may be financially of minor significance this is certainly not the case with research which is more or less an obligatory activity for the university teachers. A significant part of the expenditure on salaries, library, and other facilities is meant to serve this purpose of consolidation and expansion of the frontiers of knowledge. True, this raises the difficult problem of quantification but surely social science researchers belonging to university set-up cannot simply wish it away by not taking cognisance of it. If they had devised some imputation formula for this purpose, as the reviewer has done in his exercise on costing some 13 years ago,[1] the per student cost figure for university students would have better reflected the real situation.

There are also other procedural-cum-methodological shortcomings, many of them avoidable. We shall not dwell on the two 'sample' studies, as the

SSC drop-outs and socio-economic conditions of university and college students since they are essentially purposive *case studies* and therefore do not have a representative character. We allude to a few others briefly to illustrate. For obtaining a more valid estimate of the SSC drop-outs the fresh enrolment in the pre-university classes throughout the state could have been compared to the total SSC out-turn of the year. In presenting per-pupil income and expenditure, as in Tables III-F (p 145 onwards), figures which refer to different reference groups are lumped together to obtain totals. In considering the optimum size, and for other purposes, colleges in different disciplines are sometimes lumped together (Chapter IV and Tables IV-H and I). It is not realistic to include colleges of medicine and engineering with the rest or even in the general category of professional colleges where colleges of commerce and law are of an altogether different species, in many respects. It is felt that the study of colleges should have been more profitably confined to colleges of arts, science, commerce and law for more intensive investigation because they have many common characteristics and account for the overwhelming majority of college students.

The reviewer has gone into somewhat greater detail than usual because such State studies are welcome and need to be repeated, and also because some of the problems mentioned above were faced by him in his study on costing several years ago [2]

Notes

1 and 2 A R Kamat, "Unit Institutional Cost in Higher Education", *Artha Vijnana*, 1967, later incorporated in "Two Studies in Education", Gokhalle Institute Studies No 55, Pune, 1968.

Books in Brief

Coal Industry in India by A B Ghosh, Sultan Chand and Sons; pp xii+312, Rs 60.

SINCE the steep hike in the oil prices coal has regained its important place in the energy development. The book under review, which makes a historical analysis of development of coal industry in India, is a timely publication. It covers several aspects of development of coal industry — known coal reserves, development of the industry over time, production and consumption of coal, labour problems, prices, wages, profits and investments, distribution, trade, etc. Thus it provides a comprehensive account of the industry before 1947.

While exploitation of coal on modern lines began from the middle of the last century, its accelerated development began after the opening of the Jharia mining area in 1893. After 1893 there was a sudden spurt in coal mining, lasting till the first quarter of this century. For example, the number of joint stock coal companies rose from 18 in 1891-5 to 109 in 1905-10 and to 260 in 1921-5. The paid up capital also rose substantially during this period and so did the profits which enabled the declaration of dividends averaging between 42 and 60 per cent between 1906-25. The boom started thinning after 1925 and this trend continued till the late 1930s. While the boom conditions reappeared during the second World War because of rapid industrialisation and movement of railways, there was no matching growth of the coal industry as compared to the earlier boom period. For instance, coal output during this period fluctuated between 26 and 29 million tons and paid up capital of joint stock companies rose from Rs 100 crores to Rs 117 crores. It may be asked, when demand and prices of coal were continuously rising why did it fail to attract matching investment? Was it due to the fact that investment elsewhere yielded better return? Or was it due to the fact that it was getting progressively expensive to work on the known mines? Or was it that the Jharia coal mines did not hold the prospects for further investment as they did in the earlier part of the century? That there was scarcity of labour and there was insufficient availability of railway wagons, as pointed out by the author, would only provide a partial answer to the question. Another question that arises is the high dividends declared in the earlier part of the century leave enough funds for reinvestment and modernisation or had the industry *failed to build up adequate reserves*? These are pertinent questions and need further probing.

—V S Mahajan

The Case That Shook India by P Bhushan; Vikas Publishing Co, New Delhi 1978; pp 294, Rs 35.

POLITICAL relations in India have been deeply influenced by the dominance of a mutually dependant relationship between the Congress Party and the Nehru family which led the country to freedom. The Congress has provided the base from which the Nehrus have propagated the ideology of modernisation'. In turn the largely middle class interests (comprising of the indigenous industrialists, professionals and rich peasantry) which control the Congress have relied on the popularity and charisma of the Nehrus to remain in power. The continuation of this symbiotic relationship was threatened when Raj Narain successfully challenged the 1971 election of Indira Gandhi to Parliament. A crisis arose, and the leader and her party had to adopt an 'authoritarian' character to remain in power. The March 1977 elections have reduced the impact of the Congress/Nehru influence on the body politic.

This book focuses on the legal action initiated by Raj Narain and, to a lesser extent, on the environment in which his election petition was decided. In his book Prashant Bhushan explicitly rejects the use of any tools to analyse the situation; so his book is essentially a narrative. The author has done an impressive job of documenting the sequence of legal events. Since Indian courts of law do not record all the testimony presented, his verbatim records will prove to be an invaluable source for students of politics and legal history. Both students of law and the ordinary reader will have occasion to use the sections from statutes and judgments which he has included as appendices.

Unfortunately the flow of the narration is thwarted by the disjointed structure of the last half of the book and the insertion of sub-headings into each and every chapter. Inasmuch as Prashant Bhushan's father was Raj Narain's counsel, he had a ringside seat to the action. Other books have, however, pre-empted his disclosures.

The book does not examine the law from the perspective of a colonised people. In it one finds an unquestioning acceptance of the validity of imposing Western legal categories on a complex eastern society with its own peculiar history. We do not find any discussion about the relevance of British electoral processes and laws to the Indian political reality. The Rs 35,000 ceiling on expenses for parliamentary elections has been consistently violated by candidates of all parties and Prashant Bhushan recognises this fact. But he puts it aside, perhaps, because he is unwilling to move from the deficiencies of a particular judgment to a theory about the nature of the law itself.

—Saad A Saidullah

Integrated Strategies for Economic and Demographic Development

Asok Mitra

Proceeding on the hypothesis that intensified programmes of population control have to be necessarily accompanied by an improvement in the quality of the population, this paper makes an attempt to assess the present demographic and economic situation, specially in the underdeveloped countries.

The crucial issue for these countries in the 1980s is not primarily the rate of population growth, since fertility reductions can anyway not be achieved without an improvement in the demographic quality of the population. What is crucial is genuine land reform, creation of more employment, improvement in technology and productivity even in the most primitive low-yielding activities, and the ensuring of a minimum quality of life, especially reduction in the rates of infant mortality, maternal mortality and morbidity.

I

IT looks as though the 1980s will be the most difficult decade for the underdeveloped countries. The problems created by rapid population growth and tardy social and economic development will have reached their peak during this period in most of these countries. Even if the decline in the birth rate, triggered in the seventies, accelerates, the crisis will persist well into the first half of the nineties. Signs of abatement may appear no earlier than the very end of the twentieth century. But that too will depend on what processes are set in motion in the late seventies and 1980s in the social and political economy of the underdeveloped world.

The magnitude of the crisis is reflected in the outline of the demographic features of the underdeveloped countries as of 1977. (See Table.) The birth, death and infant mortality rates throw light on the distance that will have to be traversed before a particular region completes its demographic transition. The proportions of population under 15 years show what formidable tasks most regions will have to face in the next decade not only in securing the health and education of its child and young population but in providing training and jobs to ever larger numbers of new and young entrants in the labour force.

All regions in this Table, except Middle South Asia, South East Asia, The Caribbean and Tropical South America, have birth rates of 40 per thousand population or more. Even among these four regions, as many as seven countries out of nine in Middle South Asia (the exceptions being India and Sri Lanka), five countries (Indonesia, Malaysia, The Philippines, Singapore and Thailand) out of ten in South East Asia, one (Dominican Republic) out of twelve in the Caribbean and five countries out of nine in Tropical South America (the exceptions being Brazil, Colombia, Guyana, Surinam and Venezuela) enjoy birth rates of 40 or more. Among the other seven regions of the underdeveloped world where the birth rate rules at 40 or more for the region as a whole, it is only Egypt and Tunisia in Northern Africa, Cape Verde in Western Africa, Mauritius, Reunion and Seychelles in Eastern Africa, Equatorial Guinea and Gabon in Middle Africa, Lesotho in Southern Africa, Cyprus, Israel, and Turkey in South West Asia, and Costa Rica and Panama in Middle America that enjoy birth rates below 40 per 1,000 population.

As for the death rate, it is only Libya in Northern Africa, Cape Verde in Western Africa, Mauritius, Reunion and Seychelles in Eastern Africa, Bahrein, Cyprus, Israel and Lebanon in South West Asia, Sri Lanka in Middle South Asia, Malaysia, the Philippines and Singapore in South East Asia, Costa Rica, El Salvador Mexico and Panama in Middle America, all countries except the Dominican Republic and Haiti in the Caribbean, and all countries except Ecuador and Peru in Tropical South America that enjoy death rates below 10 per 1,000 population according to the UN statistical compilations. These official death rates are however open to doubt when one recalls the official death rates in countries with infant mortality rates ranging between 8 and 33 per thousand live born, like Denmark, Norway, Sweden, United Kingdom, Austria, Belgium, France, Federal Republic of Germany, Luxembourg, Czechoslovakia, German Democratic Republic and Hungary were 10 or more for the years 1974/75.

More than the crude birth rate, the underdeveloped world still faces an uphill task over the infant mortality rate (IMR) which is a better indicator than many other demographic ones of the level of living. It is more difficult to reduce IMR than the general death rate, the process depending more on a general improvement in education, social change, housing and economic activities. Of all the regions listed in the Table only the Middle and Tropical South Americas and the Caribbean enjoy IMRs less than 85 while all other regions still suffer from IMRs above 100, Western Africa consisting of 16 countries suffering from a rate as high as 175.

The 'dependency ratio' for each region can be derived by adding the percentages under 15 years and over 64 years and dividing by the complement. The number of persons in the 'dependent ages' for each 100 persons in the 'working ages of 15 to 65' in the 11 regions ranges from 78 to as much as 92. Since the proportion of population under 15 will continue to rule high at least up to 1980 the dependency ratio will reach an all-time peak in the 1980s, while the proportion and absolute numbers of entrants to the labour force will reach an all-time record during the same decade.

Life expectancy at birth, except in North Africa, South West Asia and the three Latin American regions is still generally below 52. The countries that have exceeded this level in the remaining six regions are Mauritius (63), Reunion (63), Sevchelles (65), Sao Tome and Principe (53), Bahrein (78), Iraq (64), Israel (82), Kuwait (56), Lebanon

TABLE : DEMOGRAPHIC DATA OF UNDERDEVELOPED COUNTRIES BY BROAD REGIONS, 1977

Region	Population Estimate Mid-1977 (millions)	Birth Rate (1970-75)	Death Rate (1970-75)	Rate of Natural Increase (annual, per cent)	Number of Years to Double Population	Infant Mortality Rate	Population under 15 Years (per cent)	Population over 64 Years (per cent)	Life Expectancy at Birth (years)	Urban Population (per cent)	Per Capita Gross National Product (US $)	Population Projection to 2000 (millions)
	1	2	3	4	5	6	7	8	9	10	11	12
1 Northern Africa (6 Countries)	100	42	14	2.8	25	180	44	3	53	39	570	185
2 Western Africa (16 Countries)	125	49	23	2.6	27	175	45	3	42	19	300	243
3 Eastern Africa (16 Countries)	120	46	19	2.7	26	151	44	3	45	12	220	239
4 Middle Africa (9 Countries)	48	44	22	2.3	30	165	43	3	42	24	270	88
5 Southern Africa (5 Countries)	30	40	16	2.5	28	119	41	4	51	44	1220	57
6 South West Asia (16 Countries)	89	42	14	2.8	25	114	44	4	55	44	1370	166
7 Middle South Asia (9 Countries)	864	37	14	2.3	30	125	41	3	49	20	200	1473
8 South East Asia (10 Countries)	332	38	14	2.4	29	116	43	3	52	21	260	574
9 Middle America (7 Countries)	85	42	8	3.4	20	70	46	3	62	56	1060	174
10 Caribbean (12 Countries)	28	30	9	2.1	33	75	41	5	64	45	970	44
11 Tropical South America (9 Countries)	183	37	9	2.8	25	84	43	3	61	59	960	337
Total: 99 Countries												

Source: *1977 World Population Data Sheet* of the Population Reference Bureau, Inc Eleven regions have been selected. The East Asian Region (People's Republic of China, Hong Kong, Japan, the two Koreas, Macao, Mongolia and Taiwan), the Temperate South Americas (Argentina, Chile and Uruguay) and Oceania Regions (Australia, Fiji, New Zealand, Papua New Guinea, Western Samoa and Solomon Islands) have been left out.

(60), Qatar (69), Sri Lanka (68), Malaysia (63), Philippines (58), Singapore (68) and Thailand (58). Low life expectancy reduces the horizon of national and personal economic enterprise. As a result, the span of personal accumulation and improvement of skill and experience of investment in plant, machinery, capital and manpower in personal and group enterprise is still quite narrow. The scope of long-term planning in any type of personal or household economic enterprise is thus grievously constricted by low life expectancy in these regions. On the other hand, low life expectancy is responsible for chronic drain on the nation's skills, technical manpower, economic motivation, savings and capital accumulation.

The proportion of urban population except in the North African, South West Asian and the three Latin American regions is low. The number of countries in the remaining six regions comprising 81 countries that have an urban ratio more than 25 is 32. Of these 32 countries again only Zaire, South Africa, Iraq, Turkey, Iran, Pakistan and Malaysia have total populations exceeding 10 millions. Thus the majority of countries in the underdeveloped world with an urban ratio exceeding 25 are countries with small populations. The high urban ratio in them cannot always be taken as a high index of industrialisation of urban livelihood or of massive transfer from agricultural livelihoods to non-agricultural ones. The urban populations even among those which have higher urban ratios are usually concentrated in a handful of primate cities, mostly suffering from urban involution and proliferation of slums with preponderance of populations working in low wage and low value-adding industries, trade, commerce, construction, transportation and personal services. In short, almost all countries in the underdeveloped world are over-urbanised in the sense that much of the urban populations in them live in conditions that are not essentially industrialised in settings of minimum urban amenities answering to the urban norms of developed countries. In reality much of these urban populations, even if they live within areas demarcated as urban, suffer from the lack of an adequate non-agricultural, industrial base with attendant lack of true urban infrastructure.

Finally, most countries enumerated in the Table command no more than a fraction of the average per capita GNP of the world taken as a whole, which in 1974-75, was 1,530 in US dollars. Countries in the underdeveloped world that exceed the average are Libya (5,080), Reunion (1,550), Gabon (2,240), Bahrein (2,440), Israel (3,580), Kuwait (11,510), Oman (2,070), Qatar (8,320), Saudi Arabia (3,010), United Arab Emirates (10,480), Singapore (2,510), Martinique (1,540), Netherlands Antilles (1,590), Puerto Rico (2,300), Trinidad and Tobago (1,900) and Venezuela (2,200). These, excepting Israel which began its life with massive imports of foreign remittances, plant and machinery and above all skilled manpower, are either oil countries which have made good since October 1973, or countries which enjoy monopolies in certain types of natural or agricultural resources which give them favourable export earnings Their wealth is not yet quite equitably distributed among their populations Their earnings have not yet been properly invested in wealth producing industries or other forms of enterprise that might lead to a decided improvement in human resources translated in terms of levels of living, employment and productivity. Fifteen of these privileged countries, not counting Israel, account for a population of not more than 33.8 millions. They are in possession of the capital but have not yet acquired the capability of human enterprise properly to invest it.

There are 48 countries in the 11 regions with an aggregate population of 442 millions the per capita GNP of which ranges between 200-750 US dollars. There are countries in this category with (a) large natural resources but with populations that are too small for their full exploitation; (b) small areas and limited natural endowments but with a fair density of population which have achieved or are on their way of achieving worthwhile levels of living, economic and technological development and productivity but suffer

from the constraints of space and natural endowments; (c) large areas with considerable natural resources but which have not yet developed their human resources, technology and capital investment and are dependent for their GNP on export of raw materials or agricultural or plantation products of near monopoly character. The majority of these countries have a weak heavy and capital goods industry base, are still largely dependent on thier agricultural or plantation crops or extraction and export of unprocessed or semi-processed ores and minerals, the value-added component of which is small. They are compelled to undertake heavy defence expenditure as security against aggression, and are compelled to import technology, technical personnel and capital at a heavy price for developing their production base and human resources. Internally they tend to suffer from considerable regional imbalances and income inequalities, a narrow power base controlled by the elite which hinders democratic participation and extension of benefits. They tend to be dominated by finance and industrial capital of former imperial masters, or the operation of multinational cartels.

These remarks apply almost equally to the 18 countries which enjoy a per capita GNP of 750-1530. Of these 18 countries, two belong to Northern Africa, two to Southern Africa, three to South West Asia, one to Middle South Asia, three to Middle America, four to the Caribbean and three to Tropical South America. Their aggregate population comes to 310 millions. The most important countries in this group in the matter of population as well as area and natural resources are Brazil (population 112 millions), Mexico (64.4 millions), Iran (34.8 millions), South Africa (26.1 millions), Algeria (17.8 millions) and Peru (16.6 millions).

Finally, there are as many as 31 countries in the eleven regions with a total population of 1,190 millions which enjoy per capita GNP of less than 200 US dollars, in fact generally less than 150 US dollars (India with 620 millions with 150 US dollars), the lowest being as low as 70 US dollars. Quite a few of them are large, comparatively densely populated, countries with considerable natural resources neither fully explored nor exploited, with small capital and industrial bases but with considerable accumulation of experience and skill in traditional agriculture and industry in the informal sector.

Quite a number of countries in these eleven regions have built up wide-ranging, industrial bases of much sophistication and diversity with impressive industrial, transport and financial infrastructures and highly developed, human, scientific, technological and managerial resources. But they still suffer from glaring spatial imbalances and gross income inequalities. The small per capita GNP of these countries, particularly of the last group that we have discussed, leaves little scope for massive capital accumulation, even when the domestic savings rate is coaxed to touch as high a level as 20 per cent. Large inequalities in income distribution compel high reliance on indirect taxation which further impoverishes populations in the lower income deciles and inhibits consumption as well as expansion of production. Unemployment rates are high and help to build up an industrial reserve army to be governed by the 'iron law of wages'. National policies on productivity and distribution, expansion of capital goods industries and exploitation of natural resources are often made to subserve the interests of small groups rather than the nation. The basis of firm democratic, not to speak of socialist participation, and therefore of expansion of capital base, level of living, productivity, social and economic growth, remains weak. They are therefore prone to oligarchic and authoritarian rule, the ruling elite seeking legitimacy behind populist manifestos and face-saving elective procedures, upholding their own authoritarian devices while proclaiming them as true socialist or democratic norms suited to the particular genius of their people.

II

The above brief account describes the frame against which the World Population Conference was held at Bucharest in August 1974. It explains why different underdeveloped regions had their own perceptions of the interrelationship between demographic and economic development, while subscribing to the need for an overall New International Economic Order. Different regions reflected at Bucharest in different ways their views on the population problem — this, according as they perceived rapid population growth or the lack of it as hampering economic development. But there was unanimity on the need to reduce as fast as possible general mortality, infant mortality and morbidity, and improve life expectancy at birth as true and reliable indicators of a physical quality of life for providing the basis of improvement of human resources through education, health and medical care, upgrading of human skills, technology, employment and productivity. The general feeling was that while in the ultimate analysis there was no way out but for each country to help itself, rapid improvement would be facilitated by the coming together of rich and poor nations, transfer of resources through better terms of trade and transfer of technology and more equitable distribution of incomes, resources and knowledge among advanced and backward regions and peoples.

But all through the previous decades, the concern of the developed world had settled with such singlemindedness on the need to reduce as fast as possible the birth rates in the underdeveloped world as the best single key to development that it grew to be an *idee fixe* of the kind noted by Finkle and Crane.[1] The message of Bucharest 1974 was not heeded to the extent it deserved to be as was evident in the course of an 'Inter-regional Meeting of the Consultation Group' convened by UNFPA at Geneva in September 1975. Practically no underdeveloped country at Bucharest, except those whose development was suffering from lack of adequate manpower, refused to recognise the urgent need to reduce its rate of population growth as a necessary corollary to social and economic development. Most countries acknowledged the need to reduce the rate of population growth and achieve an NRR of 1 as rapidly as possible as an enduring guarantee of social and economic development, and for this purpose to step up investment in family planning while pushing ahead with economic and social development plans. Few insisted on any *either or* formulation. But what came after Bucharest was no more than a small and inadequate modified strategy from bilateral and multilateral aid givers. This was to recommend a more attractive packaging of family planning technology and services with nutrition, maternal and child health, intensive child development and cognate welfare programmes unrelated to programmes addressed to increasing wealth through employment, wages, working conditions, technological and other changes in the industrial and resource structure of countries or through accelerating productivity, consumption, capital formation, economic development and income distribution.

After Bucharest, bilateral and multilateral aid donors have been anxious to promote the packaged family planning approach more steadily than the integ-

rated development approach, although they realise that the former approach is liable to swell the consumption expenditure of poor countries to the detriment of their investment sector not only by committing more resources to this packaged programme but also by way of diverting more of trained and scarce manpower. The poor countries are deficient in both and face a genuine dilemma on the priorities of allocation of these resources. The rich countries cannot be entirely blamed for having found packaged welfare programmes the key to their own problems of productivity, capital formation and income distribution and, therefore, for pressing their own recipe on poor countries who have a different problem altogether. The insistence on the part of developed countries on the packaged family planning programme approach, dissociated in the main from programmes of capital formation, economic growth, employment, technology, productivity and income distribution, has not infrequently been welcomed by oligarchical, authoritarian elites in poor countries who perceive the menace to their own plans for growth and development as similarly coming from the rapid numerical growth of their own poor.

Despite this solidarity of approach between donor countries and the ruling elite of recipient countries, the successive UNCTAD and GATT Conferences, the North-South dialogues, trade and other economic negotiations between poor countries and rich countries, the virtual breakdown of the Law of the Sea Conference and other failures in the field of technology and resource transfers, equitable international division of labour, multinational collaboration, joint ventures, etc, demand rethinking on long term strategies for economic and demographic development in the underdeveloped world.

III

Contrary to what Malthus maintained, it is now generally conceded there can be no natural and universal law of population. Rather, population is determined by the social and economic conditions prevailing in different societies. Fertility is a function ultimately of social organisation. It depends on the way in which the means of production are owned and on the social relations between men which result from their connections with the process of production. It follows that any strategy for economic and demographic development in the 1980s especially for underdeveloped countries should have two complementary components: international and national. Both components will have to ensure that the element of value-added in any social or economic activity involving division of labour in international* and national transactions must continually appreciate at all levels — macro, meso and micro — and progressively reduce the value of future supplies of children at the level of the household, because it is at this level that their value is most prized. At every stage from the household upwards to the national level, mechanisms will have to be created to retain some part of the value added in any economic enterprise to enrich the successive populations engaged in them. Although a discussion of the international prerequisites for a successful strategy of national economic and demographic development is outside the scope of this paper, brief mention needs to be made of what is involved on that plane.

More than the debate on whether developed nations should put up one per cent or whatever of their GNP for international aid, it is imperative that they assist in large scale transfer of technology to the underdeveloped world on easy terms to enable them to develop and add to the value of their natural resources in the international market. This assistance in transfer of technology should not only apply to sophisticated sectors of capital goods production and processing of commodities for the international market to augment the national value-added component in international transactions. It should also be directed towards the development of intermediate technology — of which the developed nations are rich in skill and experience — which will enhance the production and value of primary and intermediate commodities at the village and district level and help generate and retain wealth in small areas for their reploughing. At the bottom of it all must rule the concept of the international just price for which underdeveloped countries singly and in groups have been vainly pleading and fighting in forums like the UNCTAD, GATT, ILO, North-South and Regional Conferences. Above all, the question of energy generation and distribution in all its forms cries out for a just solution.

Much of the success of the national strategies in the 1980s will depend on how international co-operation plans and the operation of multinational corporations take shape and where and how the gravy flows. But the signs have been unpropitious so far, exposing the double standards in the developed nations' concern over the population and development problems of underdeveloped countries. A recent illuminating case is the falling out of EEC and Hong Kong (which in some ways is the golden egg of trade of the EEC countries in the Far East) over textiles. The textile industry provides half the jobs and half the export revenue for two million Hong Kong workers. After 10 weeks of protracted and acrimonious negotiations with EEC representing some 200 million of the world's richer citizens, it was clear in the five-year textile export restraint agreement made public in December 1977 that the provisions of the convention regulating the international textile trade, the Multi-Fibres Arrangement (MFA) would be ignored and that MFA's guarantee of a six per cent annual minimum growth in all quotas would be a relic of less-protectionist days. In November the common market's special negotiator had accused Hong Kong of blocking progress in simultaneous EEC talks with 33 other Third World textile suppliers, and said that unless Hong Kong reached "a reasonable agreement", EEC would unilaterally cut its quota and switch some purchases to other countries. These unilateral cuts on the part of the richer nations have come to stay in the relations between rich and poor countries.

Most countries in the Third World would have suffered from direct imperialist rule or colonial exploitation in the past which still continues in disguised forms. The essence of imperialist or colonial rule was to drain out the natural resources of the country in bulk as much as possible in unprocessed form so that the value-added component in the originating colony or empire countries would be the least. In the execution of this task finance capital would be imported to enlist the support of the indigenous comprador classes who would be allies in the draining out process. Imperial administrations, including programmes for education, social welfare, development of infrastructure and the development of indigenous human resources were primarily employed for the benefit of the rulers and secondarily for nursing the small indigenous comprador class which would be willing to place itself at the service of the rulers. Freedom movements came when this draining out process began intolerably to hurt the comprador class itself, not to speak of the general mass of poor producers.

The success of liberation movements

was invariably accompanied by populist and 'socialist' professions of faith in most countries of the Third World. These were engendered by the realisation that the value-added elements in production must be generated and retained at as wide a level of spatial and population disaggregation as possible. This recognition was to rest for its success on two concurrent levels of organisation: political and economic. There were to be certain decisions and long term targets to be centrally planned and achieved, mainly for assisting the process of value-adding at the micro as well as the macro level. These would be centrally planned, capital and producer goods and a certain range of consumer goods industries, development of infrastructure, energy and water resources, the rate of domestic savings and capital formation and the like. But essentially the process of value-adding in economic and social production was to be encouraged at the micro level not only to generate the wherewithal of development at the lowest and intermediate levels but to ensure accumulation of capital and resources at the national level. This was not possible without very intimate intertwining of the political and productive processes at every level. This was at the bottom of Gandhi's philosophy which commanded the attention of the leaders of freedom movements of other countries.

This political and economic process has not developed according to expectations. The impediments, in short, have been national as well as international. The indigenous comprador class of imperialist regimes has in most countries transformed itself into a new elite, composed of an alliance of the large industrial and agricultural producers and the numerically small intelligentsia. The process of draining out of wealth by way of primary commodities and mineral resources from the countryside to the large urban centres for the benefit of small fractions of the population has been maintained. To this has been added the need to collaborate with the process of draining wealth out of the country in the name of export earnings to provide for plants, machinery, foreign technology and other imports which do not generally subserve the needs of the majority of the country's population. This has, in turn, assisted the evolution of mixed economies and political dualisms and widened the gap between political professions and economic performance. The value-adding process at the lower and inter-mediate levels are in danger of getting choked while the draining out process is sought to be buttressed by a variety of insidious as well as patent authoritarian developments that swear by democratic values and institutions.

The task of radical and massive improvements in levels of living, employment and productivity, human reproduction and longevity in the 1980s is not going to be easy. But it is not impossible. The fact that even the most authoritarian regimes in the Third World are compelled to have recourse to sugar-coating their anti-people policies with democratic and socialist protestations is evidence of the persistent groundswell of discontent which the regimes cannot afford to ignore and which may well in the course of the 1980s bring matters generally to a head.

Few underdeveloped countries listed in the Table will be able to afford in the next 20 years that level of massive investments in industry, urbanisation and modernisation of infrastructure, notably in energy, irrigation and agriculture, that will bring about spectacular transformations in the welfare and industrial structures of their populations. Apart from the fact that such transformations will be stoutly resisted through instruments like Institutional Act Fives or *Paquetes de Abril* by the entrenched national elites, even when the resources are there, long ideological battles over how much of the economy should be free enterprise or centrally planned will be unavoidable. The biggest battles will still have to be fought over land reforms and the doing away of *minifundia*, for the perpetuation of these institutions marks the point at which the unholy alliance between national and international finance capital begins. This is also the point at which the process of value-adding must replace the process of draining away of wealth and where new strategies of productivity and technology must commence.

IV

The proportion of population in young ages 15-34 will reach new peaks in the next twenty years. In the next 20 or 25 years a great deal more of material and manpower investment will be needed for improving the quality of life for the masses through health, medical care, nutrition, education, training, technology, organisational infrastructure and employment. It is wrong to imagine that a quick and rapid drop in the birth rate would immediately relieve the public exchequer of expenditure on such public consumption items as public health, medical care, nutrition and social welfare programmes and education. On each of these counts public expenditure is bound to increase for improving their quality and expanding their coverage in order to ensure a minimal quality of life to the population, for that alone will guarantee a sustained voluntary decline in the birth rate.

Had economic growth, together with improvements in public health, education, welfare services and employment, kept very much ahead of the rate of population growth, the difference between the two would have been readily perceived by even the lowest deciles of the national income range. In that event, the desirability of savings as a plausible and effective alternative to more children would have been a self-evident and a powerful 'communicator' of the family planning message. But this has not happened and the remainder of this decade and the whole of the next will see the highest ever rate of growth to labour force entrants. So, a vigorous family planning drive to the relative neglect of public health, education and employment, would be viewed by the family as an instrument of cutting off its means to more income rather than as a vehicle of augmenting it. Such a general psychological response would have depressing effects on family enterprise all round, which, apart from depressing economic growth, might seriously affect the climate of enterprise and the positive outlook towards production and productivity, which are nationally of even greater moment than the concern with population growth as such.

As the household remains the basis of economic enterprise drawing upon the contribution of unpaid family work, which is rated below free market wage, the benefit-cost ratio of an extra child is positive for the family. A child becomes a source of net inflow of wealth to, instead of from, parents over lifetime. In the context of current household enterprise, whether in agriculture or household industry, the optimum inflow in most countries of the Third World may be reached only when the number of children exceeds two. In that event, the two-child norm comes in conflict with household enterprise in today's level of productivity. It is only in that social situation where this net flow of wealth to parents will no longer be expected over lifetime as a matter of course that the economic calculus of the extra child will be reversed to the point where a couple will not desire more than one or two children.

This has already come about in the upper social and economic strata of underdeveloped societies. The question is how rapidly can the process of economic development spread it among the lowest strata of our population, so that the household as the unit of economic enterprise based on unpaid family labour becomes viable once again, instead of persisting as a near obsolete phenomenon. This is the essential strategy of national planning for economic development which must be matched to the target of the one-or-two child family, and the time paths of both must be made to converge say, on 2000 AD. Neither time path will be fulfilled without the other.

It must be stressed that the fixing of a desirable size, or the rate of population growth, to be achieved by a certain date and mounting a programme for its phased achievement is not enough. Nor does it guarantee its acceptability to the individual, which is crucial, if a population control programme has to be voluntary, instead of being draconically enforced by authority. If a nation aims at a stable population by a certain date, it would be imperative to convince the individual that a stable household size and structure, implied in that stipulation, will ensure the individual's economic welfare and the state would change the national economic structure rapidly enough to guarantee the viability of the household's demographic and economic position. In other words, the household's economic strength and viability must dramatically shift from its age-long dependence on a combination of large number and low productivity to one of small number and high productivity. Thus, within the time stipulated for the attainment of a norm of two children, or a net reproduction rate of one, the economy of a household of three or four must be assured to be superior to the present one of a household of six to eight members. This obviously warrants a dramatic improvement in the technology of production ensuring a much higher level of productivity per person This will involve not only sharp intersectoral shifts, mainly away from agriculture and household to non-agriculture and non-household enterprise, but also from the informal to the formal and organised sectors throughout the economy. This will in turn demand shifts from rural to semi-rural and urban living and dramatic changes in attitudes towards living, eating, associating, working and spending one's leisure. In brief, it will mean little short of a radical transformation of the organisation of family life, of social institutions like marriage and divorce and of economic functions of work and production and, therefore, the productive structure of society as a whole.

This indeed, is what a one-or-two child population policy means in terms of the national economy. Thus, a population policy for the next twenty years must also spell out or unfold the measures by which the stability of the new structure of the population and of that of the household will be maintained. This calls for the spelling out of the nature, technology and structure of the economy that will sustain a four-member household at a higher pitch of economic activity and well-being than the present six or eight member household. That should be the surest way of persuading the mass of the population in the Third World to accept the two or one child norm.

V

The size and the rate of growth of population in the Third World have had their effect on the technology of production and organisation all across the board. In the face of limited availability of land, expanding population has led to fragmentation and the growth of *minifundia* in agriculture, constricting the scope for application of capital and improved technology. It is true that productivity of even small holdings has been high where irrigation has been available and labour is concentrated, costs for alternative employment being prohibitively high.

But the operation of usurious landlords and the prevalence of *minifundia* perpetuates a vicious circle of indebtedness. This has created such conditions in many countries of the three continents that it makes it more profitable for landlords to rely more on human labour and servitude disguised in under-tenancies and share-cropping than invest in modern inputs like irrigation pumps, fertilisers, pesticides and improved implements. Substitution of labour for capital remains relatively more profitable to owners and entrepreneurs because of the abundant labour supply and the servitude perpetuated through the manipulation of tenancies and usufructuary mortgages.

If now the rate of population growth is to be sharply reduced, the technology of production, too, must change. The production structure oriented to an ever expanding labour supply is likely to suffer a temporary drop in productivity. Steps to improve technology are thus imperative. This will call for investment, training, orientation, social reorganisation and restructuring of the distributive machinery, too. What is more, social reorganisation and appropriate technological progress must proceed simultaneously with, if not a little ahead of, the reduction in population size. This is true for household industry and crafts, distributive trade and commerce, unmechanised transportation and the bulk of the institutional and personal services sector, in each of which rudimentary technology facilitates the extraction of surpluses out of available human labour. Abundance of labour operates in favour of technological stagnation and technological stagnation in its turn operates to maintain an abundant labour supply.

Apart from farmers and tenant cultivators, nowhere is this more dramatically evident than among those plying their labour in the so-called informal sectors of manufacturing, trade and commerce, transportation and services in the urban areas. Rapid population growth first contributed to accelerated migration to the larger urban areas, leading to increase of unemployment in informal sector.

A plentiful labour supply facilitates conditions of extracting surpluses at severely competitive wages. This inhibits the development of skills and reduces the need of specialised training. Informal workers perform only those jobs that demand interchangeable skills of simple nature. Employers train informal workers to produce ancillaries, components, spare parts and accessories where rigid quality control is not imperative. This helps employers to bifurcate the task of extraction of surplus from labour: the organised and the unorganised activities. This clever bifurcation curtails the bargaining power of workers everywhere and cuts down costs. When production in the organised sector becomes expensive, part of the work is diverted to the unorganised sector. Within a labour abundant economy, labour's share is further reduced by this process of switching between the two sectors.

It is notable that the above process of exploitation through bifurcation is partly induced by the fact that workers in the organised sector are anxious to keep out new entrants in order to keep their wages high. This is no doubt a consequence of the trade union movement in many countries, where unionised industrial labour has become a

major privileged class in spite of itself, resisting efforts toward full employment and a further dose of income distribution. The employers seemingly oblige the organised worker by diverting part of their production to the informal, unregulated wage sector. In reality, when they are doing this, they are doing it mainly to maintain production at levels which can be sold at prices covering costs and normal profits in the organised sector, while they get part of it done at the cheaper labour costs in the informal sector. Up to the 1930s or even in the 1940s the ready availability of female labour facilitated these adjustments. But since then, the even readier availability of male labour at practically the same real wages has led to large displacement of female labour.

This probably partly explains why the levels of fertility in the lower income and occupational levels in the urban areas are as high, if not higher some times, than in the rural areas. The technology at these levels in the urban areas is often comparable to the technology in the rural areas — the making up of paper bags for carrying groceries demands no higher technology than processing grain for retail sale — and rests equally on abundance of labour supply.

In the urban sector, too, therefore, simultaneous drives to upgrade the technology of production must proceed if the drive for reduction in population growth is to succeed. For, the bulk of the livelihoods even in urban areas are still outside the organised advanced technology and high productivity field.

This is what makes the need to concentrate on the technology of production as imperative as reduction of population growth. While to start with, all production must emphasise labour intensive technologies for full employment, the emphasis must as rapidly as possible shift to intermediate and higher technologies for greater production and to demonstrate, thereby, the superfluity of producing excess population. This is where the advanced countries can help with their superior technological and organisational experience and resources.

VI

Experience in several countries in the second half of our century shows that even in countries as disadvantageously placed as India, Indonesia or Mexico, the convergence of the time paths of improvement in the physical quality of life to that of decline in the rate of population growth, in say 40, if not in 25, years is within the art of the possible; and this, without assuming that few of them would be anything but predominantly agricultural countries and that their urban population would exceed 30 per cent of the total.

An imperative prerequisite for the success of agriculture is land reforms, especially the abolition of tenancies and the elimination of holdings above a ceiling of, say, 10 acres of wet or irrigated land. Most populous countries cannot afford higher ceilings any more. Farm management surveys show that farms of as low as one hectare often record the best productivity. Labour is undoubtedly the most important input.

At the same time, undue lowering of the ceiling may cause a decline of the marketable surplus, particularly of foodgrains, requiring institutional arrangements for extracting surpluses. Even where land reforms are implemented, essential steps to augment the productivity of the numerous small ownership holdings are neglected; namely, functional pooling together of cultivation, management, harvesting and marketing, ownership and management of all inputs and outputs, accounting individual peasant incomes in terms of work points and the elimination of unpaid family work. Without these steps, land reforms will in due course meet with the same fate as that of the freeing of bonded labour.

If a beginning is made in this area, the associated tasks of development of water resources and irrigation, land-shaping, eliminating erosion, contour bunding, levelling, channelling, afforesting, etc can be socialised or brought under common management and lead to higher wages that the higher productivity of land would then afford. The failure of the rural works programme or the crash schemes for rural employment has often been advanced to plead the impracticability of these programmes. This excuse of impracticability squarely rests on wilful indifference to the fact that a small cultivator or agricultural labour, receiving less than the market wage, is not interested in building up durable assets for the landlord alone. Minor irrigation or soil conservation — yes, but for whom? Area development — yes, but for whom? The cream of the benefit goes to the person who does not work for them, leaving no stake to the actual tiller of land. The tillers must have some share in the capital so created out of their own labour.

To secure to the tillers the right to organise into trade unions and obtain minimum wages and working conditions from owner cultivators and tenants, with trade unions assuming forms suited to different land tenure systems, would seem even more important and urgent from the point of view of the future of our population size and growth. Unless this unionisation movement is revived and vigorously pursued with the support and patronage of the government, all talk of freeing bonded labour, or enforcing minimum agricultural wages and improving the economic condition of the lowest 30 per cent of the population will end in sounding brass and tinkling cymbals.

Labour input has been as low as 100 man-days per acre even in the best irrigated areas of West Bengal, while in Japan, before the era of extensive mechanisation, labour input was as much as 600 man-days and in certain areas of China, like Tachai, it went up to as high as 1,000 man-days per acre. Surely in the labour scarce competitive wage market of Japan, 600 man-days of labour per acre would not be possible if farm productivity was low. These figures indicate how profitable work in agriculture could be if supported by effective demand and the means to boost consumption and nutrition. If the number of man-days per acre could be pushed up even to 300, the problem of rural employment and agricultural production in most underdeveloped countries would largely disappear. But this is not possible unless land reforms are given real teeth by conscientious implementation and by supporting institutional measures. The volume of full-time work available can increase spectacularly to reach a state of full employment, even if wages remain low for the time being. What is possible in the rural and agricultural sector is as possible as in the low, intermediate or high technology sectors of crafts, manufacturing, construction, trade and commerce, transportation and services.

Except in minute parts of countries in the Third World, the organisation of industries related to agriculture, like animal husbandry, poultry and fisheries, has remained virtually neglected. One might argue that these enterprises depend on local leadership and not on government initiatives. But the point remains that even governments that have relied on centralised planning have failed to initiate processes of so-

cial transformation in these areas. Similar neglect prevails in the agro-based and small-scale industries, which can well operate on simple technology, but with increasing productivity. Instead, the emphasis in industrial development has been on production of commodities that will have a small privileged market. Demonstrations elsewhere that the basic agrarian reorganisation in an essentially agricultural, so-called overpopulated country, can coexist with technologically developed, highly industrialised sectors without spectacular net transfers of population from the rural to the urban areas have so far been of little avail.

VII

The desired time path of fertility reduction cannot be pursued unless the demographic quality of the population is simultaneously raised. In the present context, the first desideratum is the lowering of the infant mortality rate by as much as will reduce the proportion of deaths below the age of five in the total from the current level of 30 to 35 per cent to less than 10. The second prerequisite is the improvement in the quality of nutrition, that is, the amount of food intake; this can be done not by precious and token nutrition schemes but by universalising employment, giving everybody the right and means to eat. The third is the raising of the sex ratio at least to unity by improving the survival of females. This warrants due recognition of the economic value of women which can be ensured by cutting down on unpaid family labour and introducing a system of social accounting where appropriate money value is imputed to female work. The fourth is the enforcement of universal primary education, adult literacy and the minimum public health and medical care, leading to higher quality and productivity through lengthened life expectancy. All these will create a situation for the decline in the proportion of the age group 0-14 from the present oppressive level of 39 to 42, to a comfortable one of 24 to 27.

So far as the demographic side is concerned, we do not have to go outside the Third World for a model, for we already have one in Sri Lanka. Sri Lanka provides an example of trends favourable to the solution of the type of demographic problems that we are about. These trends were generated without any spectacular improvement at all in per capita income or the economy as a whole. If anything, Sri Lanka's average income is low even by Third World standards, and its nutritional deficiency — even counting tapioca, consumption of homegrown produce and fish — is not above dispute. Employment is still largely precarious and a person has to run after half a dozen chores all on the same day to make a mean living. It has not taken a great deal of investment or infrastructure in Sri Lanka — certainly not what is beyond the Third World's reach — to bring down the infant mortality rate almost to that of developed countries. The difference in the rate of investment in public health, medical care and nutrition to bring down the infant mortality rate from an average of 45 to less than 20 would probably amount to the difference between a highly developed world and a still underdeveloped country.

A crucial factor which is liable to be overlooked is the reforms and policies that led to the present pattern of income distribution in Sri Lanka. These reforms were accompanied and succeeded by improvements in the availability and accessibility of public health and medical care and the spread of education. It is perhaps valid to argue that the land system brought about that *social transformation* that enhanced Sri Lanka's absorptive capacity of education, health and social services, leading eventually to a decline in the birth rate.

VIII

The trouble is that most education, social welfare and nutrition programmes even through bilateral or multilateral aid have attracted the stain of charity and bounty, the flaunted attitude of helping the poor; they are not recognised as essential services to be made available to everybody as an inalienable right. As a result, popular involvement is effectively choked off at appropriate levels by the district, prefectural or village bureaucracy. The beneficiary has little scope of being associated with either the logistics of production or distribution of the products, the selection of recipients and enforcing their attendance. There is little democratic functioning and little give and take between those entrenched at the upper level of the village power structure which controls the destinies of such programmes and the beneficiaries at the lower levels. This appropriation of the role of dispensing social welfare by the vested traditional or elitist interests has been the biggest stumbling block to policies and programmes whose relevance has been acknowledged by all; this is the stumbling block which makes nonsense of dedicated service on the part of a few and puts them at the mercy of an unholy alliance of the elite, the educated and the bureaucrat incapable of eschewing coercion, corruption or fraud.

The democratic functioning, supervision and monitoring of programmes at the village and intermediate levels are also vitally necessary for education, medical and public health, nutrition and even employment programmes. For now there is money in them all and the opportunity of lording it over by those who are inclined that way. The programmes are in the nature of a general bounty from the government. The village triumvirate of power, comprising the district level staff, the village propertied groups backed by relevant political groups, and the village intelligentsia, largely drawn from the propertied groups, finds it, however, handy to transform it into a bounty of their own and to exploit its advantage to the full. In such a situation such programmes degenerate into precious tokenism. The beneficiaries ultimately are quite different from those intended. This inequity is blessed with legitimisation all round from the government, the political groups and the intelligentsia at the national level.

The unprecedented growth in population in the last quarter of a century has immensely widened the population base of those who are at the receiving end of the bounty and correspondingly narrowed this proportion of those at the giving end. Likewise, the concurrent ratio of those who exercise patronage and the power of giving jobs to the enlarging hordes of those who depend on this patronage for employment. Thus, a much smaller proportion of the total population in the Third World today enjoys more absolute power over the life and death of a much larger population than ever before, whether it be the village or the prefecture, the district or the state. This has made for a new quality of synicism, hypocrisy, unconcealed ruthlessness and blatant disregard of moral and ethical principles hitherto inconceivable in public life.

IX

In both the time paths of national economic planning and of stabilising the country's population, the lack of

political will to order the priorities in the light of reason and reality would appear to have thwarted the success that the nations might have achieved.

The national political will in the Third World has been constantly pulled out of shape by the entrenched power structure. Its texture is the same everywhere, whether in the remote village or the capital city. It can be identified as the industrial lobby on the one side and the rich farming lobby on the other, balanced skilfully to its own advantage by the political and civil bureaucracy, powerfully aided by the intelligentsia. Whether in the evolution of the mixed economy or in the shutting out of a conscientious voluntary worker from working among the lowest 40 to 50 per cent of the population in a village, it is the political and civil bureaucracy, powerfully aided by the intelligentsia, whose class interests are identical, that have successfully acted as the arbiter, cornering considerable gains in status for themselves all the time. There is no doubt that this middle section is greatly responsible for lack of political will and for thwarting democratic decentralisation on egalitarian lines. Even the most populist and radical slogans cannot hide this reality any more.

Of the lack of political will to order the priorities, the course of the last 25 years is strewn with glaring examples. There will be many more in the future, if the governments do not take heed. It is possible that land reforms are delayed on the ground that their short and long run effects merit more mature consideration. But there is not the slightest doubt that the solution to the problem, for example, of employing India's rapidly expanding labour force lies, even in the present dispensation, in approaching as fast as possible towards the fullest utilisation of irrigable capacity estimated at 52 per cent of the total area under crops as against the present 22 per cent. Apart from expensive flow and electrically energised irrigation no serious thought is given to a programme, for example, of digging surface storage tanks wherever feasible on a large scale and of supplementing it with extensive landshaping, soil conservation, bunding and channel digging. Yet, these have indeed been the mainstay of India's, and China's, irrigation in the past. They are capable of so much extra employment for many years to come. Instead of expanding the scope for increased foodgrains production through proper water management, we are more concerned, against the advice of acknowledged experts, in securing a higher procurement price for grain, which, as we all know, will really benefit the rich farmer. The accent continues to be on maximising private profit and not on national productivity.

There is another matter in which India can provide an excellent case study for the Third World. A sudden but predicted increase of a few million of young people between the ages of 15 and 22, caused by the post-war baby boom of the late forties and early fifties, together with the displacement of Blacks from their traditional occupations by technological change and their eventual trek to the city, led in the United States to tremendous upheaval and turmoil in the second half of the 1960s. Among the reasons for this upheaval were the shortage of schools and schooling facilities, teachers, medical facilities, employment, dwelling and social security. This, despite the fact that the United States had the money and resources to provide the material amenities and pay for the manpower.

Contrast this with the size of the problem in India. According to Ambannavar's [2] medium series of projections, the population of age group 5-9 will grow from 39.2 million males and 36.1 million females in 1971 to 57.5 million males and 53.6 million females in 2000 AD; that of age group 10-14 from 34.4 million males and 31.2 million females in 1971 to 55 7 million males and 51.6 million females in 2000 AD; and so on. There is hardly any quinquennial age group up to 40-44 where the population does not go up for each sex by nearly 20 millions in 30 years. Such is the enormity of the increase in the number of children, adolescents, young adults and mature adults to be made literate, educated, trained, employed and provided with public health and medical care. It is improbable that the government will find all the money and resources to fulfil the existing standard bureaucratic norms of schoolhouses, equipment, textbooks, teachers, teacher-training and of public health and medical care, dispensaries, clinics, hospitals, etc, in addition to the necessary capital and resources for providing them employment. It is also improbable that government will be able to pay each person employed the existing standard wages plus dearness allowance or insist on no more than the standard hours of work. And yet the country will have to have reasonable measures of all these for the entire population, if it wishes to retain its place in the sun. On top, it will have to invest heavily in the areas just described. Under the circumstances the country faces the most arduous challenge in applying all its ingeniousness, powers of improvisation, experimentation and innovation for putting its manpower to the best and most profitable use. This cannot be achieved without the maximum of vertical and horizontal decentralisation and delegation to grassroot groups who will have to deliver the national targets by whatever means they consider best. Other norms and standards will have to take command.

While the Mahalanobis-Nehru Plan for the expansion of the capital and producer goods sector is the one leg on which the country must continue to stand, a new elaborate mechanism of democratic decentralisation must be the other leg on which the country will walk to its future. On this other leg must be put the load of securing not only the willing and equal participation of the lowest of the low, but also almost the whole of agricultural inputs and outputs on the one hand, and the widest provision of wage goods on the other. Democratic decentralisation must also assume responsibility for the physical quality of life, development of human resources and the welfare sector. It is quite obvious today that without a full process of decentralisation and a wide range of techniques of production and organisation for harnessing human and natural resource which will ensure the retention of the value-added element at levels where they will be most enriching to the national life, we cannot have the improvement in employment, consumption, nutrition, housing, education, public health and medical care that we profess as our goal. Different priorities, commitments and motivation will determine the choice of local techniques for getting surpluses out of our abundant labour. There is no way out for this poor country except through the process of primitive accumulation and the right kind of motivation which only decentralisation can harness.

X

All poor countries are essentially rural and peasant societies. India or Brazil, Pakistan or Indonesia, in spite of their massive infrastructures, industrial base, scientific, technical and entrepreneurial excellence are essentially rural and peasant societies. The

problem is therefore firmly embedded in rural and agricultural employment. The problem also lies in ensuring that the value-added process is more equitably redistributed between the industrial base and the agricultural base. Agriculture will have to yield the surpluses for the creation of capital, energy and producer goods industries without which there can be no long-run hope, nor can there be any hope of achieving a semblance of rural-urban wage equilibrium. Instead of prosperous towns, we shall continue to have large increases in the poverty-induced tertiary sector in cities sinking more and more into bazaar-type economies. Rural areas will, in that case, continue to be drained not only of wealth but of educated, able-bodied youth. Rural wealth will concentrate in the hands of the physically old and culturally poor.

The period 1950-75 saw partial resolution of the structural contradiction behind the physical stranglehold of empires over subject countries. The period 1975-2000 will, I fear, be the cockpit of continuing structural contradiction between rich and poor countries. But this external structural contradiction will be reinforced by the internal structural contradictions between those who control resources and those who produce these resources in the poor countries. In the name of *realpolitik*, of stability and *status quo*, of saving whatever has been accomplished, there will be a further polarisation in the 80s of these contradictions within poor countries. The rich in the poor countries will find their allies among the rich countries.

The demographic structure will deepen and widen these contradictions, and bring them relentlessly out in the open. The young dependency rate will slightly decrease, but the proportion of age group 15-24, 25-34, clamouring for employment will increase. A higher rate of literacy and technological education will build them up into a critical mass of discontent in city and village. There will be less of the objective correlation between literacy, educational and technological equipment on the one hand and application of these capabilities on the other. Women will get to be a new disruptive force to reckon with. Age at marriage will rise for young women. For, parents will use them more and more instead of getting them married to release their sons for pillar to post migration, and young men will resist submission to marriage for lack of employment. Patterns of nuptiality will change. For women there will at best be a weak statistical U-shaped curve in employment offset by dwindling wages. When women are finally roused, there is bound to be trouble. The strain on infant mortality, health and the environment will grow. Since in poor countries non-commercial energy still accounts for more than 50 per cent, there will be problems of ecology, erosion and pollution. There will be a dingdong between pro-natalist and anti-natalist trends in the 80s depending upon the proportions that are making good and those that are not.

Even as the area of balanced reciprocity between rich and poor nations is in jeopardy, that among the rich and the poor in poor nations will further dwindle. Fewer people in poor countries in the 80s will have more absolute power through the iron law of wages over much large populations than ever before. Authoritarianism will have its mighty fling. The evidence is before all of us to see.

In India where production of foodgrains has grown from a mere 50 million tonnes in 1950 to 123 million tonnes in 1977 and where 20 million tonnes are held as buffer stocks, a large proportion of the population still goes hungry. Yet with strictly equitable distribution a mere 95 million tonnes would give adequate nutrition to everybody. The buffer stocks of 20 million tonnes are therefore in a way fictitious, and in another way catastrophic. According to the rates of cereal consumption recommended by the National Institute of Nutrition, 20 million tonnes of foodgrains can keep roughly 50 million of the urban and rural poor — infants, children, women and men — adequately fed for calories for three years together. This can make a major difference between the current picture of starvation and malnutrition in India on the one side and adequate nutrition for the bulk of her deprived population on the other. The food-for-work programme for building up national and community assets can easily be lifted from its below-market, semi-starvation-wages-in-kind to a full-wage-in-kind programme, and put enough self-respecting purchasing power in the hands of those who are at present unemployed. This can in its turn have a wholesome impact on the demand for wage goods, the lack of which is responsible for our wobbling industrial growth. Instead, despite the protestations of the Food Corporation of India, much of of this buffer grain irretrievably deteriorates in unsatisfactory storage and feeds rodents and unwelcome pests instead of human beings. It is this way that a large spurious buffer stock is a mixed blessing. Another good harvest might as well result in a catastrophe, with agricultural prices crashing, buffer stocks still further rising and rotting, food crop acreage shrinking, and yet with almost a constant proportion of the population chronically going hungry.

There will be still another contradiction in the 80s. Many poor countries are now rich in scientific, technological, managerial, entrepreneurial and economic talent. The way this talent is fending their countries in very unequal combat against rich countries is proof of what I say. On the other hand, poor countries are still very poor in institutions, their accessibility and distribution over space, in their administrative, organisation and extension machinery and personnel. This contradiction will deepen in the poor countries in the 80s. What will be the scientist's, the technologist's and the researcher's role in this conflict of the 80s? Will they play safe and continue their role of accomplices in devising palliatives in an effort to shore up little fragments against the impending ruin? Or will they, while working on the side of sanity and continuity, still insist on long run solutions?

XI

We have proceeded on the hypothesis that the quality of the population should improve simultaneously with intensified population control. There is enough justification for the assumption that while the family planning programme must be quickened in pace, other nationwide synergistic social and economic programmes must be intensified simultaneously to obtain greater mileage out of the programmes of population control. Without such concurrent, supportive measures the success of population control as a one-shot measure operated however vigorously over a short span of time is very likely severely to backfire.

Our second hypothesis is that, while underdeveloped countries will need all the capital they can muster to develop their capital and producer goods sectors and infrastructure (thee will be little choice but to put as much of them as possible in the public sector) to secure and augment the value-added element to their natural resources, for internal consumption or external trade, measures

to improve the quality of population to the point, where the support for tight control measures could be easily generated, are inexpensive and possible at the present level of the Third World's economic development, provided the ground is cleared for greater public involvement in the welfare and economic programmes through greater vertical decentralisation and horizontal spread. The Third World would never scrape up the financial and other resources to achieve all these targets within the foreseeable future if the programmes continued to be based on standard norms of expenditure, outfit and per capita performance in imitation of the more affluent countries, could possibly overfulfil the targets if the right type of motivational and organisational effort is mounted to build up on the social deployment of surpluses of human energy and enterprise for community needs.

At the same time, we are reawakening to the fact that a great deal of regional planning awaits to be designed and executed in each region, on the basis of decentralised local decisions in a peasant society in order to organise production to produce the requisite economic surplus, albeit at very low levels. For the new task all the resources of patiently developed spatial planning techniques will have to be pressed into service to harness human energies and low level resources for the success of local plans. We have so long thought of planning in terms of sectors of economy, not in terms of finite spaces.

We shall now have to think strictly in terms of what the traffic will bear in each finite regional space. One of the bewilderments with which the unwary and elite spatial planner is confronted at once is the demand in the name of egalitarianism for the best of everything, of which nothing or little exists now in an area. The norms and standards of such efforts will have to be tailored to the resources, and all fancy notions of conspicuous, unrealisable monuments and scales of operation rigorously abjured. It is not as if we have not had people who showed us the way. Tagore and Gandhi showed us how to build schools, dispensaries, hospitals, produce fertilisers and an entire range of infrastructure including banks and co-operatives suited to our scale of poverty; Mysore [illegible] in [illegible] have taught us how to cut our coat according to our cloth. The process of accumulation of capital in a peasant society is a slow, patient and arduous process but it can be done while letting in the winds of modernisation through education and by reducing income disparities. But it is important constantly to remember that a country does not belong only to the Happy Few. Although the Third World will still remain poor around 2000, with the steady forward march of technology and social organisation, there should be extraordinarily few situations which could not be effectively handled by the united will of over three billion people.

Notes

1 Finkle, Jason L, and Crane, Barbara B: 'The Politics of Bucharest: Population, Development and the New International Economic Order', *Population and Development Review*, Volume 1, Number 1, September 1975, pp 87-114.

2 Ambannavar, J P, "Population", Second India Series of the Fort Foundation of India, 1975, pp 85-93.

District Planning in the Context of Multi-Level Planning

B P R Vithal

Multi-level planning requires a hierarchy of levels with appropriate decision-making authorities at each level.

The scope of decision-making at each level of planning will depend, however, upon the objectives of planning at that level within the overall objectives of the organisation, considerations of administrative and economic efficiency, and the constraints of the political system.

As the Draft Five-Year Plan has put it, "It is possible that there should be a hierarchy of planning decisions at different levels".

THE planning function can be divided into four sub-functions, *viz*, planning, implementation, Co-ordination and review. It is not necessary that all these functions are discharged by the same planning body. It is quite conceivable that the body at one level of hierarchy is responsible for planning, while the body at a lower level is made responsible for the other three functions. The functions, therefore, are separable and assignable to different levels in the multi-level model, except to the extent of co-ordination (which has been put in brackets) which must necessarily go either with the implementation function or with the review function or with both. The fact that these functions are separable but are part of the overall function necessary for the achievement of any activity means that where they are separated and assigned to different levels there would have to be vertical linkages to ensure proper co-ordination of these different functions and the achievement of the overall objective of the activity concerned. Since the division of these functions between different levels will differ from activity to activity, we have a situation at each level where the functions of the planning body will vary according to the different activities taking place at that level. For instance, for certain activities the planning body may have all the four functions, whereas for some other activity it may be responsible for only implementation, co-ordination and review, and for certain others only in regard to co-ordination and review. There may also be certain activities taking place at the same level in regard to which the planning body has none of these four functions but which impinge upon other activities of that body and hence have to be taken into account at least as exogenous but relevant factors.

This framework can be understood in concrete terms with reference to the planning activity at the state level. The state government is the planning organisation which discharges all the four functions mentioned above in regard to activities which constitute part of the state plan. It discharges only the implementation, co-ordination and review

funct[illegible] sponsored sche[illegible]s. In regard to certain schemes in the Central sector which are both planned and implemented by the concerned Central ministry, the state government may still have, in certain cases, the co-ordination function at the state level — such as, for instance, the provision of infrastructure by the state government for a major Central project such as a steel plant. Then there are some activities taking place in the Central sector at the state level in respect of which the state government does not have any of these four functions but which it will have to take into account as a given exogenous factor in formulating its own plan — such as, for instance, a decision regarding railway lines within the state. Similarly, to the levels below the state, responsibilities regarding implementation or only co-ordination and review might be delegated in respect of activities for which the state level body still retains the function of planning or even of implementation. This situation leads to vertical linkages from the district to the state and to the Central level in respect of different state plans and Centrally sponsored schemes. It leads to horizontal linkages at the state level between the state plan schemes and Central sector schemes.

It has been a curious aspect of the thinking on the planning process, so far, that while this has been the situation in practice at the state level, whenever district planning was discussed in the past a presumption was somehow raised very often that delegation to the district planning body in respect of any activity must include all the functions mentioned above and, to the extent delegation was restricted only to some of these functions and some others were retained at the state level, it was taken to be a dilution of the process of district planning. It is, therefore, a welcome realisation that "a hierarchy of planning decisions at different levels are possible". District planning also has to be conceived only as part of the above model and in deciding the levels of planning, whether it be block or district, and the planning functions to be assigned to these levels, this separation of functions and the assignment of different functions to different levels, with suitable vertical and horizontal linkages, has to be taken into account.

In a multi-level hierarchic model, the planning process may be autonomous and autarchic in its totality at the national level. However, even here, there are inescapable international constraints. But, within the model and at each level [illegible] be [illegible] by [illegible] and autonomous because of the inevitable vertical linkages. This is not a reflection of any imperfection. It is of the very nature of a hierarchic model. In this connection, it is interesting to see how such a multi-level hierarchic model has many of the features of what Arthur Koestler has called 'the Holarchy'. "The point first to be emphasised is that each member of this hierarchy, on whatever level, is a sub-whole or 'holon' in its own right — a stable, integrated structure, equipped with self-regulatory devices and enjoying a considerable degree of autonomy or self-government." But, "They are Janus-faced. The face turned upward, toward the higher levels, is that of a dependent part; the face turned downward, towards its own constituents, is that of a whole of remarkable self-sufficiency." The rules he has given for such holarchies also apply to multi-level planning.

> "Functional holons are governed by fixed sets of rules and display more or less flexible strategies.
> The rules — referred to as the system's 'canon' — determine its invariant properties, its structural configuration and/or functional pattern.
> While the canon defines the permissible steps in the holon's activity, the strategic selection of the actual step among permissible choices is guided by the contingencies of the environment.
> The canon determines the rules of the game, strategy decides the course of the game.
> Every holon has the dual tendency to preserve and assert its individuality as a quasi-autonomous whole, and to function as an integrated part of an (existing or evolving) larger whole. This polarity between the self-assertive and integrative tendencies is inherent in the concept of hierarchic order, and a universal characteristic of life.
> The self-assertive tendencies are the dynamic expression of the holon's wholeness, the integrative tendencies of its partness.
> *Hierarchies can be regarded as 'vertically' arborising structures whose branches interlock with those of other hierarchies at a multiplicity of levels and form 'horizontal' networks: arborisation and reticulation are complementary principles in the architecture of organisms and societies."*
> (Arthur Koestler, "Janus — A Summing Up").

Another aspect of the somewhat mistaken view of district planning which used to be taken in the past is the fact that it was generally assumed that this would precede the state level planning. To the extent the state level planning preceded district planning or district planning depended upon certain deci[illegible] [illegible] ready taken at the state level, it was assumed that district planning had been vitiated. Here again, it was forgotten that at the state level itself planning began only after and within the framework of a national approach to the Plan which was already decided upon. It was never contended that the national plan should be the sum of states' plans, but it was for quite some time contended that the state plan should evolve as the sum of district plans. The multi-level model shows that this is not a feasible proposition. It is, however, conceded now by the Dantwala Committee that the District/Block level planning teams would have to be given a broad indication about,

(a) the total state plan and its priorities,
(b) the financial parameters within which to plan, and
(c) the continuing schemes to which a part of the Plan expenditure is committed.

The decisions regarding district and block planning will have to be taken within the overall framework mentioned above. Taking into account the availability of the necessary expertise and the span of most planning activities, the proper level for planning below the state level is the district. The block may be the unit for implementation of several plan activities and for the preparation of detailed employment plans, but the level at which an integration can take place of most plan activities would be the district.

The national plan document has itself envisaged that some major investments which have regional implications — such as large-scale irrigation, power, and transport — must necessarily remain outside the scope of planning for limited areas. But the bulk of the remaining investments in areas such as agriculture, minor irrigation, animal husbandry, etc, would be amenable to planning at the local level. In keeping with this line of thinking we can indicate the district-wise segments in each sectoral plan separately. The District segment will include the allocations for all schemes located in the district. These will consist of the following two types of schemes:

Part A

Schemes located in a district but having importance for or benefiting an area more than the district; for instance, the allocation on a canal of the Nagarjunasagar Project in a district will form part of the district segment but will come under this category since this is part of the Nagarjunasagar project; similarly, a major or medium industry will come under this category. So also, a re-

is or training centre etc. intended to cover an area, larger than the district.

Part-B

Allocations for schemes located in the district and benefiting only the district or a portion thereof; examples of this will be minor irrigation, rural electrification and small-scale industries etc.

The idea is that the schemes falling under Part-B above will constitute part of the district plan in respect of which the district planning body will have discretion in regard to such matters as locational decisions, rephasing, etc, which they would not have in regard to schemes under Part-A. However, the schemes under Part-A would also be indicated within the district plan frame, because they may have an important bearing on the development of the district as a whole and would, therefore, have to be taken into account in preparing the plans for the items falling under Part-B. For instance, the district planning body may not have any discretion in regard to the phasing or implementation of the portion of a major irrigation project falling within that district which is a part of a larger and different planning decision, but the phasing of that particular activity would be an important input for the preparation of the district plan since the agricultural and credit plans, which form part of the district plan, would have to take this important fact into account.

The district authorities can take up preliminary work which will enable the following aspects of a district plan being worked out:

(a) A profile of the resource endowment of the district;
(b) Levels of development reached so far in important sectors with a review where necessary of the ongoing plan schemes in particular of their continued utility or relevance for the future;
(c) Spillover commitments arising out of the Fifth Plan schemes.

As soon as the Draft Outline of the state plan is finalised a plan frame for the district plan, which will include the allocations for items under 'A' and 'B' of the district segment mentioned earlier, can be prepared with a district-wise break-up and communicated to the district planning authorities. The plan priorities and the important targets adopted for the state plan would also be communicated. Based on the preliminary study mentioned above and on this information the district planning authority will be expected to prepare the district plan. The district plan will indicate, besides the three items mentioned earlier.

(d) The strategy adopted, based on the district profile and district review mentioned earlier and (i) the district strategy including spatial aspects, and (ii) the plan frame indicated;
(e) State sector schemes with those falling under Part-A of the district segment and their implications for the district;
(f) Sectoral plans for the activities falling under Part-B of the district segment together with the actual phasing;
(g) Scheme-wise details of the more important schemes together with physical targets;
(h) Special plans for backward areas in the district; and
(i) Local participation particularly resource mobilisation at the local levels.

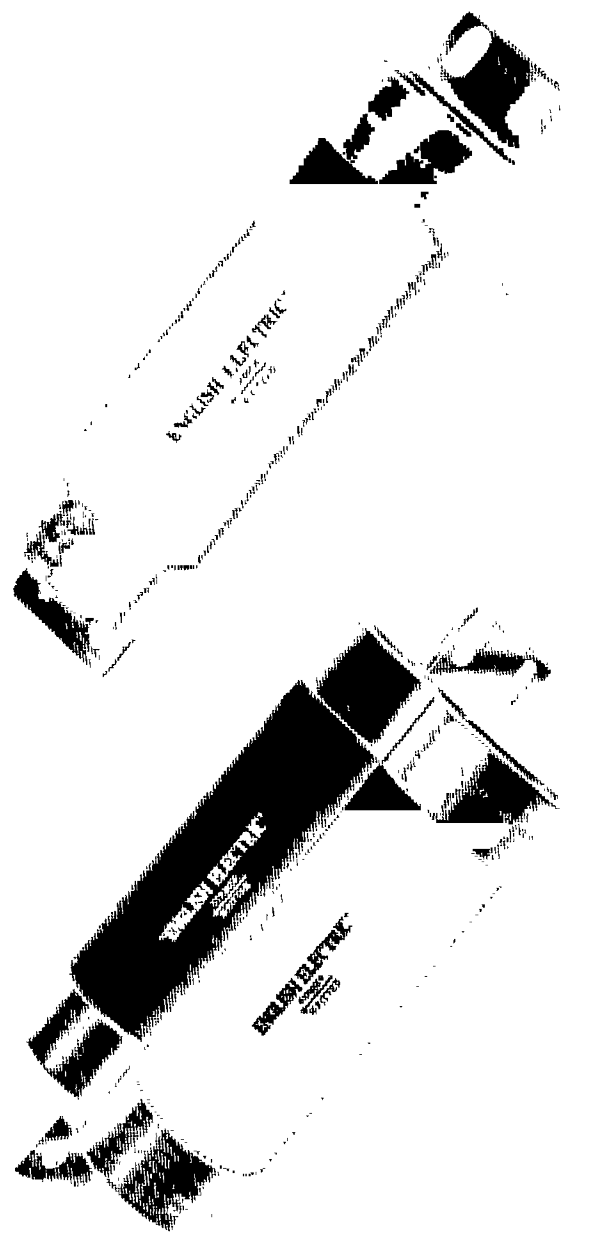
On receipt of the district plans they should be scrutinised at the state level for internal consistency as well as consistency with the overall priorities of the state plan. In regard to activities falling under Part-B of the district segment, any sectoral rephasing necessary as a result of the district plans can also be considered. On the basis of this, the district plans as well as the district segment of the state plan can be finalised.

The block will be the level for implementation of most district plan schemes, and particularly ... employment schemes. To the extent the implementation of employment schemes requires planning and co-ordination in spatial and temporal terms, block plans will have to be prepared keeping this objective and the district plan frame in view. This will involve the same kind of vertical linkages with the district as we envisaged at the district and state levels above.

The important point in this model is that the planning process is looked upon not as the inter-linking of autonomous processes at different levels for effecting co-ordination between them but as a distribution of partial functions to different levels, with vertical and horizontal linkages becoming necessary because of their inherently incomplete and partial nature. Autonomy and completeness in planning can be achieved only in the total national structure, and at no lower or intermediate level. However, this does not detract from the importance, flexibility, or limited autonomy possible at these levels within the overall structure. Koestler's idea of a 'Holarchy' mentioned earlier enables us to understand this process better.

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Class and Caste in India

The Expendable Goals

THE government's Economic Survey for 1978-79, just released, seems on occasions to show some perception of the structural malaise afflicting the economy. But on more careful consideration the appearance turns out to be deceptive. It proves, yet once again, to be a case of paying lip-service to certain noble causes, of declaring that those concerned are on the side of the angels. Thus neither the overall performance of the economy nor specific policies of the government are assessed in relation to goals like employment generation and amelioration of poverty which are espoused so enthusiastically in the abstract.

For example, the Economic Survey emphasises the importance of favouring the "use of labour in preference to capital" and urges that "in particular, factors which encourage capital intensity in the organised industrial sector need to be eliminated". This is in the context of the admittedly poor employment growth in both industry and agriculture. To quote from the Survey, "although the overall performance of the economy can be regarded as satisfactory, its impact on the basic problem of unemployment is not perceptible". The Survey also refers to amelioration of the living conditions of small farmers and marginal farmers as "the most important plank of the government's programme for the elimination of poverty" and candidly admits that this is "another problem which [though] of the highest importance to

some of the development objectives of government seems to have received insufficient attention during the year".

The Economic Survey also makes a pointed reference to the unsatisfactory record of production of pulses and other cash crops compared to superior cereals like rice and wheat and attributes this partly to the fact that "the operation of price support policies in respect of superior foodgrains has not been such as to bring about a shift of cultivation in the required direction". This failure is particularly underscored in relation to sugarcane. As the Survey rightly points out, the high profitability of sugarcane cultivation which has been responsible for the present glut of sugarcane has resulted from "high state-advised prices" which the sugar mills pay to the farmers and not from any appreciable increase in yields. Also, this benefit accrues to a limited group of cane-growers. It does not accrue to those producing khandsari and gur, particularly in the northern region. Above all, "sugarcane is one of the most water-intensive crops and in a country where irrigation is relatively scarce, the availability of undue advantage to this crop is likely to aggravate the existing problems of sugarcane production and also the growing imbalances in the production of other important crops". The argument has been carried further to emphasise the importance of "systematic crop planning" so as to improve the output of pulses, oilseeds and fibres by "a diversion of marginal irrigated and non-irrigated land from crops such as wheat and sugarcane to these".

However, the seeming awareness of wider issues which the above references to the Economic Survey reflect is contradicted by other observations of the Survey. Let us take the example of the Survey's emphasis on the need to discourage capital-intensive techniques. First, nowhere throughout the Survey is there a word of suggestion how precisely to achieve this objective. The country's entire taxation system, for instance, is loaded in favour of capital-inte[illegible] techniques. Yet in the section [illegible]sures towards tax reform", the [illegible]vey is full of praise for "incentives to work, save and invest". Similarly, the Survey has no comment to m[illegible] when it faithfully reports the reduction in the lending rates of commercial banks brought about by the abolition of the tax on interest income in the 1978-79 budget.

More significantly, in the entire section on "industrial investment" the emphasis is on the increases in disbursements of term-financing institutions, in capital goods licences issued and in imports of capital goods. The Survey also draws satisfaction from the fact that in the private sector "the increase in gross fixed assets formation during 1976-77 appears to have been of the order of 8 per cent and the tempo seems to have been maintained during 1977-78 also". It approvingly sets out the rationale of a regime of import liberalisation which has "sought to reduce the number of controls and regulations to a minimum and to enlarge substantially the scope of liberalisation of imports mainly with a view to satisfying the imported input requirements of industries to enable them to improve their performance and thus contribute to development and export efforts". The most important change in import duty referred to is the reduction of duty from 40 per cent to 25 per cent *ad valorem* "in respect of wide ranging items of capital goods". Now, studies have generally shown that larger imports for export production and larger dependence on imported capital goods as compared with intensified import substitution imply relatively greater capital intensity. Even the so-called safeguards "provided to protect the interests of small scale, tiny and cottage industry sectors in keeping with the priorities of growth" would appear to be more an eyewash for, as the Survey itself recognises, it is the large-scale sector where "in particular, factors which encourage capital intensity in the organised industrial sector need to be eliminated".

The half-heartedness of the Survey is even more conspicuous when it deals with the problems of unemployment and elimination of poverty. The Survey begins with the observation that "the performance of the Indian economy in 1978-79, the first year of the Five-Year Plan 1978-83, must be regarded as most encouraging". This claim is repeated elsewhere, but with the qualification that "its impact on the basic problem of unemployment is not perceptible" or that "progress has been slow with regard to land reform, tenancy reform and consolidation of holdings which are crucial to the viability of [small and marginal farmers] and to government's efforts to raise the standard of living of the lowest sections of society". Now, if no progress has been made in regard to the objectives of removal of unemployment, poverty and destitution, how can the performance of the economy during the year be described as having been "most encouraging". In other words, the tasks and priorities of development, as perceived by the authors of the Economic Survey, continue to be conventional ones, and the sentiments in support of greater labour-intensity in investment and removal of unemployment and poverty have been thrown in here and there as mere sugar-coating.

This no doubt explains why the authors of the Survey do not see any contradiction between the espousal of these wider objectives and their wholehearted pursuit of export promotion under a regime of more and more generous export assistance. The argument is also advanced that "developing agricultural exports is necessary". The Survey is content with a factual account of the mounting fiscal subsidies — as though the surrendering of enormous amounts of government revenues through subsidies and tax concessions to the urban and rural rich does not in the least impinge on the objectives of employment generation, removal of poverty, reduction of disparities, etc. The Survey also records unemotionally that "imports of man-made fibres increased sharply from Rs 30 crores in 1976-77 to Rs 192 crores in 1977-78 to meet the growing demand and for substituting cotton which was in short supply during the year. Similarly, raw cotton imports increased by Rs 69 crores .. ". The import of man-made fibres has persisted in 1978-79. All these happened when "the scheme for production and distribution of controlled cloth has been encountering considerable difficulty. Despite various concessions given from time to time, the response from the private sector has been half-hearted. Consequently it has been decided to phase out the production of controlled cloth in the organised sector and to leave the supply of cheap cloth to the handloom sector ultimately". For its "halfhearted" response to the controlled cloth scheme, the textile industry has been rewarded with the soft loan scheme. Even here, the progress has not been satisfactory, for the private sector is not above looking a gift horse in the mouth. Thus in regard to the soft loan scheme, "there were some objections from the industry, primarily to the conversion clause which have since been waived. Recently, there have been some further relaxations in respect of bridging loan, documentation commitment charges and personal guarantees and promoters' contribution. It is felt that, with these concessions, the pace of disbursement of soft loans

will pick up substantially". Clearly, the authors of the Economic Survey are not concerned about the extent to which such transfer of resources to a microscopic class of industrialists inhibits the 'development process' and blocks the achievement of all the wider objectives which elsewhere they pretend to espouse.

The Economic Survey in any case makes no mention of reducing inequalities of wealth and income. It also does not refer even once to the MRTP regulations or regulations regarding FERA companies or those on foreign collaborations. This amnesia is all of a piece, since it is only if one were serious about removal of poverty and unemployment that one would be exercised about a pattern of development which permits the resources of the community to be freely appropriated by a small local minority joining hands with the foreign capital.

Classes in Caste Idiom

AS the economic crisis has deepened in the countryside and in the cities, and as various sections of the people who bear the brunt of the crisis, in terms of lack of a means of adequate livelihood and worsening living conditions, have been organising themselves against this situation, the forces of law and order have performed their appointed task of putting down any unrest that accompanies such organisation However, more disturbing has been the tendency among the people themselves towards mutual violence, often along communal but far more often along caste lines. Some of the lowest castes have been the most common targets of such violence. Concentrated outbursts of this kind have occurred in Marathwada in Maharashtra and in innumerable places in Bihar, Tamil Nadu, Gujarat and Andhra Pradesh, to name only a few of the states Alongside of this has been the tendency for certain political parties and forces to try to consolidate themselves by espousing the cause of the so-called backward castes which are numerically large and relatively small sections of which also represent an economically emerging force, especially in agriculture.

It is the depth and strength of the seeming caste divisions which have led some to argue that in addition to 'class' divisions there persist 'caste' divisions in Indian society The suggestion, sometimes explicit and sometimes implied, is that caste divisions are outside of the pale of class divisions, having their roots in people's consciousness; that they hinder class unity; and that, in the face of economic difficulties, they result in internecine violence among people most of whom are unquestionably on the same side of the class divisions in society. From this the conclusion is sought to be drawn that those who claim to represent the interests of the masses of workers and peasants have not paid adequate attention to the 'caste factor' in Indian popular consciousness and political life. Some even go so far as to attribute these failings to the specific caste origins of the leadership of the concerned political organisations.

It is perhaps best left to the political organisations to answer these charges, but those who claim an interest in the progressive emancipation of the people of this country need to be clear about the nature of caste — its material basis in history and in the present, and the reasons for its continuing use in the conduct of politics by those who control that politics. Caste, should indeed be a burning issue for the ruling classes in this country, for they are the ones who own the land and the capital, employ the labour of others directly or indirectly, and make it their business to extract the maximum surplus under one system or another. It is also a burning issue for those who toil and find not only that their work never wins them an adequate livelihood but also that their own organised progress is hampered by their division into castes and by the warring among castes. What might otherwise have been an intellectuals' debate therefore becomes a central one because, if caste is represented as a major factor in a social development but beyond the pale of class, we are led into quite distinct conclusions about the necessary forms of mass organisations and their programmes. The danger is that such conclusions might suit the rulers admirably.

The analytical conclusions of the contributors to this number represent various trends in the approaches to understanding the character of the Indian State and the class divisions in Indian society. Since much of the debate employs Marxist language, it is important to remember that classes are defined by the relations in which the various sections of society stand to the means of production, by the manner in which the surplus is expropriated from the actual toilers, by which sections within and outside the country appropriate the surplus value from the actual toilers and by what do the expropriators within the country spend it on. Regarded thus, today's caste divisions are a carryover of feudal class divisions. However underpinned caste division may be with heredity, ritual, cultural and pollution-conscious practices, etc, for the majority of Indians the material base in relation to land and extraction of surplus from the land is inescapable. For Indian society, as for every other society, "history has been the history of class struggles". Yet, if the precise identification of classes in Indian society has proved so elusive, it is because the "manifold gradations of social rank" which Marx speaks of for the West (patricians, knights, plebians and slaves in ancient Rome, and the feudal lords, vassals, guild-masters, journeymen, apprentices and serfs in Europe of the middle ages) have taken in the Indian context the form of caste and caste has been further complicated by quasi-religious sanctions and prohibitions specific to Indian society.

The obvious economic foundations of the Indian caste system have always been recognised and its defenders have taken pride in its contribution to ensuring what they consider to be social harmony. What, however, requires study is how profoundly caste has really affected the other processes of change or whether caste has not been conveniently used by other forces to perpetuate underdevelopment and to limit the gains of development among a few. In the past in India, neither the anti-feudal struggles of lower caste organisations nor the anti-imperialist struggles of ambitious nationalists (among both of whom were would-be industrialists and bureaucrats), fully succeeded, as the two struggles never merged under a single leadership. What is crucial, therefore to taking positions on the place of caste in Indian society — and hence the place of caste in the formation and programmes of mass organisations — is to look at the concrete development of the political economy of India, the nature of the capitalism that exists in industry, the penetration and role of foreign interests in all sectors and branches of the economy and government, and the pattern of employment and day-to-day lives of the toiling masses in the vast rural areas and in the messy urban concentrations,

NEW DELHI

BHEL's Controversial Collaboration

P RAMAMURTI's investigative work, "BHEL's Dangerous Truck with Siemens", highlights particular features of a collaboration deal with a West German multinational and draws attention to the larger issues in technology and policy at this sage in the country's industrial and economic growth process.

A similar controversy had surrounded the Bokaro project in the early sixties. The US government had offered to undertake the construction of this large project on its own terms; the Government of India had decided after protracted negotiations not to accept those terms; and it had subsequently switched over to the USSR for help to build Bokaro. But in the case of Bokaro, the crucial question was why, after three steel plants had been built in the public sector on entirely turnkey basis, had sufficient capability not been developed within the country so that Indian agencies could be the prime consultants in such a project.

However, even the arrangements subsequently entered into with the USSR for the construction of Bokaro did not quite fulfil Indian conditions. There was only the concession that a public sector consultancy agency — then the CEDB of the Hindustan Steel, now known as MECON — was associated with the Soviet consultancy and engineering agencies as an understudy. And the Soviet side agreed to use such Indian-made equipment as conformed to its own designs and standards for the plant. In any case, the equipment-making facilities for steel plants that then existed in India had been developed with Soviet assistance and participation.

Since then, India has made big strides in designing and engineering over a wide range of services, establishing capacities for the manufacture of a wide range of machinery and equipment. There is hardly an industrial project that cannot be set up now with our own resources in men and material. Our technical services could well acquire the basic process knowhow from abroad, by outright purchase, and supplement the indigenous supplies of machinery and equipment with selective imports of some specialised items.

It is against this background that the wide-ranging technical collaboration proposed by Bharat Heavy Electricals with Siemens of West Germany has raised a controversy. Ramamurti's exposition of the proposed collaboration pertains to these doubts and suspicions. For a proper assessment of the deal with Siemens it is necessary, however, to appreciate that it concerns a genre of technical collaboration which is significantly different from the setting up of new projects such as a steel plant or a fertiliser plant or even a plant for manufacturing machinery and equipment — such as heavy engineering plants at Ranchi under Heavy Engineering Corporation and Hindustan Machine Tools, or the plants grouped under the BHEL itself. It is also necessary to note some of the facts connected with the Siemens' deal.

The collaboration agreement with KWU and the proposed wide-ranging collaboration with Sienmens have been conceived during the last three years in response to certain demands placed on BHEL for the major effort planned in power generation. The planned addition of 18,500 MW of power generation capacity by 1983, to fill the serious lags of the Fourth and Fifth Plans, is a formidable task by any standards. India had merely 2,300 MW of installed power generation capacity in 1950. It has added 22,000 MW in the last 25 years — and that, too, by large-scale import of aid-financed equipment and by relying in the main on foreign turnkey construction arrangements. The largely indigenous and self-reliant addition to generating capacity now envisaged requires a corresponding build-up of a sound infrastructure in BHEL. What BHEL needs therefore is a massive and qualitative upgrading of its management and technological capability. The new inputs BHEL wants to secure, including its collaboration with Siemens, have to be judged in this light.

It must be remembered, too, that BHEL is already engaged in wide-ranging collaboration arrangements for a vast variety of product lines with countries ranging from the Soviet Union, West Germany, Czechoslovakia, UK, France, and the US to Swden. Some of these — where the technology offered has been fully absorbed or is no longer of value — have expired or will soon expire. The experience gained and the skills developed by BHEL in the process have enabled it to conceive and launch a major programme of modernisation and upgrading of technology. The outlay for its modernisation programme is estimated to be only a quarter of its projected annual production of Rs 1,200 crores. The upgrading process does not involve Siemens alone; but Siemens' would be associated with 37 per cent of BHEL's total operations. Even now, 19 per cent of BHEL's operations are in collaboration with the Siemens, so that the new collaboration arrangements would put another 18 per cent of BHEL operations within Siemens' ambit.

The collaboration, envisaged with Siemens or others such as Combustion Engineering of the US or Viers of UK, does not involve dismantling of any productive facilities set up earlier in collaboration with the USSR and Czechoslovakia. What is planned is to acquire and absorb technical inputs in certain critical areas for more optimal utilisation of existing facilities. The absorption of new technology for upgarding and modernisation of BHEL capability bears testimony to the growing maturity, self-confidence, and self-reliance among BHEL's workers, engineers, and managers — rather than to servile dependence on foreign help.

Take the Hardwar plant of BHEL which manufactures large-sized turbo-generators. What exactly is involved in the switch-over to Siemens technology and how is it being carried out? The engineers and managers in Hardwar point out that the project report for the phased introduction of KWU technology within the established facilities was drawn up by themselves and not by KWU. Again at Tiruchi, which is the most successfully operated units of BHEL specialising in boiler making and boiler house auxiliaries, the switch-over from Czech technology to Combustion Engineering of the USA has been on a similar basis. On these lines, too, the success of the Hyderabad plant in industrial turbines has been phenomenal.

In the present stage of maturity acquired by Indian technical capability, it is no longer necessary as in the fifties that projects be set up with hundreds of foreign personnel coming in to construct them and running them until they are followed by hundreds of Indian personnel who have been sent abroad for training. Indians have developed the capability and skills to read intricate documentation, interpret it, and apply it on their own. This does not involve exchange

of personnel on the earlier scale. An exchange of a few dozen of sepcialists on either side is more than adequate. However, an important condition for collaboration to work to our advantage without leading to dependence on the foreign collaborator is that indigenous R and D effort at the production level and at the corporate level should be strengthened.

In this respect, the record and performance of BHEL and its R and D personnel is impressive. The outlay on R and D in BHEL, which has been stepped up to Rs 19 crores a year, probably exceeds the combined outlay on R and D in all the other public sector industrial undertakings. But the performance of R and D in BHEL is not to be judged in financial terms alone. Its R and D has many specific successes to its credit. In the circumstances, collaboration with Siemens or any other foreign party cannot sap its capability but can help add to its technological muscle.

The need for this new method of collaborating for knowhow had begun to be recognised in the early seventies. It was under the direction of the late Mohan Kumaramangalam that first initiatives in this direction were taken, and a wide-ranging omnibus agreement was signed by what was then the CEDB of the Hinustan Steel and Gipromez of the USSR for the development of ferrous and non-ferrous consultancy and engineering services in the public sector in India. It is wrong to suggest, therefore, that an omnibus collaboration arrangement of the kind proposed with Siemens will be the first of its kind. The CEDB-Gipromez arrangement was even more wide-ranging and comprehensive, though it covered a different area of technological knowhow — project engineering and systems. The present deal with Siemens is essentially for product development and extends to related engineering systems and applications.

Moreover, the CEDB at about the time as it signed the broad- agreement with Gipromez enter- another deal with United Engi- the USA (now called Wean acquisition of technical for manufacture of cold roll- mills of steel plants. an extraordinary arrangement the CEDB (MECON) does not manufacturing facilities of its own, and this was easily an encroachment on the Heavy Engineering Corporation's area of work and responsibility. The HEC, on its part, was tied to Soviet technology in manufacture of steel plant equipment. The CEDB-Wean Engineering deal was obviously conceived to by-pass the problem posed by the Soviet presence in the HEC. But the Wean deal in the event did not become operational for many years, even though fixed annual royalties have had to be paid to the American company. It is only now being brought into active and fruitful play with the withdrawal of the cold rolling mill complex of the Bokaro steel plant from the overall Soviet collaboration for that giant project.

This is being done on the clear recognition that, while Soviet steel technology is of high class in respect of blast furnaces and steel making, it is not as good in the rolling and finishing lines. The switch, therefore, may improve Bokaro's efficiency. However, under the aid arrangement with the Soviet Union the entire cold rolling mill complex would have had to be imported, the arrangement with Wean United will transfer the manufacture of 50 per cent of the equipment for the mill to Indian engineering firms, including the HEC. Many of the heavy engineering facilities set up in the first stage of India's industrial development programme, with Soviet, Czech, or any other source of assistance, were essentially on turnkey basis. They did not have in-built arrangements for design and product development on a continuing basis. This has made for their quick obsolescence.

Outright purchases of required technological inputs can of course be introduced in our manufacturing and engineering facilities without wide-ranging collaboration arrangements, such as is proposed with Siemens and as distinct from the deal already clinched with its subsidiary the KWU for manufacturing large-size turbo-generators. This is an issue which has to be closely examined and technically apprised before the proposed agreement with Siemens is cleared.

It has been suggested in this connection that limited technical assistance, through specific product collaborations to cover gaps in BHEL capability, resorted to in past years, led to diversity of design, engineering and manufacturing practices. This created problems of combatibility among products, systems and software. A more systematic arrangement with one of the leaders in a particular line of manufacture may be useful to overcome these problems. The experience with boiler technology, for which BHEL-Tiruchi entered into an arrangement with Cobustion Engineering of the USA along lines now proposed with Siemens with a wider range of application, is often cited to elucidate the solution.

Why has Siemens been chosen in the present instance? According to those charged with the choice of collaborator, it was because Siemens offered the best bargain. The others — among them the General Electric of the USA — were willing to provide, against payment of royalties, designs and drawings off the shelf, but without access to their research and development, much less to future improvements of techology. As for the royalty fee, in addition to the lump sum payment of about $ 20 million in 10 years, BHEL will pay Siemens for the 15 years of the agreement 1.8 per cent on the turnover resulting only from products and systems *based on* Siemens technology — not, as is popularly misunderstood, on the entire turnover of BHEL. According to BHEL's management, the royalty payment compares very favourably to the world market rates, which are usually 3 to 4 per cent. Moreover, it will be subject to Indian taxes and its incidence will thus be even more moderate. It is suggested, however, that Siemens have been more accommodating than others because of their competitive interests in the international market against General Electric of the US. It is for this reason, again, that Siemens has also been willing to back up BHEL exports to certain markets.

While presenting this assessment of the proposed BHEL-Siemens deal in the wider framework of the need for modernising and updating the technology base of Indian industry, especially in the strategic public sector, it is necessary to caution that the BHEL management will have to maintain constant vigil to safeguard indigenous quality, self-reliance in management, and its own R and D effort. Too much stress on the export market and global competitive standards, have evidently developed in BHEL circles in the context of the proposed BHEL-Siemens arrangement — tendencies which have been strengthened by a call on BHEL to compete in globe tendering for power projects aided by the World Bank. Another wrong notion that seems to be gaining ground has to be countered is the regard for sophisticated technology in isolation from the environment in which it has to be operated.

Janata's Second Phase

Romesh Thapar

THE second phase in the Janata party's struggle to find some sort of cohesion is certainly entered. If the Uttar Pradesh chief minister was politically inept in dealing with secretive Jana Sangh/RSS operations within the ruling party, his colleagues in adjoining states might not be so naive. They know that they are pursuing a line which might yield major political dividends in the contest for 'hegemony' in the Janata party — that is if they can skirt the danger of open splits and a falling apart. The break-up of the Jana Sangh–BLD combination within the Janata party creates possibilities for new power alignments.

The Uttar Pradesh crisis has, in a sense, started the crystallisation of the crisis which has been building for over a year around the role of the urban-based Jana Sangh/RSS. This segment of the ruling Janata formation is more closely-knit than the other segments, is under a rather rigid chain of command, is secretive, and is prepared to be both aloof and extraordinarily patient in the business of entrenching itself, not so much in the Janata party, but in the system of governance. And it is based largely on trading interests.

When the Janata party came to power in 1977, as a result of a massive wave of indignation and revulsion which cut across party, caste and class divisions, there was considerable worry about the 'respectabilisation' of the Jana Sangh/RSS. The broken ranks of the Congress party and the CPI, compromised by their active involvement in the politics of Emergency, made warning sounds about this development, but the general feeling was to keep suspicions pending.

Role of RSS/Jana Sangh

The first recognition of the role of the Jana Sangh/RSS came with the exposures by the Socialists (Madhu Limaye, for example) and those sections of the BLD which formerly constituted the Swatantra party (Piloo Mody and those thinking like him). Within months, the Jana Sangh/RSS cadres were under orders to infiltrate the party and government machine, and to concentrate on recruiting members to the Janata party who would be decisive in inner party voting. Despite warnings, little was done to halt these activities. Nanaji Deshmukh and, later, S S Bhandari ruled the roast for the RSS.

The growing collision between Charan Singh and the Prime Minister diverted attention from these more significant trends. But various political formations testing Janata party attitudes became more and more wary of the Jana Sangh/RSS activity. Whatever leading spokesmen of the ruling party might say, it is clear that by the end of 1977, Muslim opinion was deeply disturbed by the Jana Sangh/RSS emphasis creeping into policy formulation and implementation in the northern States — appointments, text books, employment policies, language attitudes, etc.

Through 1978, the Janata party was unable to make any headway in the South for precisely the same reason. Apart from a complex of other factors, the South viewed the Hindi obsession of the Janata party as a direct reflection of the Jana Sangh/RSS influence. The Jana Sangh/RSS administration of the Capital, and its cultural crudities, were reported round the country because Delhi is a very sensitive microcosm of India. Here, the regional elites meet to fuse into a national elite. Federal postures are tested and re-tested. The Jana Sangh/RSS continued to emerge as an unsavoury formation interested in a dangerous network of hegemonies.

The Harijan upsurge to assert rights, and the brutal attempt to break it by the entrenched upper castes, created another layer of confusion. The focus shifted to the rural areas where the Jana Sangh/RSS was not active. The impression was created that this segment was not involved in the embarrassments over caste. Actually, the ambivalence of the urban Jana Sangh/RSS over the Charan Singh episode and his *kisan* obsession raised many eyebrows. Over the long months of the in-fighting, the original BLD–Jana Sangh/RSS compact was seriously eroded. By the time the Aligarh riots took place, Raj Narain was ready to denounce the RSS — and only the RSS. Obviously, in Uttar Pradesh the calculation was that a rift could be created between the Jana Sanghites and the RSS cadres.

The mystery that surrounds the Jana Sangh/RSS is quite simple to explain. There are straightforward Jana Sangh members, but the real elite carries an additional RSS card. It is this elite which controls the formations and lays down the strategic and tactical line. It is increasingly assumed within the Janata party that the Jana Sanghites and the RSS cadres are now no longer the 'comrades' they pretended to be. And, maybe, even within the elite leadership a few fissures are appearing. Witness the independent posturings of Atal Bihari Vajpayee, seen, of course, by some as carefully planned moves to create a smoke-screen around the reality.

The increasing pressure to compel the Janata party to take notice of the RSS component of the Jana Sangh and its sinister attempt to control the formation in various ways, including membership drives, is bound to express itself politically in the power alignments of the northern States. Raj Narain is certainly on the warpath against the RSS and in this effort he has the silent backing of large elements in the Janata party, and in the Congress and Communist bases. The factional outbreaks involving the Jana Sangh/RSS can no longer be dismissed as concerning only the ruling party in the North. The whole nation is concerned. And the RSS cannot be accepted as a 'cultural' manifestation.

'Industrial Unrest'

If many question-marks on the future of the Jana Sangh/RSS ideology are forming — and given a certain underlining recently by the President's trenchant remarks about attempts to force an artificial Hindi on the sub-continent — an equally explosive situation is developing around the law and order situation in the industrial areas of India. It has been allowed to deteriorate and has put the Left segments of Indian politics in the dock. The violence and blackmail which now characterise industrial unrest are a dangerous assault on the structures of democratic functioning. It does not need any profound understanding to realise that these tactics adopted by militant segments who are led by a strange assortment of 'outsiders'

and fundamentally unrepresentative of majority sentiment, will do irreparable damage to the TUs and land the country in the kind of crisis that authoritarians welcome.

For almost a year, we have been witnessing a rash of deliberate violence, described by our tame newspapers and magazines, as 'industrial unrest'. The fact of the matter is, and it needs to be recorded in detail, that the genuine industrial unrest has been seized upon by a gangster network, now linked to various political parties, to establish a kind of mafia presence. In the past, the Congress tolerated these trends. And, now, the Janata party is following suit

Nobody should blame the police. They are compromised and diverted by the politicians who seem to have become totally reconciled to working with goondas of various description. These goondas only know strong-arm methods. They cannot comprehend the difference between genuine TU activity, which gradually liberates the working force from the brutal calculations of cynical industrialists and their managers, and the blackmailing operations they are adept at. Increasingly, in their hands, the strike weapon has been interpreted as mob action, without priorities and perspectives.

It is a sad commentary on the state of our TUs that even serious cadres working in the industrial belts have, despite better judgment, surrendered to the tactics of the goonda. Ultimately after all, it is a competition in an activity which adorns the general populist performance of the politicians. Goonda violence in the industrial areas spills over into other areas through various techniques of demonstration and protest. The almost permanent *gheraos* of ministers' homes is a vivid pointer of what is in the offing.

The lazy, cowardly refusal to distinguish between what is industrial unrest and what is straightforward violence and crime — a general *malaise* affecting all our populist parties judging from the careful silence on the subject — was suddenly highlighted by the attack in Bombay on the Godrej family, one of the most enlightened of employers in India. The political silence continues for it comes naturally to our dishonest politicians, but a recognition of the problem has occurred.

If we continue to tolerate whatever goes on, we will be eminently successful in shattering what little morale is left in the police force and, for that matter, in the bureaucracy. Sitting in Delhi, one can feel the growth of a new culture in the secretariats, a culture which emphasises the need to look after one's own skin and to leave the mess to the politicians who create it. The Emergency-lovers are licking their chops; it's what makes their tomorrows.

Goonda Politics

Of course, we also know that the goondas who are active in India's industrial and urban areas will be the first to shift loyalties and to offer their services to those who impose the authoritarian frame. The role of these goondas during the last Emergency is well known. It is ironic that the Janata party, headed by none other than Morarji Desai, is unable to deal them a blow from which they would find it hard to recover, for they are the grave-diggers of civilised government. We jog along imagining that the violence is democracy in action.

The complex Indian (read Hindu!) mind is in the habit of dismissing such arguments about our present state as simplistic. We are not like 'the odd Japanese' who vote out a prime minister by a postal ballot conducted by the ruling party. After all, we are still in the midst of negotiations between Morarji Desai, Charan Singh and Jagjivan Ram. These marathon talks can go on for ever, even after death, for there will be no dearth of revelations in instant memoirs. Simplistic systems are not our way — and that goes for the industrial unrest all over the country.

But at the same time, it has to be admitted that whatever the appearance of the daily newspaper these days, the fact remains that over the past weeks the Janata party does look as if it is settling down to a more ordered existence. The election victories against Congress combinations in Madhya Pradesh, and the quiet absorption of the once defiant Charan Singh, have helped. Indeed, even Morarji Desai is seen smiling in most pictures. It is a strangely mixed situation which needs careful sorting out.

The outcry against the activities of the Jana Sangh/RSS, justified publicly for the first time by a Union Cabinet Minister (that political dabbler, Biju Patnaik!), is not to be interpreted as marking another phase of disruption and disarray. Tangles between the parties making the Janata formation, and sections of a single party lost in the maze of new alignments, are to be expected. In such argumentations and collisions will the parties of tomorrow be formed — as also the programmes which are to take this country forward.

Monumental Absurdities

When we are not obsessed by the ruling Janata party, and have time to savour the in-fighting which grips the much-divided Congress and Communist groupings, we begin to realise that the political crisis is continental. The absurdities, too, are monumental. If opportunist Congressmen are afraid of unity, it is because (apart from other well known reasons) they feel that Sanjay Gandhi will land in jail and his mother might ask them (as an act of solidarity, no doubt) to do some jail-going. This is apart from loyalty rituals to Indira Gandhi herself. As for the CPI(M), to prove its ideological independence, it is planning a year-long salutation to Stalin. What next? Forgive the spectator, for such is the stuff of our political commitment these balmy days, but we are in the throes of change, Indian style.

The examples of monumental absurdity can be trotted out by the dozen. The CPI officially denouncing the authoritarian Indira Congress, but unofficially pushing a Moscow mandate to support the lady in her bid to re-unite the broken Congress. 'We shall now work from within', say the so-called progressives who were only the other day talking about 'a third force'. The silent and not-so-silent Socialists (allied, believe it or not, with the CPI-ists!) wanting 'immediate' commitments to a pro-Hanoi Kampuchea, if only to put a spoke in Atal Behari Vajpayee's movement Peking-wards. And so on......

The populist chatter of the Congress party is also repeated, and in familiar frameworks. There is talk of nationalisation without any effort to restore the people's faith in social control mechanisms and organisations. Despite healthy assertions about the need to dispense with luxury tourism and its damaging vulgarity, hotel collaborations designed to establish five-star infrastructures are sanctioned. The movement forward seems to be as rudderless as it has always been, despite the good intentions. Familiar is the word.

A parallel effort has begun to dissolve the pessimism, but all the state-

stics we can muster to prove that the economy is flourishing will not reassure the serious planner that we are secure. The rationing system is relied on and appreciated despite the functioning of the open market. Prices are holding for basic needs. Even the industrial picture is brightening. But declining exports, the importation of vast quantities of cooking oil and the expected disruption in petroleum supplies, and our inability to utilise effectively the foreign exchange reserves we now have with us, gets little mention. We are in danger of bluffing ourselves that coherent, intelligent political leadership is not really necessary after a certain level in development has been reached.

It is important to distinguish between the State's natural authoritarian capacity to harass and hamstring those who use their initiative to give India its economic momentum, and the State's vital role to restructure governance and to provide responsible perspectives for a just and meaningful society. We have been without proper guidance of many years now, guidance that can only come as a result of careful efforts to reach a maximum democratic consensus among the parties that reflect the strivings of the sub-continent. There can be no running away from this, whatever the crazy dreams of the free-wheelers.

New Consensus Overdue

Political controversies have to be lived with, but the ruling Janata party has not made any conscious or determined effort to set the dimensions of a new democratic and continental consensus about economic development or future political functioning This failure feeds the dissension and disruption within its ranks, and makes personality politics a central issue The troubles over the BLD and the Jana Sangh/RSS, the footling controversies over policy matters which are seen superficially as casteist or urban-rural confrontations, the demoralisation spread by banalities of all kinds, would be contained to a large extent if the Janata party forced itself out of its present drift. And, in so doing, it is possible it would influence other political formations.

It is easily forgotten that the fifties saw the making of a remarkable political consensus in India. It was eroded during the sixties and seventies, but the benefits accruing from it helped to cushion the shocks of those years. The making of a new consensus is long overdue, and it will involve tremendous preparatory effort because new interests have matured and demand attention. The peasant lobby in the North is becoming very articulate, and Indian communism is beginning to find roots in the East and in the South. Add to this the struggles against entrenched castes, and you have a full picture of the challenge as the second phase opens.

February 16

INTERNATIONAL AFFAIRS

Importance of being Non-Aligned

GPD

IN the face of a concerted campaign launched by such diverse forces as the Congress (I), CPI and the former Socialists within the Janata ably aided by one or two former Jana Sanghis, it looked a little uncertain if Atal Bihari Vajpayee could ultimately travel at all to the not so forbidden city of Beijing. And the outbreak of Sino-Vietnamese hostilities during his visit affected its significance in a very substantial way. The process of further normalisation of Sino-Indian relations has received a 'setback'. This 'setback', however, needs further examination.

The much debated 'China-game' has all the clitches. The questions one hears in New Delhi are, of course, the standard ones. They relate to what is known as 'playing the China card'. Some people see a big American game in the whole business. It is asked if Carter had not already sorted out the 'India-strategy' with Deng Xiaoping in Washington. In case this sounds too farfetched, one is reminded that there is a Sino-American axis against the Soviet Union and the Carters of the world are interested in getting the innocent bureaucrats of the South Block and the Janata politicians to join the bandwagon.

International politics is always cliche-ridden, and expert views on China are particularly so. How and why our China policy or policies should be burdened with such set formations is a mystery to me. In any case it is imperative that we clearly understand a few things about present-day China. The most important thing is to see clearly that it does not matter to India who China's Enemy No 1 is. It did not matter to us in the 1950s when US imperialism was China's greatest enemy. Nehru did not share China's view of the US then. It was not necessary to share the Chinese view of the world in order to be talking to China.

To say that the Chinese insist that everybody else should accept their world view before they can do business with them is to perpetrate the greatest hoax of modern international politics. They have not insisted so in the past; they have not done so now. For Nehru to whom independence in foreign policy essentially meant that people like Dulles and Gromyko were not going to choose his enemies for him, any such insistence on China's part would have seemed totally unacceptable.

Indeed, even as the Chinese repeatedly attacked US imperialism in those days, they did not at any time insist that India should share their view of US imperialism before they could do any business with it. Today the Chinese are saying a few nasty things about the 'social imperialists' in Moscow. There is no doubt also that they would like other countries to share their view of the erstwhile socialists. But it is simply not true to say that 'being anti-Soviet' is the condition on which the Chinese offer their friendship. Almost everyone doing good business with the China is doing equally good business with the Soviet Union. The number of the champions of the detente in Europe has not declined since the Chinese launched their offensive in the West. In fact the social democrats of West Germany excel in the game of playing the Ostpolitik without once letting the China-business suffer.

Why would India alone be expected to view the world as China does before the Chinese actually agree to do any business with us? Can it be that the learned people in New Delhi do not know that the whole world is merrily doing business with both Moscow and Beijing?

It seems that this is not a case of ignorance, the controversies raised over Vajpayee's trip are in reality aimed at committing India more firmly to the course Soviet foreign policy has been taking in recent years. Basically the debate has very little to do with China.

It is true that Chinese views on Soviet policies make it appear as if any position that India might take *vis-a-vis* the Soviet posture in this part of the world may appear to be a case of a concession or the lack of it to Chinese susceptibilities. But this is a patently wrong and even contentious way of putting this problem. The question, simply put, is: whatever our view of China, is it really in India's interest to endorse the new Soviet line of 'liberation by intervention'?

The answer is no. The superpowers are distinguished by the burden they seem to carry of creating in the states of the third world governments which will do what the superpowers will ask them to. On this question, a return to Nehruian perspective is absolutely necessary. The strength of Nehru's non-alignment lay in the fact that he was critical of just such an effort on the part of the US as far as Asia was concerned. Today the Soviet Union seems to have assumed that responsibility. Having itself established a working relationship with US imperialism, it seems to hold the view that the rest of the underdeveloped world should be be the ideal anti-imperialists. This basically means that when Brezhnev or Gromyko deal with the US, it is all to the good of humanity; but when Deng Xiaoping does the same, somehow world peace is in mortal danger.

It is important that in devising a China policy India must keep clear of these pressures. One does not have to call the Soviet Union 'hegemonist' or 'social-imperialist'; at the same time we must assert that the present distribution of power in the world is heavily against the interests of the third world. The first step in the effort to correct the unjust distribution of power is to be prepared to incur a slight displeasure of the superpowers. (And it can be no more than a slight displeasure.) Imperialism cannot be opposed without opposing 'liberation by intervention'.

In short, there is or can be a point of convergence in the Chinese and Indian world views. The Chinese are not so unrealistic as to assume or insist on a complete identity of views. But there is a lot to talk about with them even without such an identity. It is against such a background that the present ministerial contact between China and India has to be examined.

What is the stand of Indian political parties on the question of closer relationship with China? The Janata party is divided on the question. The Congress (I) has no particular views on the matter except to suggest that whatever the Janata foreign minister does must, by definition, be reactionary. If the trip to Beijing had been undertaken during Indira Gandhi's regime, it would have been, naturally, the right thing to do. The views of the Congress opportunists masquerading as progressives and nationalists need not be taken very seriously. The CPI must be the only communist party in the world opposing closer ties with a socialist state. It will not be long perhaps before it will start advocating closer contacts with the regime on Taiwan. Its moral indignation at what the Chinese have done to the Vajpayee visit only underlines its readiness to grap any stick to punish the Vajpayees of the world for seeking closer ties

with a socialist state which is a shade sceptical of the *Soviet Union! Strange* are the ways of the CPI. The Sino-Vietnamese hostilities break out and they are elated. Such is the measure of their bankruptcy. The Soviet Union and China throw proletarian internationalism to the winds and the CPI comrades take to the streets to applaud and condemn — as the case may be. What they seek to achieve by such gimmicks in less than honourable company is beyond one's comprehension.

The Chinese could perhaps have undertaken their punitive mission about fortyeight hours later, after Vajpayee had concluded his visit. Having said that one must also ask whether India wants or does not want improvement of Sino-Indian relations. The Madhu Limaye wing of the Janata and the CPI seem to suggest that this *is not possible*, or even desirable. Limaye has referred to the border dispute more than once. The Prime Minister too has stated that the Chinese must vacate their 'aggression' before everything else. Why the Prime Minister had to say it before his foreign minister took off for Beijing was never made clear. His statement *was in many ways reminiscent* of Nehru's remarks that he had given instructions "to throw the Chinese out".

It is time to consider afresh if the further normalisation of Sino-Indian relations has to be linked to a satisfactory settlement (from the Indian point of view) of the border problem, or whether one should consider the problem the other way round. To begin with, the *question is* wrongly posed. Any realistic assessment of the Chinese position would show that there is no question of China agreeing to a major revision of the *de facto* alignment of the border — now or in future. It is, of course, possible to get minor adjustments made; it is also possible to persuade China to make a concession in some area other than *Aksai Chin. But* it is not possible, through negotiations, that is, to persuade China to vacate 'aggression' in the Ladakh area. ... a realistic recognition should be the starting point of India's China

The crux of the matter is that the present state of Sino-Indian relations puts serious limitations on Indian foreign policy. The Vajpayee visit was a first step towards removing some of them. With the guns booming on the Sino-Vietnamese border, this step received a serious setback. Perhaps the timing was wrong. However, 'wrong timing' and 'wrong policy' are not the same thing, though the cacophony of 'national humiliation' is intended to *confuse* the two.

China thinks globally and acts globally. During the days of Jawaharlal Nehru and Krishna Menon, India too was active on a global scale. The question is how India can recover the same freedom of action and thought in international politics. One of the many ways to obtain it is to move towards a working relationship with China. This objective cannot and should not be given up.

The Sino-Soviet cold war, occasionally getting hot as in Kampuchea and Viet Nam, is a major phenomenon of today's world politics. It is important that India is non-aligned in this war. A concerted effort by the old and new (and at times strange) friends of the Soviet Union is being made with a view *to forcing* India to give up that non-alignment. This is not a new phenomenon. There were any number of partisans active in the early 1950s when the Soviet-American cold war was the principle feature of international situation and who wanted India to adopt a partisan posture and give up the freedom of action that it had. It was important then to be non-aligned in the Soviet-American cold war; it is important now to be non-aligned in the Sino-Soviet cold war. You cannot be active in Southeast Asia by just condemning Chinese action in Viet Nam without being equally forthright on the Viet Nam-Soviet action in Kampuchea.

It is even more important that India's expressed sympathies with Viet Nam do not land it in the lap of the Soviet bloc, so to speak. Nehru was quite unhappy and critical of Soviet action in Hungary in 1956; but he took care not to let the then vocal champions of Hungary to force him into the American camp. There are obvious differences between Hungary and Viet Nam, but in terms of bloc-politics and the power game there are scarcely any. Further, the socialist states have demonstrated time and again how capable and competent they are in the age-old power game. There is no reason why India alone should not cultivate such skills.

'Encounter' Murders in Punjab

IN response to the requests of various mass organisations in Punjab, the Punjab Civil Rights Committee was set up in October 1977 to gather facts about deaths of alleged Naxalites that are said to have occurred during so-called 'encounters' in the Punjab. The Committee is headed by V M Tarkunde, General Secretary, Citizens for Democracy and working President of the Peoples' Union.

The Committee initially took up for investigation the cases of eight persons who were alleged to have died in 'encounters' with the police. On the basis of evidence gathered by it the Committee has come to the conclusion, in its first interim report, that each one of these eight men was murdered by the Punjab police. None of them died in an 'encounter'.

The Committee has received evidence from relatives and close associates of the victims, from villagers who were direct witnesses to the happenings as well as from individuals who held important official positions in the localities in which the killings took place. The evidence it has received covers the following stages: first, it received evidence from individuals who saw the victims being taken into custody by the police; second, from individuals who saw the victims while they were lodged in police custody; third, from individuals who saw them being taken to the spot where they were killed; fourth, from individuals who actually saw the victims being killed; fifth, from individuals who had an opportunity to examine the bodies closely before they were cremated. In one instance it also received evidence from a witness who saw the body being off-loaded from a truck at the spot where the victim, it was later said, died in an 'encounter'.

The evidence taken together clearly establishes that each of the victims was in police custody before he was killed. The evidence also establishes that the victims were killed in cold blood, when they were unarmed, and after they had been brutally tortured. In two of the eight cases evidence suggests that the bodies bore no bullet marks at all. These individuals died entirely as a result of torture. The remaining six were shot outright.

In each of the instances, relatives and associates of the victims as well as other residents of the villages petitioned at various levels of the state and Central governments urging them to institute judicial enquiries into the deaths. In each instance the requests were turned down.

Below the Poverty Line

V M Dandekar

IN order to determine the shares of the states in the divisible pool of excise, the Seventh Finance Commission (1978) decided to give equal weight to (a) population, (b) inverse of the per capita State Domestic Product, (c) percentage of the poor, and (d) a formula of revenue equalisation. Direct cognisance of the poor is a particular innovation of the present Finance Commission. Reportedly, the Planning Commission also intends to incorporate it in its formula for distribution of block Plan assistance to states. Thus the estimates of the number of poor which have received so much academic attention since 1970, have suddenly become alive and operational. It is important therefore to examine a little carefully how the Finance Commission estimated the number of poor in different states.

In this matter, the Finance Commission was advised by one of its members, Raj Krishna, who is also a member of the Planning Commission. The method evolved by him is given in Appendix IV.9 of the Finance Commission's Report (pp 209-221). Partly because of differences in consumer behaviour and partly because of differences in the prices of essential consumer goods and services in different states, the poverty line, however defined, differs in different states. Hence, the starting point of the exercise is the determination of the state-specific poverty lines Raj Krishna chooses to determine them for the year 1960-61 and then bring them up for 1970-71. Here, we shall primarily concern ourselves with the procedures by which Raj Krishna determines the state-specific poverty lines for 1960-61.

Raj Krishna does this in two steps: (a) choosing an all-India poverty line; and (b) converting the all-India poverty line into state-specific poverty lines for different states. For (a), Raj Krishna adopts the Dandekar-Rath all-India norm of Rs 15 per capita per month for the rural areas and Rs 22.5 per capita per month for the urban areas at 1960-61 prices. We might note that Dandekar-Rath arrived at their national norms on an analysis of the consumer expenditure data from the 16th Round of the National Sample Survey (July 1960-August 1961) showing that it was at the per capita monthly consumer expenditure of about Rs 15 in rural areas and Rs 22.5 in urban areas that households on an average seem to have a diet adequate in calories, namely 2,250 calories per capita per day. On the basis of similar data from the 17th Round of the National Sample Survey (September 1961-July 1962) they had also indicated that corresponding levels of per capita monthly consumer expenditure were different in different states (Tables 1.5 and 1.6 of Poverty in India). A little additional work on these results of Dandekar-Rath could have given Raj Krishna the state-specific rural and urban poverty lines for 1960-61 which he was seeking. He could have also applied similar methods to consumer expenditure data from the later rounds of the National Survey such as the 25th Round (1970-71), the 26th Round (1971-72), the 27th Round (1972-73), or the 28th Round (1973-74) and obtained directly the state-specific rural and urban poverty lines for these later years. But, for reasons which are not clear, Raj Krishna chose to adopt more roundabout methods. He employs two different procedures, one for the rural areas and the other for the urban areas. We shall first examine *his procedure for* determining the state-specific rural poverty lines for the year 1960-61.

In order to convert the all-India rural norm of Rs 15 per capita per month at 1960-61 prices into state-specific poverty lines at 1960-61 prices, Raj Krishna utilises the state index of rural consumer prices in 1960-61 prepared by Bardhan on the basis of a study by Chatterjee-Bhattacharya (*Sankhya*, Series C, Vol 36, pp 275-279 and pp 337-367). The latter is a study in inter-state variation in consumer prices. It is based on the 18th Round of the National Sample Survey (February 1963-January 1964) rural household consumer expenditure data. Chatterjee-Bhattacharya utilise these data both for (i) estimating the average prices of 56 consumption items in different states, and (ii) for obtaining the corresponding weighting diagrams, that is the commodity composition of the consumer expenditure in different states, and then proceed to construct, for each state, a consumer price Fisher index with all-India prices taken as base = 100.

A special feature of the Chatterjee-Bhattacharya study is that they construct the index numbers for inter-state comparison of consumer prices not only for the entire rural population but for its quintiles, that is 20 per cent sections, when arranged in an ascending order of per capita consumer expenditure; thus the first quintile comprises the bottom 20 per cent rural population in each state. Bardhan in his 'Study on Incidence of Poverty in Rural India' uses the Chatterjee-Bhattacharya indices for the two bottom quintiles that is the bottom 40 per cent of the rural population in each state. He averages the two index numbers for the two bottom quintiles as constructed by Chatterjee-Bhattacharya on the basis of the 18th Round of the NSS (February 1963-January 1964) and regards them as *valid for 1960-61. Then taking* "Rs 15 at all-India rural prices and multiplying by the corresponding index for each state" Bardhan gets "the cost in each state of the consumption basket represented by Rs 15 at 1960-61 all-India rural prices". Finally, to convert them into costs at 1967-68 prices, that is "the cost in each state, at 1967-68 prices, of the consumption basket represented by Rs 15 at 1960-61 all-India prices", Bardhan raises them by the consumer price index numbers for agricultural labour (July 1960-June 1961 as base) for different states issued by the Labour Bureau.

Raj Krishna follows Bardhan. He borrows from Bardhan's study the "costs of consumption basket represented by Rs 15 at all-India rural consumer prices in different states in 1960-61", adopts them as the state-specific rural poverty lines at 1960-61 prices, and raises them by the consumer price index numbers of agricultural labour for different states in 1970-71 to obtain the state-specific poverty lines at 1970-71 prices.

The Chatterjee-Bhattacharya study is a careful piece of work and the authors are aware of the limitations of the index for inter-state comparison of consumer prices. For instance, they observe: "Inter-regional comparisons such as those carried out here are of obvious interest, but there are well-known methodological problems which can hardly be overcome with satisfaction (Beckerman, 1966) Thus, no attempt has been made in the present study to allow for variation in consumer preferences arising due to climatic and other environmental factors." (para 1.4, p 338). Further: "The first point to note ... is the appreciable divergence between Laspeyres and Paasche indices

in a large number of cases. ... the divergence tends to be wide when the budget pattern of the state considered is very different from the over-all pattern in rural India and fairly small when the state budget pattern is not so different from the pattern observed in rural India. Glaring instances of this effect are visible ... This is, of course, understandable. While we may quote the Fisher indices for measuring inter-regional price differentials, the measurement is far from precise when the two regions have markedly different household budget patterns" (para 3.2 p 343).

This indeed is the essence of the index number problem, namely the inherent difficulties of making a comparison between price differentials, whether temporal or spatial, when the budget patterns are different. When index numbers are used for comparison over time, as is more commonly the case, the base period is periodically brought forward so that the difference between the budget patterns in the base year and the 'current' year are not too large. This is not possible when the index numbers are used for inter-regional comparisons. It is neither possible to reduce the differences in the budget patterns of two regions when they exist nor is it possible to allow for them in the index number. It is best to recognise, as Chatterjee-Bhattacharya do, that the inter-regional comparison by index number is not satisfactory when there are large differences in the budget patterns of two regions.

Bardhan does not show equal awareness of these problems. Indeed, he seems to believe that "taking Rs 15 at all-India rural prices and multiplying by the corresponding index for each state" derived from Chatterjee-Bhattacharya study, he gets "the cost in each state of the consumption basket represented by Rs 15 at 1960-61 all-India rural prices". Strictly speaking, the phrase "the consumption basket represented by Rs 15 at 1960-61 all-India rural prices" is not meaningful because 'Rs 15 at 1960-61 all-India rural prices' can represent any number of consumption baskets many of them widely different in their commodity composition. Presumably, what Bardhan means is 'consumption basket with a commodity composition as it obtained on an average in the 40 per cent bottom all-India rural population in 1963 (Feb 1963-Jan 1964) and valued at Rs 15 at 1960-61 all-India rural prices'. Thus interpreted, Bardhan is not quite right in his belief that what he has is the cost in each state of such a fixed consumption basket at 1960-61 rural prices. This would be true if he were using Laspeyres' index number. With Fisher index, the consumption basket is not fixed. It is some kind of an average of the consumption basket as it obtained at the all-India average and in the respective state. The basket of comparison is thus not the same for all the states. Of course, it should not be the same. In determining poverty lines in different states, it is necessary to make due allowance for the differences in the consumption basket in the different states. The Fisher index and for that matter any index, cannot do this. In short, by resorting to this roundabout method of determining the state-specific poverty lines, while one may display a great deal of statistical sophistry, one does not know what one is in fact doing.

Chatterjee-Bhattacharya also make a reference to an earlier study by Rath (1973) which employed broadly similar data and similar method as their own. They make the following comments: "... Rath (1973) employed NSS 17th Round (September 1961-August 1962) budget results including estimates of average price and per capita consumption (quantity) of 44 items for the rural areas of different states. Laspeyres and Paasche indices were computed for comparing the price levels for the general population in every pair of states. The indices with different states as base were then averaged to get an overall picture... There are striking differences between these results of Rath and those obtained in the present study, although the two studies utilised data from two consecutive rounds of the NSS" (para 6.3, p 366).

It seems that, in the judgment of Chatterjee-Bhattacharya, the following circumstance was responsible for the differences in the results of Rath and their own results. They say: "A crucial step taken by Rath was the treatment of each of the following groups of commodities as single items: (i) cereals and products, (ii) pulses and products, (iii) vegetable oils and vanaspati, (iv) meat, fish and egg, and (v) tea and coffee. (The number of items representing these groups in our calculations are, respectively, 8, 5, 5, 5, and 3.) Rath took this step primarily because some of the constituent items did not feature at all in the family budget of a number of states, so that all the 44 prices were not available for every state. To our mind, this problem is not as serious as made out by Rath; and our method of substitution was not applied too frequently to overcome this problem. On the whole, Rath seems to have exaggerated the relative price levels in the rice- and wheat-consuming states and under-stated the relative levels of average PCE (per capita consumer expenditure) in real terms in these states. His picture of regional variation in the 'poverty line' also seems to be exaggerated."

It is not the intention here to go into a detailed enquiry into the differences between the results of Rath and Chatterjee-Bhattacharya. The important point to note is that competent analysts, such as Chatterjee-Bhattacharya and Rath, working on comparable sets of data and with methods basically not dissimilar and in any case methods which *prima facie* appear reasonable and which can be justified on one or the other analytical ground, come out with results with strikingly large differences. Evidently, the method is susceptible to minor changes in the choice of commodities, their groupings or substitutions.

We might make one final comment. Having obtained the state-specific poverty lines at 1960-61 prices, in order to bring them up to 1970-71 prices, Raj Krishna, following Bardhan, raises them by the consumer price index of agricultural labour issued by the Labour Bureau. We might note that, though this index has 1960-61 as base, its weighting diagram is derived from the family budget data of the Second Agricultural Labour Enqiry (August 1956-August 1957).

To sum up, in spite of the impressive statistical sophistication borrowed from Burdhan, the state-specific rural poverty lines derived by Raj Krishna are devoid of any clear meaning and moreover are susceptible to minor changes in the method so that one could produce quite different results by adopting methods which are only slightly different and are equally justifiable. One wonders why he adopted this procedure when, following Dandekar-Rath, he could have derived the state-specific poverty lines for 1970-71 or even for a later year such as 1972-73 or 1973-74 directly from the corresponding data from the National sample Survey.

But all this is excusable, or even permissible, when we compare it with the procedure. Raj Krishna resorts to for determining the state-specific urban povery lines. Chatterjee-Bhattacharya did not extend their study of inter-state price differentials to urban consumer prices and hence Bardhan did not extend his study of the Incidence of Poverty to urban India. Consequently, when it came to determining the

TABLE A

State (1)	Consumer Price Index for Working Classes (1960-61=100) Average for 1961-63 (2)	State-Relative Urban Price Index with All-India Average=100 (3)	State-Specific Poverty Line 1960-61 Urban (4)
Madhya Pradesh	110 45	103 22	23.22
Maharashtra	103 62	96.84	21.79
All-India	*107 00*	*100 00*	22 50

state-specific urban poverty lines, Raj Krishna had to rely on his own resources which, as the results show, proved inadequate.

Raj Krishna notes. "For converting the urban all-India norm, no state-relative price index is available" Hence, he proceeds to utilise "the three year (1961-63) average of the working class consumer price index". The data given in Table A illustrate the procedure

The implict argument runs as follows: The Consumer Price Index for working classes shows that while the average all-India urban price level in 1961-63 was 107 00 per cent of 1960, the same in Maharashtra was 103.62 per cent and in Madhya Pradesh 110.45 per cent (col 2). Hence, in 1961-63, the urban consumer prices in Maharashtra *were 3 16 per cent below the all-India* prices and in Madhya Pradesh they were 3.22 per cent above the all-India prices (col 3) Now, Bardhan had treated results based on 18th Round of the National Sample Survey (Feb 1963-Jan 1964) valid for 1960-61 Hence, the above results (?) for the period 1961-63 may certainly be regarded valid for 1960-61 It follows that, following Dandekar-Rath, if we place the all-India urban poverty line at Rs 22 5 in 1960-61 urban prices, the cost of the same consumer basket and hence the urban poverty line would be Rs 21 79 (3.16 per cent below the all-India norm) *in Maharashtra* and Rs 23.22 ... per cent above the all-India norm) in *Madhya Pradesh* (col 4).

Clearly, the second step in the above ...ment, leading from column (2) to ... (3) is a bad slip. What we have ... column (2) is a comparison over time ... consumer prices in each state ... *average of 1961-63* com... average of 1960-61 in each ... all-India. Raj Krishna slips ... believing that it also gives an ... comparison of urban con... prices in 1961-63. In the next ... when he regards this inter-... comparison also valid for 1960-... a moment's reflection would have suggested to him another equally valid procedure leading to quite another yet equally valid *result*, he could as well have made such an inter-state comparison of urban consumer prices in 1960-61 directly on the basis of the consumer price index in that year and come to the conclusion that the urban consumer prices in 1960-61 were the same in all the states How? Because the consumer price index in that year was the same =100 in all the states! Raj Krishna does not see that, that indeed is the implication of his second step

If it were merely one of Raj Krishna's academic writings in which the error had entered, we would leave the matter there Unfortunately, the matter is a little more serious The error has entered the report of the Finance Commission and reportedly may enter the Plan allocation to states being made by the *Planning Commission involving crores* of rupees We hope Raj Krishna will take immediate steps to rectify the error.

There is a larger question involved: how much academic sophistication to permit in operative decisions of government On closer examination, it is found that most often neither the underlying concept such as poverty nor the data such as coming from the National Sample Survey can bear much of the academic sophistication in which academicians often indulge. Nevertheless, such sophistication is legitimate in academic exercises which in their nature are exploratory. But it is clearly dangerous when academicians enter the field of operative decision-making without realising the exploratory and speculative character of much of their past academic work on which their present reputation often rests. With increasing computer facility, the danger today is *real In the particular case, we should* be grateful that the exercise was simple and the error could be easily seen. But suppose Raj Krishna had erected a simulation model of the Indian economy, which he is undoubtedly capable of, with v-variables, p-parameters, s-sectors, l-linear and m non-linear constraints, interfaced with an independent technological-choice model subject to certain environmental optima, dynamised to oscillate stochastically between a finite and an infinite horizon and, with inputs from the National Sample Survey and other relevant sources, had fed it into the computer that now rests in the Planning Commission, we would have been all awed by its output and surrendered to its decisions on distribution of the divisible pool of the excise and the block Plan assistance to the states If academicians are not to lose some of their reputation in the Finance Commission and the rest in the Planning Commission, they must wake up to this danger.

Changing Approaches to Population Problems

THE Development Centre of the OECD, in co-operation with the World Bank, has just published a book "Changing Approaches to Population Problems" which examines how the approach to population problems and ways of dealing with them have changed since the World Population Conference in Bucharest in August 1974. The book, written by Margaret Wolfson of the Development Centre, is based on the results of direct discussions in twelve poor countries and with the *principal agencies providing population* assistance. Whereas in Bucharest the issue of population versus development split international opinion into two violently opposed camps, now the need for the dual approach of population and development has become accepted as the conventional wisdom.

In an Overview chapter, which analyses the findings of the survey, the author points out that the Bucharest Conference brought to the fore the enormous complexity of the population issue and put to rout the earlier simplistic notion that 'population' was primarily a matter of numbers or rates of demographic growth. She notes that even those countries concerned about the problem of rapid population growth have repudiated family planning as the main solution in favour of a broader development effort and an 'attack on poverty'.

The conclusion that emerges from the book is that the relation of improved economic and social conditions to such problems as high infant mortality, uncontrolled urban growth, or massive unemployment among the young, is now well understood by both developing countries and the donors of aid. In particular, it is recognised that the social status, education and earning opportunities of women play a fundamental part in determining family size.

Future of Indian Caste

M N Srinivas

The caste groups which are emerging in urban areas and which are in competition with each other for obtaining access to power and resources bear very little resemblance to traditional caste in rural India.

As against this, even today agricultural production requires the co-operation of several castes, and even traditionally competition between different castes did occur though it was not very common. The use of the caste idiom is widespread, though the idea of hierarchy is being increasingly rejected by those groups traditionally confined to the bottom.

There are continuities and discontinuities, and social anthropologists have to reconcile themselves to work in fuzzy areas where not only are boundaries not clear but multiple and contrary forces are at work.

I

IN discussing caste, I shall be making a broad distinction between traditional and modern caste which roughly coincides with the distinction between the pre-British period on the one hand and British and post-British period on the other. Pre-British caste was very largely rural, though cities have been a feature of Indian culture since the days of Harappa and Mohenjodaro. But pre-British cities were very few, and they were quite different from modern cities. But even today 80 per cent of the population live in villages, and it is expected that even in the year 2000 AD, 70 per cent of Indians will be living in villages. But the links which exist today between villages and towns are many and intimate, and they have to be studied in relation to each other. Poor immigrants from rural areas perform a variety of semi-skilled and skilled jobs in urban areas and populate the slums which lie cheek by jowl with more prosperous areas. The rural poor articulate a different network to have access to various resources including education and urban jobs. While the middle classes regard villages as generally recipients of forces from urban areas, it is well to remind ourselves that it was the villages of north India who threw out the Congress and brought in the Janata at the general elections of 1977.

I shall first consider briefly rural caste. I shall do this by presenting its main features as they were described by Edmund Leach[1] in a thought-provoking introduction to "Aspects of Caste in India, Ceylon and North-West Pakistan" (Cambridge, 1960). The introduction also includes Leach's evaluation of the changes which have occurred in caste in the twentieth century and that is also relevant for my purpose. I shall state Leach's arguments in his own words especially as I differ from him radically on some points.

Leach regarded 'dominant caste' as a universal and integral element in the rural caste system. According to him, the members of the dominant caste not only owned land but enjoyed numerical majority over the others. Leach also assumed that in pre-British India, land-owners competed among themselves for the labour and services of the other castes, and since caste was inseparable from if not inconceivable without a system of hereditary division of labour, the grouping of people into different castes forced them to co-operate with each other for performing basic economic and social tasks. The interests of the different castes therefore necessarily converged. Going further, he argued that competition between members of different caste was uncharacteristic of the system and wrote,

> ... it is precisely with these inter-caste relationships that we are concerned when we discuss caste as a social phenomenon The caste society as a whole, in Durkheim's sense, is an organic system with each particular caste and sub-caste filling a distinctive functional role. *It is a system of division of labour from which the element of competition among the workers has been largely excluded* The more conventional sociological analysis which finds an analogy between castes, status groups, and economic classes puts all the emphasis on hierarchy and upon the exclusiveness of caste separation. *Far more fundamental is the economic interdependence which stems from the patterning of the division of labour which is of a quite special type*" (p 5, emphasis mine).

Leach then proceeded to distinguish between caste and class:

> "It is a characteristic of *class*-organised societies that rights of ownership are the prerogative of minority groups which form privileged elites. The capacity of the upper-class minority to 'exploit' the services of the lower-class majority is critically dependent upon the fact that the members of the underprivileged group must compete among themselves for the favours of the elite. It is the specific nature of a *caste* society that this position is reversed. *Economic roles are allocated by right to closed minority groups of low social status;* members of the high-status 'dominant caste', to whom the low-status groups are bound, generally form a numerical majority and must compete among themselves for the services of individual members of the lower 'castes'" (pp 5-6, emphasis mine).
>
> In a class system, social status and economic security go together — the higher the greater; in contrast, in a caste society, status and security are polarised... In a class society the 'people at the bottom' are those who have been forced there by the ruthless process of economic competition; their counterparts in a caste society are members of some closely organised kinship group who regard it as their privileged right to carry out a task from which all other members of the total society are rigorously excluded (p 6).

Leach concluded by declaring categorically that

> wherever caste groups are seen to be acting as corporations in competition against like groups of *different caste,* then they are acting in defiance of caste principles (p 7).

I shall now elaborate on a few points made by Leach. In the first place, it should not be forgotten that he has in mind traditional or pre-British India. The population of India even around 1820 was about 120 million which is a far cry from the 630 million or so of today.[2] This meant that labour and skills were scarce relative to land. The so-called low castes had a monopoly over their traditional occupations Even as recently as 1947, I noticed in Rampura village in old Mysore State a sense of pride in the ancestral occupation and in the fact that the skills involved in its practice were esoteric and not available to outsiders.[3] The right to provide priestly services to a group of villages was treated as if it were real property subject to be alienated tempa-

rarily or permanently, or divided among heirs. A dominant or other high caste leader who founded a village or chiefdom was obliged to invite members from the artisan, servicing and labouring castes with offers of land and other incentives in order to make the village of chiefdom viable. Further, every group of villages had its own weekly market which provided a venue for its surplus, and also enabled it to buy or exchange the goods it wanted.

It is true that the landowner was regarded as the *yajaman* or patron, superior in wealth and status, to those who worked for him, but patronship in traditional India did not only confer rights but carried with it onerous duties towards clients. The term 'patron' has acquired a bad odour in the last thirty years or so but this is due to concentration on the "exploitative aspect" of patronship while at the same time ignoring its protective aspect.

Inter-caste interdependence was frequently reinforced by factionalism. The village patrons were generally in a relationship of mutual rivalry but that did not prevent them from coming together to form a faction against a similar combination of patrons. Each patron carried his clients with him into his faction. While the membership of factions was unstable, factionalism itself was inseparable from rural life. Factions were generally multi-caste in composition but the degree of mix of the local castes differed from faction to faction depending upon a variety of factors which it is not necessary to go into here.

I shall now mention the drawbacks in Leach's view of rural caste. Leach's assumption that there is everywhere a dominant caste enjoying numerical majority over the other castes, lacks empirical support. Its applicability to traditional India is even more doubtful, for in many parts, the landowners frequently came from ritually high status castes such as the Brahmins and Kashatriyas, and were sharply distinguished from the dominant peasant castes. One of the major results of land reform has been the transference of land from the ritually high status castes to the dominant peasant castes which had a tradition of agriculture and lived in rural areas. The dominant castes, which are, incidentally, among the biggest beneficiaries of Independence, were able to escape the more lethal effects of land reforms because of their hereditary occupation, and their tendency to live in extended kin groups. The ritually high status castes, in contrast, frequently lived in urban areas, and provided a significant component of the absentee landowner class.

Leach assumes that every village had several castes including the dominant, but even today a majority of Indian villages have a population of less than 500 each, which means they probably do not have more than three or four castes.[4] Besides, all over the country there are to be found villages inhabited by single castes such as the potters, weavers, washermen, shepherds, fishermen, hunters and so on. The big, multi-caste villages occur largely in the prosperous irrigated areas.

Leach has described caste as it functions at the micro or grassroots level, and one would expect that it would have led him to a dynamic view of the institution for it is the intensive study of villages by social anthropologists that brought out the mobility inherent in the caste system as it actually operated in contrast to caste as it was conceived of in the sacred literature. The contrast between the 'book view' and the 'field view' is a profound but well-established one From the 'field view' of caste it can be inferred that the system provided for a certain amount of mobility, i e, while a few castes moved up or down, the system as a whole remained stable. A view such as this naturally leads one to investigate the sources of mobility and this in turn reveals the links between phenomena at the micro and higher levels. The micro-level view is a legitimate one for heuristic purposes but one cannot forget its links with phenomena at the higher levels or with historical events.

I have discussed at length the sources of mobility in the caste system elsewhere[5] and I shall rest content here with stating that there was fluidity at the lower levels of the political system in pre-British India which made it possible for leaders of dominant castes to capture political power at the villages or higher levels and become chieftains (*palegar, nayak,* etc). The possession of political power generally resulted in the possessor's claiming to be a kshatriya and further strengthening his claim by securing the services of genealogists and bards (Bhats, Charans and Vahivanchas), and of Brahmins. This was in turn followed by suitable alterations in the life-styles and ritual of the successful persons, a process which I have referred to as Sanskritisation. The Kshatriya category was the most open one in the caste system though it was much more popular in the North than in the South. It is my hunch that the categories of Brahmins and Vaishyas were also open though not probably to the same extent as the Kshatriyas. This view of caste makes each twice-born *varna,* or all-India caste category (derived from the 'book view'), at least in some cases the result of striving and achievement over long periods of time. (Bailey and others who described caste as "a closed system of social stratification" were guilty of totally ignoring the historical processes which went to make up local hierarchical systems.)

The frequent occurrence of protest movements against caste throughout Indian history, provided yet another source of mobility. These rebel sects rejected the ideas of Brahminical supremacy, the performance of elaborate rituals, and the punctilious observance of the rules of pollution and purity, and they instead emphasised the love of god and right conduct as indispensable to salvation. It is not surprising that the protest sects attracted followers from a wide range of castes from rebel Brahmins to untouchables. It is sad that in emphasising caste and hierarchy, we (that is, Indian scholars), have failed to take note of the significance of anti-caste and anti-Brahmin movements in Indian history. We have been like one-eyed camels concentrating on the fodder available on one side of the avenue while ignoring the fodder on the other side. *Caste and anti-caste are both part of a single phenomenon, and those who wish to root the idea of human dignity and equality in Indian soil would do well to go to these historical sources of protest and build on them.* But the pity of it is that our intellectuals are not only alien to rural India but are both contemptuous and patronising in their attitude towards rural people and their culture. Educating our intellectuals ought to be a task of high priority.

But the reason for my bringing in the protest sects is to show that they offered opportunities for mobility to members of the so-called low castes. There is ample evidence for this but the full sociological significance of the protest sects, has not yet been assessed.

It can now be seen that even traditionally competition between castes did occur in the struggle for power and for mobility. In the former case, it was necessary for the caste in question to

be numerically strong and have a tradition of fighting. Several castes besides the dominant peasant castes had both. Though at the village level the local sections of different castes — or, more correctly, households — co-operated for agricultural production and for pursuing social and cultural ends, competition did occur at the higher levels for seizing political power and for achieving mobility, and Leach's view that competition between castes is uncharacteristic of the traditional caste system is, in my opinion, totally wrong.

II

I have discussed the main changes which caste has undergone in modern India in my earlier writings, and I shall try here only to recapitulate a few significant points to characterise the nature of the changes which have occurred and their implications.

No account of the changes which occurred in caste during the British period can ignore the emergence of nationalism among the educated Indians in urban areas. But historians and political scientists until very recently have viewed nationalism only as it manifested itself at the highest level, and even there, have concentrated on its political aspects. But to a social anthropologist nationalism appears as a form of self-consciousness pervading the entire society, and sharpening identities at all the nodal points in the social structure. It is no accident then that the pervasive self-consciousness which nationalism produced affected caste also. It manifested itself in the attempt of the so-called lower castes to take over the customs, practices and rituals of the higher castes, and in their claiming high status for themselves in the local hierarchy. The decennial census had the unintended effect of providing opportunities to ambitious castes for altering their names and reporting myths in support of their claim to high status indicated in the new names. The 1901 Census was the high point in such deception as word got round that the Census authorities, which meant in effect the Government of India, was going to determine precisely the rank of each caste. (Sociologically speaking, this showed colossal misunderstanding of the nature of caste on the part of Risley and other British ICS officials. Nebulousness in mutual ranking is of the essence of caste system in operation as it is a precondition to mobility.)

People living in the big port towns and coastal areas perceived the importance of a knowledge of English and Western education for securing jobs in the new administration, entering the professions, and for commerce and trade. Access to education became crucial for secular mobility though eventually secular mobility had to be translated into caste terms. This was necessary for a variety of purposes including the connubial.

When the British started parting with power to Indians on an instalment basis, access to power replaced access to education in terms of its importance to mobility. Initially this meant seeking the favour of the British who were understandably interested in perpetuating their rule and in building defences against growing nationalism which they identified with educated babus or upper caste Hindus. It was understandable that under the circumstances the British should pursue a policy of lending their support to all minorities and vested interests, Muslims, Christians, Sikhs, Anglo-Indians, Scheduled Castes, Scheduled Tribes, Parsis and the princes. The results of British policy are now a matter of history but I would like to comment briefly on only one element of it.

In the south of India, for instance, caste quotas for government jobs and seats in educational institutions were introduced as early as 1920s. There was a strong feeling among the better off and more influential members of the non-Brahmin castes that the Brahmins who constituted a mere 3 or 4 per cent of the population had a near monopoly of higher education and government jobs and were over-represented in the professions. This view was strengthened by an anti-Brahmin ideology which made the Brahmin out to be an Aryan in contrast to the indigenous Dravidians, a representative of the imperial Sanskrit as against Tamil, and the author of the caste system. But when the nationalist movement became very powerful in the thirties, under Gandhiji's leadership, the leaders of the non-Brahmin movement joined the Congress.

Under the Constitution of Independent India, the Scheduled Castes and Scheduled Tribes have been given, in proportion to their numbers, reservation of seats in the legislatures at all levels, and jobs in the government, and seats in educational institutions. (Now reservation has been extended to promotions as well.) While reservation for Scheduled Castes and Scheduled Tribes is constitutionally guaranteed there is another category of castes called the Other Backward Classes (OBC), and it is left to each state to determine which castes, should be included in this category, and to take suitable steps for improving their condition. As I have said earlier, the southern states have a history of quotas for the backward classes, and since Independence, Karnataka, Kerala and Tamil Nadu set up commissions to review all aspects of backwardness and to suggest new measures to ensure that the benefits and concessions available to the backward classes reached the poorer castes subsumed under the OBC, and not monopolised by the more powerful ones. Karnataka, for instance, has distinguished between "backward" and "more backward" castes, whereas Kerala has used the terms, "backward" and "most backward" to make an identical distinction. It must be mentioned here that the OBCs are an extremely heterogenous category consisting at one extreme of powerful, landed and prosperous dominant castes, and at the other, of poor, artisan and servicing castes such as barbers, washermen, potters, basketry-makers, fishermen, etc. Karnataka, which is perhaps more radical than all the other states in the matter of quotas and concessions given to the OBCs, has used the twin criteria of caste and economic backwardness to determine who really are the disadvantaged. In Karnataka, nearly 60 per cent of seats in educational institutions, and jobs in the government are set apart under various categories, Scheduled Caste, Scheduled Tribe, OBC, offspring of defence personnel and of MPs, and physically handicapped candidates. The net result is that only 40 per cent of jobs and seats in educational institutions are open to merit.

While in the southern states the principle of caste quotas have been accepted for nearly six decades, they appear to be absent in the northern states except for the Constitutionally-guaranteed reservations for the members of the Scheduled Castes and Scheduled Tribes. The recent efforts of the Janata government in Bihar to reserve 30 per cent of the government jobs for the members of the Backward Classes has met with violent resistance from the higher castes. One of the reasons — only one, let me repeat — for the relative ease with

which the principle of caste quotas was introduced in the south was the high visibility of a small elite group which had benefited greatly from English education and which provided a focus for others to unite against. In the northern states, on the other hand, there is no such small elite, and the matter is further complicated by the presence of several numercially strong high castes who stand to lose from job reservation for the backward classes. If the latter turn violent, inter-caste fighting is likely to become an everyday affair.

I would like to comment here briefly on the recent and widespread occurrance of bloody fighting between caste Hindus and the Scheduled Castes. Such incidents have been reported from UP, Maharashtra, Tamil Nadu, and elsewhere. As a result of the various measures of "protective discrimination" adopted towards them, there has emerged everywhere small groups of educated Scheduled Caste youths who deeply resent the attitudes of the higher castes towards them. Some of this resentment has found expression in the writings in Marathi of the Dalit Panthers in Maharashtra, comprising educated Mahars who, or whose parents, became Buddhists in the 1950s following the leadership of the late B R Ambedkar, who ended his life long career of protest by becoming a cabinet minister at the Centre, and was one of the chief draftsmen of the Indian Constitution.

Besides the educated youth, all over the country there has been a sharp rise in the self-consciousness among the Scheduled Castes, and this makes them highly critical of the higher castes, and regard the benefits, concessions and reservations given to them under the Constitution as only a small acknowledgement on the part of the society of the grave injustice that it has done to the Scheduled Castes over the millennia. At the same time upper caste youths, who do very well in examinations but find that they are passed over for Scheduled Castes with lower marks for seats in highly competitive professional courses of study and for jobs, become bitterly anti-Harijan. I fear that they might embrace violent ideologies which promise to overthrow the existing order. No society can afford to alienate and embitter its most gifted elements, least of all a developing country such as India but then there is no easy way out of the cruel national dilemma between equality and excellence.

Given such diametrically opposed attitudes I envisage in the immediate future increased conflict between caste Hindus and Scheduled Castes in every part of India irrespective of the party in power. I am afraid the Indian road to equality is going to be marked by bloody clashes between different castes, though caste may to some analysts appear to be a "false" category unlike class.

III

During the last six decades or more, there is increasing realisation among the people that access to power is crucial for securing access to resources. But power does not only have an instrumental value: it is also valued as an end, a mystique, and recognition of any kind of achievement has to be by the government or its representatives. That is why the presence of a minister is thought to be essential to mark any important occasion or confer legitimacy on any kind of achievement. Even men in ochre robes like to be seen with men wearing khaddar, and vice versa. The way people fawn on the powerful, and the very next minute discourse on the hoary tradition of Indian spirituality is too common to deserve comment.

But the realisation of the cruciality of power did result in what may be called the coming together of cognate jatis or endogamous units to form caste conglomerates which acted as pressure groups in political and economic contexts. In a democracy, numbers mean strength and if in pre-British India, small groups of kin fissioned off from their parent groups for purposes of enhancing their economic opportunities, in modern India cognate castes have to fuse together to achieve power. If fission characterised traditional caste, fusion characterises modern caste. Cognate castes come together initially as a matter of political convenience but gradually marital links are established between leading kin groups in each constituent jati. In establishing such alliances, class and life-style factors are important. Thus an educated son from a peasant caste might not find a suitable bride in his original endogamous group and might be forced to seek a bride in a cognate jati. Since dowry has spread to peasant, and in some areas even to Harijan castes, consideration of the size of the dowry frequently force people to cross the pristine endogamous lines.

I have referred to the phenomenon of the coming together of cognate jatis by the term "horizontal stretch": "horizontal stretch" has resulted in the emergence of huge, monster castes such as Jats, Ahirs, Rajputs, Okkaligas, Lingayats, etc, and they play a vital role in state politics, and through politics in the allocation of resources, and in the distribution of benefits to followers. In each state there are several castes which constantly jockey for power, and the caste idiom is ubiquitous in mobilising people. This occurs in spite of the fact that castes are economically and socially haterogeneous, and that frequently the most bitter rivalries exist within a caste. A "consciousness of kind" is shared by members of a caste and it is pointless to dismiss this as "false consciousness".

I am aware that "horizontal stretch" is more characteristic of the higher castes than of the so-called lower, but even the latter come together occasionally to articulate their interests. Politicians have a vested interest in bringing them together for they are very necessary for promoting their careers.

But the endogamous groups which come together are really not equal, for even when public opinion recognises that some jatis are part of a much bigger jati, each constituent unit claims to be superior to the others. It is inherent in the nature of the caste system that there are no equals. "Horizontal stretch" therefore implies to some extent a vertical stretch.

The groups which have emerged today as castes, and are competing with each other for obtaining access to power, etc, are different from the local sections of the different castes in the traditional system, but even today in the village diverse castes continue to come together for agricultural production. But even here changes are occurring in the sense that cash payments are replacing old patron-client relationships, and rural-urban links are becoming closer. The members of the Scheduled Castes may refuse to perform certain services and the heriditary headman and accountant have disappeared in many parts of the country. Commercial agriculture had sharpened economic disparities between the rich and poor in many areas, and cheaper labour is frequently invited from outside to beat down local labour

To sum up: The caste groups which are emerging in urban areas and which are in competition with each other for obtaining access to power and resources

bear very little resemblance to traditional caste in rural India. But as against this it should be noted that even today agricultural production requires the co-operation of several castes, and even traditionally competition between different castes did occur though it was not very common. The use of the caste idiom is widespread, though the idea of hierarchy is being increasingly rejected by those groups traditionally confined to the bottom. (The State also has opted for egalitarianism as an end to be pursued.) It is no use saying, as Leach says, that present-day castes have ceased to be such. The situation is much more complicated than that. There are continuities and discontinuities, and social anthropologists have to reconcile themselves to work in *fuzzy* areas where not only boundaries are not clear but where multiple and contrary forces are at work. What Leach stated in a quite different context is peculiarly appropriate here:

> I do not want to suggest that we have *all* become out-and-out rationalists in the Levi-Straussian manner. On the contrary and particularly in Cambridge,... the tradition of British empiricism has been most staunchly upheld, but there is now a much greater willingness to recognise that the way we cut up the empirical cake for the purposes of analysis is a matter of convenience rather than something that is given by nature, and that however we choose to make discriminations between one social system and another there will always be a fuzziness at the edges, and that it is in this fuzzy boundary area, where our typological assumptions do *not* fit, that the problems of real theoretical interest are likely to be found.[6]

I would only add that in the case of caste "fuzziness" is not confined to the boundary but permeates the entire system. Those who want to deal only with tidy areas and who seek clear-cut answers ought to go elsewhere.

Notes

1 Leach has wrongly attributed the idea of "dominant caste" to David Pocock. For a definition of "dominant caste" see my essay "The Social System of a Mysore Village" in "Village India" edited by McKim Marriott (Chicago, 1955): "A caste may be said to be dominant when it preponderates numerically over the other castes and when it also wields preponderant economic and political power. A large and powerful caste group can more easily be dominant if its position in the local hierarchy is not too low."

2 B S Cohn, "The Census, Social Structure and Objectification in South Asia, Part II", p 3; paper read at the Second European Conference on Modern South Asia, Chicago, University of Chicago, mimeographed.

3 Among some potters in north Gujarat who make earthen toys, daughters are not taught the tricks of the domestic trade, but only sons.

4 The percentage of villages with a population of less than 500 has decreased from 68.06 per cent in 1951, to 62.05 per cent in 1961, and finally, to 55.33 per cent in 1971.

5 See my "Social Change in Modern India", Chapter 1.

6 "Social Anthropology: A Natural Science of Society?" Radcliffe-Brown Lecture, 1976. *Proceedings of the British Academy*, Vol LXII, 1976, London, pp 19-20.

[illegible] Inequality in India: The Historical Context

Satish Saberwal

This essay attributes the sociologists' lack of sensitivity — or at least their lack of intellectual response — to the magnitudes of poverty and to the pressures making for increasing inequalities in India to three convergent influences:

(1) the prevalent public ideology drawn partly from the colonial public institutions and partly from the Indian national movement; it is argued that both these strands served to desensitise *the generation entering the academia in the 1940s and the 1950s to issues of exploitation and of conflicts of interest between different segments of society;*

(2) the key premises of American cultural anthropology — which came to overwhelm Indian sociology in the 1950s — and the absence of countervailing insights in the other traditions considered by the Indian sociologists; and finally

(3) the social backgrounds of Indian sociologists which have been limited to relatively narrow strata, and their social experiences which have been confined to relatively narrow grooves; their resources of personal knowledge have, therefore, been much too lean to generate much resistance to the desensitisation caused by the first two factors.

> Given the omnipresent nature of contextual relations, it is obvious that all theories of relationship require a certain artificial closure .... But the closure evident in the theories I am criticising is not such a necessary METHODOLOGICAL closure. It is a closure stemming from cultural values, ideological values, or ignorance — and ignorance of the context happens to be one of our most highy developed cultural values.
>
> Anthony Wilden [1972:114]

WHEN in the early 1960s the Russian plant breeders were finally permitted to lay the ghost of Lysenkoism, the new political line allowed them to turn to genetics if that would serve them better, but *not* to rake up the history of Lysenkoism since the 1920s: to indulge in such embarrassing controversy would make for "disorganising the cadres" [Joravsky 1970: Ch 6]. Though not bound by such a command politically, Indian sociologists appear to have resorted to comparable quietude: for although the paradigm which arose in the 1950s has long since fallen of exhaustion, we have never seriously asked how it came to acquire its once enormous influence and what aspects of the Indian social reality it did obscure. This essay seeks to open up these questions.

Put otherwise, I'm interested in *secular* inequalities in India. Their importance in contemporary India struck me first with the appearance of Dandekar and Rath's "Poverty in India" in this journal eight years ago (1971). Apart from their demonstration that over 40 per cent of the population lived below the poverty line, their tables of distribution of income (e g, Table 2.7, p 38) showed too that the office clerk's income put him somewhere around the 95th percentile mark; and from that plateau one could see those enormous peaks of affluence not too far away. What puzzled me greatly was why the sociological significance of this sort of income distribution went completely unnoticed in the then sociological literature.

The question was posed even more sharply the next year during a seminar on "A Cultural Policy for India". The tenor of the proceedings may be captured with a quote from Suresh Shukla, Professor of Education at Jamia Millia Islamia:

> All past experience shows that at the point of planning policy, the greatest stress is laid on universal mass education: education of women, of scheduled castes and tribes, and in rural areas. At the point of fixing quantitative targets, proportionate expansion of all sectors takes over. At the point of performance, the highest achievements are all in the field of urban education, in secondary and college education, men's education, upper caste education and so on.[1] The sectors of priority in policy, including adult literacy, are the laggards in performance: this is in line with, a consequence of, and a reinforcer of the pattern of distribution of political and economic power [Shukla 1975: 246].

Clearly there was something in the structure of the wider Indian society which regularly pulled these "plans" out of shape. What was it? Why did it simply fail to register on the sociologists' analytic consciousness?

Explanations for so massive and so obvious an error of omission must necessarily be complex. The sociologists' lack of sensitivity — or at least their lack of intellectual response — to these magnitudes of poverty and to the pressures making for increasing inequalities in India, this essay will argue, can be attributed to three *convergent*, individually potent, and mutually autonomous influences:

(1) the prevalent public ideology, whose premises were drawn (a) partly from the colonial public institutions which, in turn, incorporated the premises of British social and political thought, and (b) partly from the ideology of the Indian national movement; I shall argue that both these strands served to *desensitise* the generation entering the academia in the 1940s and the 1950s to issues of exploitation and of conflicts of interest between different segments of society; and that this desensitisation was aided by:

(2) the theoretical, methodological, and substantive interests of American cultural anthropology — which came to overwhelm Indian sociology in the 1950s — and the absence of countervailing insights in the other intellectual traditions to which Indian sociologists took recourse; and finally,

(3) the social backgrounds of Indian sociologists have been limited to relatively narrow strata, and their social experiences to relatively narrow grooves; and therefore their resources of personal knowledge have been much too lean to generate much resistance to the desensitisation caused by the first two factors.

Public Ideology

Can one identify the key ideas shaping the contours of public opinion at the time of independence and since? Perhaps the most searching analysis comes from a political sociologist, Rajni Kothari (e g, in 1976), looking for the structural flaws contributing to the crisis of early 1975. Interesting as far as it goes, it is not of much help in our particular concern here. We are interested in such elements in the public ideology as served to desensitise sociologists to the magnitudes of, and the trends in, secular inequalities. Some pointers to these elements should be available in the sociologists' own abundant writings; it would then be necessary to trace these pointers to their historical roots. Here as in any enquiry, all possible errors of judgment cannot be forestalled; the need is to define the problem and to get a debate going.

One set of possible influences concerns the variety of ideas which might be placed under the rubric "traditional". These would include the ideology of hierarchy, embodied in the caste system, and examined at length by Louis Dumont, as well as the Mughal style of imperial governance. I shall not consider these though it might be argued that their influence, operating through the culture of university departments and of the wider, quasi-political academic arenas, contributed to the otherwise inexplicably long innings of the paradigm of the 1950s. I shall bracket these off[2] because such mechanisms could only have served to *prolong* the sway of the paradigm espoused by the influentials of the 1950s; the real questions are about the particular content of this paradigm and the context which brought its protagonists their influence.

Colonial Heritage

In propagating the paradigm of the 1950s, M N Srinivas had a pivotal role; and our search for the beliefs which blocked the perception of secular inequalities can well begin with his "Social Change in Modern India" (1966), a sociological landmark at the time of its publication. It presents his most comprehensive interpretation of the wider social processes active in India. The terms "equality" and "inequality" are missing from the index though some related aspects are subsumed under the category "caste"; but the second chapter, on "Westernisation", shows exactly where Srinivas *went off the rails:*

> Implicit in Westernisation are certain value preferences. A most important value, which in turn subsumes several other values, is what may be broadly characterised as humanitarianism, by which is meant an active concern for the welfare of all human beings irrespective of caste, economic position, religion, age, and sex. *Equalitarianism and secularisation are both included in humanitarianism* ... (p 48, emphasis added).
>
> Humanitarianism underlay many of the reforms introduced by the British in the first half of the nineteenth century. The introduction of British civil, penal, and procedural law put an end to certain inequalities that were part of Hindu and Islamic jurisprudence ... (p 48).
>
> According to O'Malley,[3] two revolutionary results of introducing the British judicial system were the establishment of the principle of equality and the creation of a consciousness of positive rights ...(49).
>
> The principle of equality found expression in the abolition of slavery, in the opening of the new schools and colleges — in theory at least - to all irrespective of religion, race and caste ... (49).
>
> As British rule progressed, rationality and humanitarianism became broader, deeper, and more powerful, and the years since the achievement of Independence have seen a remarkable increase — a genuine leap forward — in the extension of both. The attack on Untouchability which Independent India has launched povides a striking example of such extension ...(49).

Perhaps it would not be fair to judge Srinivas's understanding of colonialism in 1966 by today's standards.[4] Unmistakable, however, is the profound impression made upon him by British humanitarianism, seen to subsume equalitarianism. Our confidence that we have here an appropriate point of departure is enhanced by the assenting echoes of this interpretation for years in the work on eminent sociologists [e g, in Yogendra Singh, 1973].

We must recognise immediately that the belief that British rule had a strongly equalising influence upon the highly stratified Indian society has been potent and widespread, defying the fact that the colonial order was built around the central principles of *institutionalised racial inequality* and of strong support for indigenous structures of power and authority — especially after 1857 [e g, Metcalf 1965: Ch 3ff]. This potency could not have come merely from colonial spokesmen like L S S O'Malley. It is clear that some notion of "equality" was implicit in various colonial institutional structures — the courts, the schools, the franchise — and therefore it is necessary to look for the sense in which the British used the term.

Reflecting upon the nature of "equality" before the law, equality of vote, and so forth, it becomes clear that the reference is to a certain lack of invidious discrimination in specific situations and relationships. This limited equality is fully compatible with the enormous inequalities of wealth and status all too familiar in British society. In British social and political thought this usage goes back at least to Hobbes in mid-seventeenth century. Models of the capitalist society developed in this tradition posited that everyone is subject to the rules of the market in *equal* measure and that the law is blind to the differences of status between individuals [Macpherson 1962: 74-86; 199ff]. (The principles perceived by Hobbes and his successors as applying to the economic market of capitalism would ultimately be extended to the political market too in the form of one man, one vote.)

This notion of equality fitted closely the interests of a rising bourgeoisie anxious to ensure that, when the public law intervened in its affairs, no special allowance would be made for the entrenched landed interests with their heritable privileges. In the course of the triumph of the bourgeoisie, this somewhat esoteric sense of "equality" was built into the British legal and political institutions; and unless we remember this admittedly nebulous sense of the term, we are likely seriously to misunderstand the implications of these institutions for the structure of Indian society.

To restate the issue more generally, the colonial regime, westernisation, etc, came to be mistakenly associated in the sociological mind with a tendency towards "equality". Employing the term unreflectively, we did not notice that the term was in fact a cover for *very* unequal control over property — and therefore also for the associated inequalities of status, powers, and so forth. These inequalities, common to capitalist societies which have not institutionalised strong and effective redistributive mechanisms, were in colonial India further

reinforced by the strategies of colonial governance [see Saberwal 1979].

National Movement

One might have thought that the national movement would have scrutinised this and other aspects of the colonial institutions closely but, surprisingly at first sight, *the key ideas underlying the Indian national movement also served to direct attention away from these secular inequalities.* This movement was large and complex and is subject to much debate among specialists. After 1885 the Indian National Congress came to dominate it. Over the six decades to Independence, the Congress underwent several changes in leadership, if not as much in political ideology [Bipan Chandra 1979]. By 1920 Gandhi had risen to power on the national political stage and, over long spells, his was the dominant voice in the party and the movement; we may take his ideas as shaping the public ideology of the national movement importantly.

Gandhian thought in turn is a complex field of scholarship but there appears to be general agreement that, in marshalling his forces against the colonial regime, Gandhi laid great stress on a harmonious commonality of interests among Indians of different strata [B Bhattacharyya 1969: Ch 8; Namboodiripad 1959]. It is true that Gandhi brought to the movement something of a mass dimension, drawing in sections of the working class, peasantry, women and so forth [Brown 1972; Pearson 1979]; yet as a good general he was careful in almost every case to direct their energies against colonial rule, defining the interests of the different classes of Indians as mutually non-antagonistic. In a society as grossly inegalitarian as India's, however, such a definition must inevitably subserve the interests of the already dominant classes. This implication Gandhi did not confront, at least not until after Independence.

The foregoing is not to deny that Gandhi often said, wrote, and did things which showed his strong, genuine, and sincere personal concern for the poor. Indeed he suggested that *satyagraha* could be applied not only against the colonialists but also against the internal vested economic and other interests [B Bhattacharyya 1969: 230-31]. This is perfectly true, and his image of the ideal social order was a highly egalitarian one; but the unfortunate fact remains that about property relations within India, whatever his words, his actions were entirely quietist. After a spell of early hostility [S Bhattacharya 1976], the more perceptive of the Indian capitalist class recognised this, seeing in him (along with others in the Congress Right) both a worthy general in the battle against the colonial regime and their best bet for a post-colonial order that would protect their interests [Bipan Chandra 1975]. Many of them gave him their unstinted support, occasionally partaking also of some of his halo [Birla 1968].

Several influential strands of the public ideology, then, served to befog the Indian social reality at mid-century. Even though the colonial courts came to be established in India largely to clear the way for British commerce, 'egalitarianism' was part of the rhetoric surrounding the colonial legal order, and the rhetoric extended to other colonial institutions too. The inequalities institutionalised in the caste system had put Indians enough on the defensive to persuade some of them that colonialism had indeed brought India a more egalitarian order. The infrastructure of administration, law, communications, education, etc, designed to integrate India more closely with the colonial economy also allowed the Indian merchant castes some room to move into industrial entrepreneurship, and their pace quickened somewhat after World War I [Bagchi 1972]. Simultaneously, the course taken by the national movement was very much in line with the interests of the Indian capitalist class which, over the decades, came to acquire an enduring influence over the political process. [Birla, 1968, makes the connexion transparent.] This influence would combine with wider strategic considerations to ensure that the national movement defined the interests of the various classes in terms of harmony rather than conflict. It is true that Marxist writers — R P Dutt [1947] and A R Desai [1948] among them — recognised the conflicts of interest and the direction of inequalities in Indian society in all their starkness but as we shall see, Marxist scholarship was more or less beyond the pale at least into the 1960s; its insights were at best peripheral to the public ideology at mid-century.

Cultural Anthropology

The powerful, implicit, premises of the public ideology were entirely compatible with the key premises of American cultural anthropology; and this compatibility undoubtedly helps explain something of the speed and the extent of its influence almost immediately upon contact with Indian academia. While the fields of sociology and anthropology had both come to India at about the time of the First War, the fields did not spread much beyond Bombay, Calcutta and Lucknow [Rao 1974: xxvf, xxxf]. Resources for empirical research were scant, and relations between the impoverished university departments were sometimes sour [see Ghurye 1973: 59, 131]. When early in the 1950s, American anthropologists began to work in India,[5] with distinctive traditions in theory, method, and substantive concerns, the impression rapidly grew that they would sweep all before them.[6]

Although many leading Indian sociologists and anthropologists of the 1950s and later did their formative work in Indian, British, and Australian universities, the overall influence from the United States was much the strongest. It was felt through the very much larger number of research workers, whose work commanded general professional respect, through the vast stream of their publications, and through the large number of Indians going to the United States as students, researchers, teachers, conferees, and so forth. The intellectual premises of the British and Australian traditions, in any case, were for our purposes virtually indistinguishable from those of American cultural anthropology, and therefore I need consider here only the latter. I realise how presumptuous it is to try to force these premises into a few brief comments, but my task is made easier by my limited interest: to see how these helped further to befog the issue of secular inequalities in Indian society.

We may begin by noting that the American tradition was oriented rather loosely and inclusively towards the study of culture in contrast to the sharper concerns of British social anthropology with the social structure and, even more strongly, of the Marxian tradition with the linkages of *economic* structures with the other social dimensions. The humanistic affiliations of the American tradition were reflected in its interest in the *diversity of cultures* — in the full range of human experience — though,

for practical reasons, it concentrated on, and was successful with, some parts of this experience more than with others. A liberal, rather than an ethnocentric, outlook was expressed in the doctrine of *cultural relativism*, holding that any society and culture has to be understood in terms of its own premises rather than in terms of external values, say those of Christianity, in the manner say the missionaries might be inclined to do [e g, Benedict 1934].

There was the assumption, too, that cultures usually are *integrated wholes;* and while conflicts are part of the human situation, cultures provide for their orderly resolution: cultures are to be understood with reference not so much to the conflicts of interest as to the procedures and the norms governing their management. The road to understanding these cultural wholes, furthermore, lies through the face-to-face community — that is a residential community. An anthropologist doing fieldwork for a year or two in an alien land could not easily cope with a community of more than about one thousand persons, and therefore for a decade or more nearly every anthropologist coming to India went to study a village community. The village was seen to provide a random sample of Indian society, much as a glass of water would provide a sample from the flow of a river.

The anthropological study of the village received reinforcement from the official Indian interest in "rural uplift" Its antecedents went several decades back [Haldipur 1974:31], and in the early 1950s it came to be institutionalised as "community development" with strong encouragement from the Ford Foundation [Taylor, *et al* 1965] The central thrust here too was to discourage the reorganisation of property relations,[7] say through land reforms beyond an attack on the larger zamindars, and to stress instead the harmonious commonality of interests, called "felt needs", convergent here were the key premises both of the public ideology and of cultural anthropology. For some Indian anthropologists and sociologists it provided too a welcome channel to the government and to "planning", and an opportunity to acquire a personal sense of importance.

This over-commitment to the village community, for all its fecundity in print, was from the present standpoint a methodological misfortune. In mid-twentieth century a great deal of the village community was in fact organised into the caste system which, therefore, came to be regarded as the key institutional complex of Indian society. Several generations of European scholars had already identified the caste system as a polar type in the continuum of stratificatory systems; and now the sociological mind came to equate the caste system firmly with inequalities in Indian society overall. More on the consequences of this fixation with the caste system later.

To be fair to this tradition of scholarship, it did not limit itself to the village community entirely. A characteristic initial distinction between orthogenetic cities (the indigenous one) and heterogenetic cities (the intrusive, colonial ones) directed attention towards the links between the village community and the sanskritic tradition, the centres of pilgrimage, and the like [Redfield and Singer 1954; Marriott 1955]. Such sources as Western education, factories, electoral politics, etc, were recognised as acting upon the village community; but there was no analytic framework for the larger whole wherein the interlinkages of these miscellaneous sources might be located. When the scholars in this tradition thought about phenomena in that larger world, the digits of their analysis came either from their understanding of the caste system [e g, Srinivas 1962] or from a characteristic perspective on the process of economic development — the "entrepreneurs" its prime movers [e g, Singer 1972]. The thought that the larger structure of contemporary India might have rather different patterns of internal integration and external control, worthy of enquiry in their own right, seldom touched this corpus of scholarly writing.

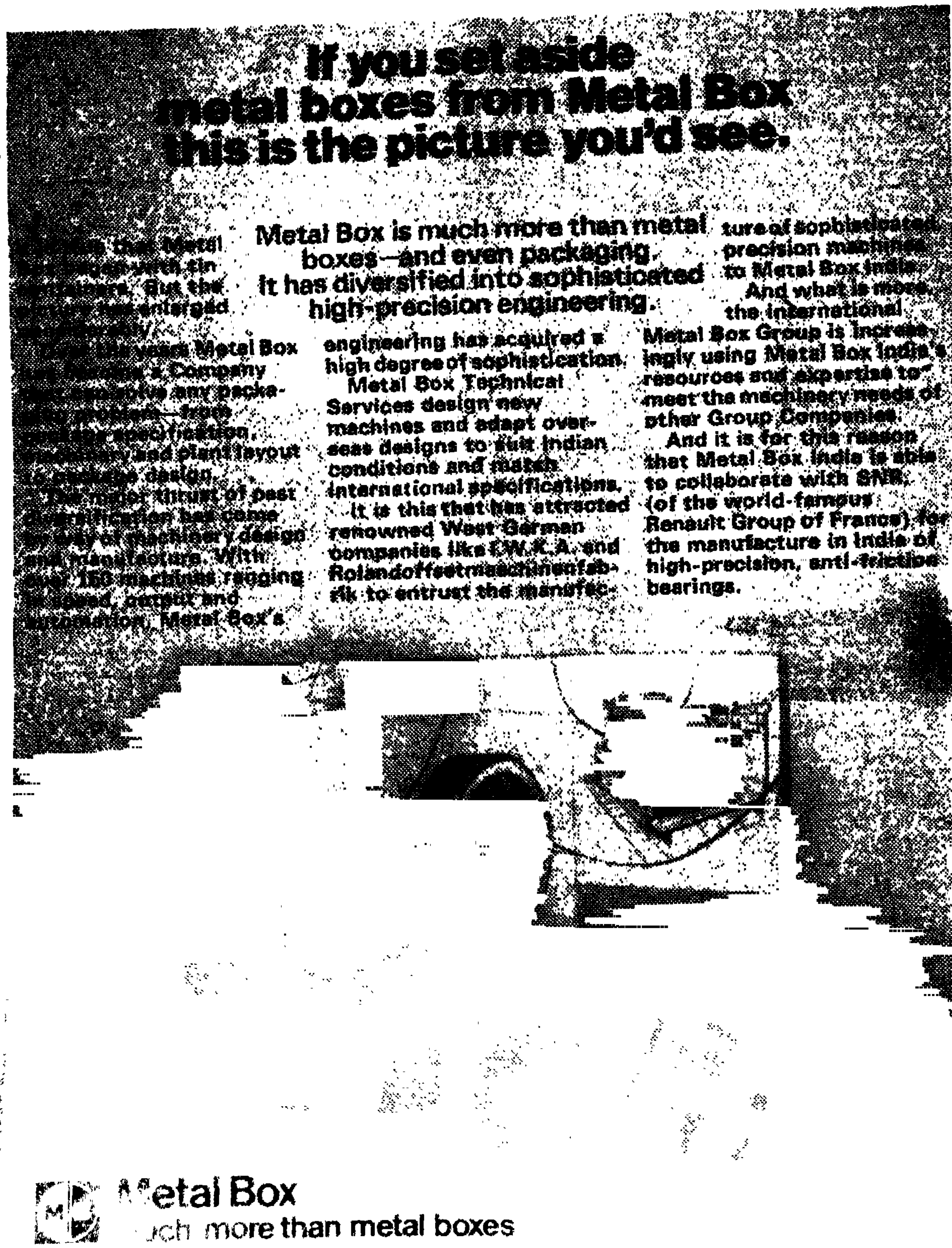
Before taking leave of American cultural anthropology, I would like to comment on its attitude to history. British social anthropology, when led by Malinowski and Radcliffe-Brown, or even by Firth, Gluckman, and Leach, may fairly be called anti-historical, but this will not hold for the American tradition. Their historical interests have been strong and have constituted two major clusters. One concerned the culture history of particular peoples studied. This was in some ways forced upon them, for their natural point of departure rested with the study of American Indians who had been mauled severely during the preceding century or two. To reconstruct their aboriginal way of life, recourse was necessary both to intervening archives and to the peoples' collective memory. Carried to India, this sensitivity was reflected in a concern either with local history [Marriott 1953] or with the civilisation [Singer 1966] or its sacred texts [Orenstein 1970].

The other cluster was concerned with general culture history, with a Toynbean sweep [e g, Kroeber 1944; Steward 1955]. Here the focus was upon the course of whole civilisations, their cyclical changes, perhaps their growth and maybe decline. Missing by and large, however, was a concern with the historical experience of the middle range: the rise of capitalism, the colonial expansion and its consequences, and the meaning of industrialism — or of a lack thereof. On this count until well into the sixties, the work of Bernard Cohn [e g, 1969] and of Clifford Geertz on Indonesia [e g, 1965] stood out as isolated exceptions. In so far as this phase entered the anthropologists' work at all, the theme song came from Redfield [1941] who, analysing a range of communities in Yucatan in Mexico, had encapsulated the historically created differences between the structures of pre-industrial and industrial societies into the popular, but ahistorical "folk urban continuum". All this would not have mattered had the Indian sociologists brought to their pursuits a sharper critical awareness, for correctives of a sort were then available elsewhere. These were for long ignored; the following sections explore why.

Sociological Traditions

Granted that the traditions of social and cultural anthropology gave few clues to the wider structures of societies such as India at mid-century, Indian anthropologists have since the 1950s been moving steadily over into the category of sociologists, and one might have thought that, in this new affiliation, they would seek or devise alternative paradigms for their analytic tasks; but the search has not been productive, the devising has not been vigorous. The latter will occupy us later; the unhelpfulness of much of the sociological tradition calls for enquiry now.

Britain, it will be recalled, has been the model for much academic activity in India during and since the colonial


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And it is for this reason that Metal Box India is able to collaborate with SNR (of the world-famous Renault Group of France) for the manufacture in India of high-precision, anti-friction bearings.
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period, and sociology — as distinct from social anthropology — did not get its colours there until well after the Second War. It is true that G S Ghurye, who dominated sociology at Bombay for long decades, had a Cambridge degree, but his mentor had been the anthropologist, W H R Rivers. Ghurye's predecessor at Bombay, Patrick Geddes, coming from the outer fringes of British academia, had been appointed Professor of Sociology; and therefore later appointees to the department also came to be called sociologists [see Ghurye 1973: 44*f*]. Sociology on the Continent is regarded generally as having arisen as part of the attempt to comprehend the social disruption issuing from industrialisation during the 19th century. That the process had been disruptive for British society too cannot be denied, but it would seem that it evoked an intellectual response not in the crystallisation of a discipline called sociology but, among others, in the works of Dickens, Marx, and Engels.

What about Marxism? To be sure, the sensitivity of this tradition to production relations and to the historic transformation of societies made it inherently the most promising potential source for insights into the structure of Indian society, and some of this promise has been realised since the early 1970s. The early work of A R Desai and Ramkrishna Mukherjee had offered serious, if sometimes uneven, applications of this tradition to the Indian situation. For reasons considered throughout this essay, however, Indian academia during the 1940s and the 1950s — and especially the sociologists — had been predisposed against the Marxist tradition.

Indian Marxists, furthermore, had additional burdens to carry. The public ideology at the time identified Marxism overall with Stalinist totalitarianism, with the dogmatism of much of the literature coming from Russia, and with the support given by the Communist Party of India to the British after Hitler invaded Russia [Overstreet and Windmiller 1959: 553-34 discuss the context]. This initial predisposition against Marxism grew stronger during the Indian sociologists' long tutelage to American cultural anthropology. A certain defensiveness was consequently induced in many Marxist scholars. Consider the case of A R Desai. His major work, "Social Background of Indian Nationalism", was published first in 1948. It remains, to this day, the only work by an Indian sociologist to comprehend the key dimensions of the wider structure of Indian society. His chapters concerning village India were, however, brought into question by the flood of village studies since the 1950s. Recently I asked him why he had not responded to this literature in his much reprinted work. A R Desai said that he had not wanted to be identified with the common communist practice of changing one's analyses to fit the changing political winds. Confused here was the difference between a scholar's necessary autonomy *vis-a-vis* centres of power and his necessary openness to fresh bases of data. One unfortunate consequence of this confusion was that the anti-Marxist sociologists could readily dismiss his overall work as being merely dogmatic Marxism.[8,9]

Many Indian academics transferred their affections after 1947 from Britain to the United States, where sociology has long been burgeoning, and one can make up a considerable list of Indians trained in, or strongly influenced by, various American schools of sociology: Yogesh Atal, Alfred Barnabas, Anil Bhatt, Ratna Dutta, Pradipto Roy, Lalit Sen . Whatever the quality of individual studies, no major advance in our understanding of Indian society is associated with any of them. One gets the impression that the technology of sociology in the United States has grown to suit certain facets of a particular sort of society: one which was built on capitalist premises from the beginning and whose members, in the course of industrialisation, underwent comprehensive socialisation of a sort that would fit them adequately to the capitalist industrial way of life. It may be that the very technical sophistication of this sociology, fitted ever so closely to some facets of American society, renders it unproductive in societies functioning with several orders of economic organisation — and their social and political correlates.

Barriers of language have stood between sociology in India and that in Europe, and until the late 1960s, the principal European influence, felt *via* English translations, was that of Max Weber. His influence is explicit in Andre Beteille's work and shows through in a diluted form in much else. It is necessary to note, however, that, for all his historical depth, Weber's dominant interest in the origins of the rationality of the Western industrial sort — and in the lack of such maturation elsewhere — excluded a great many other questions from his purview. Nothing in the mass of his writings would suggest that he understood very much about the implications of colonialism for societies under its sway.[10] Furthermore, although Weber distinguished between wealth, status, and power as dimensions of stratification, he did not use these distinctions to analyse any modern society on a national scale. (On both these counts the legacy of Marx is much more fertile.)

Andre Beteille almost alone among the Indian sociologists has acknowledged Weber's influence explicitly, evident in his first book [1965] as well as in the most recent one [1977]. The first book, a village study, established the separation of the dimensions of wealth, status, and power in the stratification of the village, but the village had, meanwhile, been integrated much more closely into the wider regional and national social, economic, and political frameworks too: disregarding this, then, did the limiting of the analysis to the village put serious limits also on one's understanding of the social process there? While Beteille has continued to write a great deal on social inequality, he has concentrated on the structure of agrarian relations [1974] and on the universal range of expressions of inequality [1977]. The wider inequalities within India do flit through Beteille's writings but are seldom held in focus for very long.

A diluted form of Weber's influence pervades much of the recent literature on stratification in India [e g, Yogendra Singh 1974]. It will be remembered that Weber had identified commensality and connubium as the two major indicators of the relative equality of status within a social stratum.[11] His reference was to societies wherein not only did the governing strata recognise themselves to be so but, furthermore, had no occasion to apologise for, nor any need to camouflage, the fact of their being in control. They had not had any pressures to tolerate commensal and connubial relations with their social inferiors; and the middle strata would in turn often follow their example.

During the decades since Weber, however, social convulsions have visited not only Russia, China, and other socialist countries but Germany

self. Certain patterns of colonial and racial dominance have had to retreat elsewhere. The old assurance of the governing strata everywhere has been somewhat jolted. They have often had to account for, if not to apologise for, the privileges associated with their being in control. It has been necessary to camouflage the reality of privilege; the governing strata almost everywhere have found it useful to proclaim that there is little difference between them and the anonymous mass.[12] Interdining between high and low is today commonplace almost everywhere; and intermarriage is well tolerated — even on occasion publicly celebrated to suggest, at least symbolically, the openness of the social order!

The analyst's task is made even more difficult by certain widespread policy packages: 'progressive' income taxation, state subsidies for the unemployed, health services, and the like.[13] Policy packages whose form, if not their content, has been similar came into widespread use in India under Nehru and since. Alongside this came the uncritical use of concepts arising in the structures of Western industrial societies. Together these generated powerful optical illusions among social scientists working on India, and it would be useful to trace this process in one case in some detail.

The first step in generating this illusion was the implicit assumption that the caste system was the traditional matrix of stratification not only in village India but also elsewhere.[14] It is true that much of pre-colonial urban India would have been organised residentially into caste groups or their analogues, but the principles underlying the supra-village distribution of resources in, say, Mughal India had very little to do with the caste system [see Habib 1963]. Put differently, a limited dissociation between caste and occupation in the urban milieu did not in fact represent a decisive change in Indian social structure.

Having assumed however that the link between caste and occupation had been central to the society, the second act in the rise of the illusion was the perception that this link was in fact being violated. The evidence for this violation could come from several directions. At least some aspects of the caste system had drawn fire from the national movement, and this hostility was embodied in the Constitution (piloted by an ex-Untouchable) and in the subsequent legislation providing for reverse discrimination favouring the scheduled castes and the like. Through politics, educational institutions, and the job quotas, a few members of the scheduled castes moved into non-caste occupations, and this limited dissociation between caste and occupation was acting upon other castes in the urban bureaucratic and industrial sectors also. It was easy enough in this situation to document some erosion of the caste order in certain urban areas [e g, Saberwal 1976b].

It should be remembered that pressures to accept the lower castes commensally had been active since late 19th century at least [e g, Jones 1976], and here and there marriages too would cut across the caste boundaries. Over the decades, evidence came too of a variety of challenges being mounted against, and of some decline in, caste ideology in regions as far apart as Punjab, Tamil Nadu, Kerala, and Maharashtra.

Having concluded that the caste system was declining, we cast about for another label for the new order, and the illusion was complete when the label 'class' was put on the new situation [e g, D'Souza 1967; Bhatt 1975]. What the term 'class' meant was drawn from its use in relation to Western industrial societies with their greater mobility and, in Srinivas's term, equalitarianism, the implication that inequalities in India were declining was thus smuggled into the terminology. Questions concerning class *relations* and the associated control over resources were seldom posed. Typically the whole argument was fastened to a community study — or to questionnaire data from a sample survey; wanting entirely were the wider perspectives both of historical development and of the contemporary social framework.

Sociologists' Interests

We move now to the third of the elements which have tended to veil secular inequalities from the sociological consciousness: it concerns us sociologists ourselves. While we have been aware of the cultural variation as between regions, our intellectual energies appear to have been more or less fully absorbed in documenting the variations in the caste system or, say, in kinship [Karve 1953]. The wider structures of Indian society either did not seem to be problematical or, when attention was directed to them, as we have [illegible] the digits of discourse were extraneous, these did not emerge from logic of these wider structures themselves.

One can only speculate why these wider structures did not seem to be problematical. There is some evidence that the first wave of sociologists, like the intelligentsia generally, tended to come from propertied, upper caste background; and one may surmise too that, as with this stratum generally, their socialisation would *not* normally have pushed them towards exploring their social environment extensively. If this was indeed so, and given the desensitisation coming from the public ideology and from American cultural anthropology, the consensual picture of Indian society emerging from the village studies would not be quickly challenged on the basis of the Indian sociologists' personal experiences elsewhere in the social space.

On the other hand, the 1940s, 50s, and 60s were periods of considerable opportunity for them even with the consensual picture, with all its flaws. In universities and in the research institutes the field of sociology expanded spectacularly, offering its members a comfortable living, if not always affluence. Compared with previous generations, opportunity and mobility were very much a part of these first generation sociologists' own experience, consciousness, and perception. It seemed to be appropriate for them to focus on similar situations of mobility and change elsewhere. [For a late example of this temptation, see Saberwal 1976b.] It enabled one to document the decline of the caste system, something we Indians had long been defensive about; and in any case the accounts of mobility and change made for much more interesting reading than those of immobility and stagnation. In early 1976 a young Swedish anthropologist, Stefan Molund, who had been working in a stagnant, poor neighbourhood in Kanpur expressed his puzzlement to me. reading the literature [illegible] where he encountered evidence of mobility, of entrepreneurial success, of caste organisations bargaining effectively with political parties, and so forth. He had not found much evidence of any of this in his area of study; this worried him; how would

his thesis hold together? What he did not know was that a whole generation of Indian sociologists had unwittingly misread the course being taken by Indian society, regularly though unconsciously emphasising achievement, mobility, mobilisation, reverse discrimination, egalitarianism, and the like, and neglecting the masses of poverty and the *growing* inequalities as well as the processes which made this permanently so!

* * *

In this essay I have argued that both the public ideology in the late 1940s and American cultural anthropology combined to desensitise us to the magnitudes of inequality, and the associated magnitudes of deprivation, which strike visitors as such stark features of the Indian social landscape; and nothing in our social backgrounds or personal experiences would persuade us to challenge the emerging consensual picture. The literature was not entirely wanting in references to bonded labourers [Harper 1968] or to destitute tribal groups [Gardner 1966]; but lying beyond the dominant analytic frame, these tended to be dismissed as marginal.

From the earlier sociological concern with the sacred texts, the paradigm of the 50s did move attention to the *social context* for interpreting behaviour, but this context was largely bounded by the local community. This has turned out to be misleading, indeed falsifying, for the local has long since been integrated into the larger mechanisms of appropriation, deprivation, and exclusion, during the colonial period and since. In the immediate future the pointers to these larger mechanisms may have to be taken from historians and economists. To continue to ignore that context is epistemologically deeply flawed; and this essay has sought to demonstrate this by placing the paradigm of the 50s itself in that socio-historical context.

Notes

[This essay is part of a general interest in secular inequalities in India. It has developed in contexts, and with colleagues, too numerous to be listed except JNU's History Centre, where the argument has been simmering, and the universities in Stockholm and Madurai, where it benefited from seminar discussions.]

1 Cited here in John A Laska, "Planning and Educational Development in India", Teachers College Press, New York 1968.

2 For an earlier consideration of these issues see Saberwal [1976a].

3 Cited here is L S S O'Malley [1941:59]. While the British administrators' reports are an invaluable source of data for much of the colonial period, their views on the colonial encounter have to be handled with considerable discretion. O'Malley's own stock among modern Indian historians is quite low.

4 My forthcoming "Inequality in Colonial India" [1979] offers what I hope will be a somewhat less vulnerable interpretation.

5 See Saberwal [1970] on political context for this sharp expansion in the overseas interests of American anthropology.

6 During the 1920s and later, the vigorous organs of a native German intellectual tradition had enabled the Frankfurt School to digest the Anglo-American empiricism into its own system [see Jay 1973]; but nowhere in sociology were the Indian traditions able to muster the sense of mastery and of critical awareness requisite to the task of appropriating this empiricism. We succumbed to it; we did not have and did not seek the critical apparatus needed to examine its credentials and claims autonomously.

7 Interview with Erich Jacobi, Stockholm, November 28, 1978. During the 1950s Jacobi watched the scene in India closely as a senior member of FAO.

8 Desai wrote his thesis under Ghurye. While the latter's autobiographical account [1973] is replete with details of the theses of his many minor students, the name of A R Desai is not so much as mentioned!

9 The case of Ramkrishna Mukherjee is more enigmatic, but this defensiveness may in his case have led to his heavy concentration, since the 1960s, largely on methodological issues. His recent, wide-ranging, and erudite survey of the field over the past quarter of a century [1977] is silent on this change of direction in his own work.

10 This lack of interest in colonialism by itself, in the judgment of Romila Thapar [in press], led Weber to misconstrue the complex antecedents of industrial capitalism; she has argued that, without the colonial loot, fluid capital would in England have been so much scarcer that the pace and the course of industrialisation would have been very different. The argument is interesting even though, I think, Romila Thapar has misread the evidence somewhat.

11 Gerth and Mills 1946: 188, 19[illegible] 400; the indicators are applied to the caste system on pp 405-9.

12 The issue here admittedly bristles with complexity. On one side is Ralf Dahrendorf who, for the industrial West, stresses the high rate of social mobility and the expansion of the "social rights of citizenship", so that only "the inequality of power and authority which inevitably accompanies social organisation" remains — or will remain — as the "fundamental inequality of social structure" [1959:64]. On the other side is Raymond Boudon [1974] who sees this much vaunted social mobility as being principally *lateral*, implying that the structure is very much less open than Dahrendorf suggests.

These arguments are peripheral for India. Inequality here is *scarcely a matter of interpreting* complex statistical data. The suppression of its awareness here is much more direct: one among many examples concerns the Director of a private sector social research centre, a very highly paid, affluent man (in fact *not* a social scientist at all!), who responded to a staff member's proposal to study urban poverty with the comment, "Poverty? What poverty? I'm also poor."

13 For one attempt to de-mystify their consequences for inequalities in England, see Titmuss [1962].

14 Fuller [1977] has argued that the caste system in a tightly organised village structure was not so much the traditional — precolonial — pattern as the outcome of the economic and political processes in the colonial order. (Ulf Hannerz gave me this essay.)

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…eprivation

Three Case Studies in Punjab

Mark Juergensmeyer

To describe the lowest strata of Indian societysolely in caste terms or solely in class terms tends to place undue emphasis on one or the other, the social or the economic components.

An emphasis on caste as the defining characteristic implies a cultural continuity between the lower and higher strata of society; but this obfuscates the radical differences between them, differences which exist largely due to the labouring class character of the lower caste community.

On the other hand, to emphasise only their class characteristics would neglect the many members of lower castes who have begun to move out of their labouring class roles but for whom social discrimination is a real form of oppression. Then too, the many social movements which have erupted from the lower castes during this century have been based more on cultural solidarity than on labouring class unity, and yet have provided a basis for collective economic mobility for the lower castes. The movements have capitalised on both the social and the economic integrity of the lower caste community.

One might regard the lower caste communities, then, as 'cultures of deprivation', in which there are both social and economic elements. The word 'culture', as it is used by some anthropologists, implies a complete sub-society, with integrated social, religious, economic, and customary practices which are distinctly different from those of the larger society. The word 'deprivation' suggests an awareness of the limitations of these cultural elements vis-a-vis *the larger society, and a social identity built upon that awareness.*

Both of these matters need to be argued and described further; and that is the purpose of this article. The description is based on three case studies in Punjab.

THERE seems to be an unrelenting debate about whether the lowest strata of Indian society are best characterised in economic terms, as the poorest classes, or in social terms, as the lowest castes. When one looks at the actual situation, one realises how Gordian the knot of confusion is, for on the local level the social and economic aspects are hopelessly intertwined The categories of class and caste are interwoven and appear mutually to buttress each other For all practical purposes, at least in the area which I know best, Punjab, the poor are the Scheduled Castes and the Scheduled Castes are the poor.

Moreover, to describe the lowest strata of Indian society solely in caste terms or solely in class terms tends to place undue emphasis on one or the other, the social or the economic components. An emphasis on caste as the defining characteristic implies a cultural continuity between the lower and higher strata of society; but this obfuscates the radical differences between them, differences which exist largely due to the labouring class character of the lower caste community. On the other hand, to emphasise only their class characteristics would neglect the many members of lower castes who have begun to move out of their labouring class roles but for whom social discrimination is a real form of oppression. For them, the old cultural identities are still strong Then too, the many social movements which have erupted from the lower castes during this century have been based more on cultural solidarity than on labouring class unity, and yet have provided a basis for collective economic mobility for the lower castes. The movements have capitalised on both the social and the economic integrity of the lower caste community

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But first, it might be appropriate to point out that such 'cultures of deprivation' are found in many parts of the world. Although the concept of ritual pollution has complicated the Indian situation, the coincidence of social oppression and poverty is common to minority groups everywhere, and is not contingent upon the peculiarities of Indian culture. Oscar Lewis has argued that 'cultures of poverty' exist at the bottom of the socio-economic hierarchies of most societies.[1] Despite Louis Dumont's argument that it is improper to speak of castes within a society unless there is a caste *system* — a whole society arranged in hierarchical groups[2] — there are many societies which have birth-ascribed social groups, similar to India's Untouchables, which are considered to be socially inferior through some permanent stigma.[3] In addition to the Blacks in the United States, pariah groups include the Eta in Japan and certain blacksmith tribes in East Africa

Comparisons between India's Untouchables and the Blacks of the United States are especially apt, if not always accurate.[4] In both cases, social and economic conditions combine to create a culture of deprivation Like the Blacks, the Scheduled Castes have been in a situation of semi-slavery over many centuries. They have been relegated to the most menial economic roles, their time and labour have been at the mercy of the upper castes; they have been unjustly regarded as child-like, dumb, and unclean; and they have not been allowed to participate in the affairs of the larger community. And both lower castes and Blacks have utilised movements of social protest for

their social and political liberation. It should be pointed out, however, that there are also some differences between Blacks and lower castes. The Blacks are racially separate from the dominant society; and although it is sometimes argued that the Scheduled Castes are racially separate from upper castes, their physical appearances are much like the rest of society.[5] Then there is also the argument that the lower castes are integral to the economy and culture of the larger society in ways which marginal groups in other parts of the world are not. These are debated points, but they illustrate the fact that the social configuration of each society has its own character; and that the cultures of deprivation throughout the world, if similar in some respects, are not the same.

Cultures of Deprivation in Punjab

There is considerable diversity among the cultures of deprivation even within a single Indian state. The two major Scheduled Castes in Punjab — the leather-working *Chamar* and the sweepers, the *Chuhra* — differ from each other, and in different parts of the state; and there are also religious differences among them. They are a diverse and large lot, represented in even greater abundance in Punjab than in neighbouring Uttar Pradesh. They comprise almost 25 per cent of some districts. But there are some fundamental characteristics which unite them.

Although urban Punjab has a reputation for liberality in social attitudes, the stigma of Untouchability has remained, especially in the villages. In a village survey I conducted, I found that old practices, although frequently less common, die hard: eating, smoking and sitting with upper castes was denied; separate wells were maintained for the lower castes; forced labour was common; and the wives and daughters of the lower castes were subject to sexual abuse.[6] These experiences of social oppression were compounded by the experience of poverty; and I found that although the landless labour wages in Punjab are the highest in the nation, the Scheduled Castes in Punjab are quite poor relative to the higher castes. In the ranking of castes on an economic scale there is a leap downward between the poorest of the upper castes (the 'Backward Castes') and the least poor of the Scheduled Castes. In the villages I surveyed in Punjab, Scheduled Caste members were crowded over four to a room, whereas the upper caste rations was a more comfortable 1.5. In many Scheduled Caste families, every member, from young children to aged grandmothers, were engaged in some form of employment in addition to the tasks of maintaining their household, simply to ward off hunger and the burdens of severe debt.

The society of the Punjab lower castes is demarcated by the features of social prejudice and poverty. But the differences between upper and lower caste societies are characterised by other factors as well. In general, the social habits and mores of the Scheduled Castes are more flexible than those of upper castes. Scheduled Castes are more liberal over the taboos against meat, of all kinds — even beef. Divorce is permissible, although not especially honourable.[7] The Scheduled Castes have a reputation for using country liquor, marijuana, and narcotics — sources of solace for the poor and disenchanted the world over. The family patterns tend to be nuclear rather than the large joint families which usually characterise the village society; perhaps this is due to the possibility of divorce, but more likely it is due to the mobility of the Scheduled Caste families. Out of occupational necessity, some Scheduled Caste nuclear families must live apart from their joint families in order to live near their upper-caste employers; other families drift apart in search of work. The language dialects of the Scheduled Castes are in some areas different from those of the upper castes; and the Scheduled Castes have channels of communication quite their own.[8] Traditionally, caste panchayats have provided them with separate social political institutions: that role within this century has been played by lower caste religious and social movements in Punjab, such as the Ad Dharm movement in the 1920s and 1930s.[9]

In each village, aspects of cultural activity — religion, public events, political and economic organisation — are shared with the wider community; but the social habits amd mores mentioned above are elements of identity and cultural behaviour which they experience only by themselves. Perhaps the most revealing characteristic of the culture of lower caste Punjabis is their lack of belief in the concepts of ritual pollution and in the karmic cycle of birth and rebirth, which are usually regarded as basic elements of Hindu culture, and which, according to Louis Dumont, undergird the legitimacy of caste.[10] There is, however, no name for this anti-structure of beliefs and customs of the Punjab lower castes; the culture of a deprived society. For the most part, it is a culture without the outward symbols and structures of cultural unity. But it is also a culture that is only partially submerged beneath the larger social, economic, political and religious structures of village society, as the following three case studies will indicate.

Village Bimla: Burden of Deprivation

In parts of Punjab, there are semi-feudal conditions in which the villages are dominated by a small number of landlords who have enormous power over their territories of control. These are oppressed societies in which the lower castes, as landless labourers, bear much of the burden of oppression. Much of the village culture is bent to the control of the landlords; but there are also popular cultural forms, such as those of religion, which present at least the illusion of escape. Fortunately, not many of these landlord-dominated villages remain in Punjab. One that does is the village of Bimla[11] near the Rajasthan border, where a quarter of the population of 2,000 are Scheduled Caste.

In Bimla, there are two main Scheduled Caste groups who live near one another at the edge of the village, outside the main walls; the names of the groups are informative, for they tell us something about their identities. The lower status group is called *Mazbi*, the term often given by members of the Sikh religion to the *Chuhra*, the sweeper caste; the term comes from the sweepers' alleged devotion to the Sikh faith *(mazhab)*. The relatively higher status group of Scheduled Castes is called *Chamiyar*, a variant form of *Chamar*, which is the name of the largest group of Scheduled Castes in Punjab, the leather-workers. The Chamiyars in Bimla are also sometimes called 'Ramdasia' or 'Raidasia', after the name of their patron guru, the sixteenth century saint and poet, Ravi Das.

Regardless of what their traditional economic roles are supposed to be, I found that in fact the Mazbis' and Chamiyars' occupational roles are exactly the same — landless agricultural labour. The land around Bimla is in large irrigated plots, which require a larger labour force than the smaller family

farms of central Punjab. The day labourers work primarily during the harvest season, and move among the landlord families according to the availability of work; there are permanent labourers too, attached to the richest landlord families.

The permanent family-related labour role in Bimla is extraordinarily demanding. These labourers are the mainstay of the labour force in the fields and in the landlords' large houses; and they also are pressed into extra services when the landlords request them. The landlords are Sikhs, of Jat castes; unlike the middlepeasant status of most Jat Sikhs in Punjab, the landlords in Bimla are wealthy, and very powerful. When the landlords war against each other, as sometimes they do, the landlords' Scheduled Castes are formed into small militias to defend their landlords and to do mischief against the opposing side. Within the past five years, two Scheduled Caste men have been killed in these skirmishes. Strangely, the Scheduled Caste militiamen continue to live among themselves in harmony, even if they have to fight for opposing landlord factions.

Perhaps the most onerous obligations are the demands which some men in the landlord families make upon the Scheduled Caste women. The youngest brother in one landlord family claims, with some pride, that he has totally eradicated virginity among the daughters of his father's labour families. Ordinarily, the women are given Rs 10 to 20 for their favours, which is supposed to keep down dissension over the matter. Three years ago, an older landlord who had a fondness for the wives of his Mazbi labourers was gheraoed by the Mazbis for two days, to the amusement of the rest of the village; selected beatings kept the gherao from continuing or becoming more embarrassing for the landlord. Of the Scheduled Castes, 70 per cent who are day-wage labourers are also subject to abuses of these kinds, but less frequently so. And they appear to be more at liberty to leave the village if the situation becomes inordinately unpleasant.

The basic social composition of Bimla is rather simple: a small number of feuding landlord families, a large number of middle-caste artisans and small landowners, and a large labour supply provided by the Scheduled Castes. Few children — and none of the Scheduled Caste children — attend school. The politics of Bimla is essentially the sport of the landlord families. In recent elections, most of the village supported the Akali party; but there was a suspicious 25 per cent Congress vote — exactly matching the numbers of Scheduled Caste voters. After that election, the landlords for some weeks denied the Scheduled Castes daily access to their fields, an act which was tantamount to blocking access to the Scheduled Castes' bathrooms; the ensuing sanitation problem in the village finallly persuaded the landlords to relent. According to the Scheduled Caste leaders, they had indeed voted for the Congress, but only to avoid voting Akali. There had been some sentiment among the Scheduled Castes for voting CPI (Communist), but they decided to vote Congress as a bloc.

The one great diversion in Bimla — aside from the landlords' squabbles — is religion. There is a Sikh Gurudwara with a Granthi (priest) in the village, supported by the landlords; but the real religious interest lies elsewhere, in the cults of saints. Within Bimla is Ram-ji Das, a wandering Sant who has settled down on the outskirts of the village. The landlord families apparently took a liking to him: they have equipped the holy man with a cement-block temple *cum* residence, and five acres of land which includes a bathing tank, a garden, and a magnificent pipal tree. Ram-ji Das is a local fixture; perhaps every family in Bimla has come to him at one time or another for a blessing, a word of spiritual bliss, or a good omen. Ram-ji Das is of upper caste background (Jat), as are most of the other Sants and gurus which the Bimla villagers favour; yet a disproportionately large number or Ram-ji Das's followers are Scheduled Caste. As in the other religious groups, Scheduled Castes frequently provide half the following.

In addition, the Scheduled Castes have their own religious leader, who has the awe of much of the village. Bhagat Singh, a Chamiyar, is a priest in the Gogapir sect, which in this part of the Punjab is almost exclusively lower caste. Gogapir priests cure snake bites, after chanting and falling into a trance. Bhagat Singh, through his religious powers, has become the acknowledged leader of the Scheduled Caste community in Bimla — a role that he might have achieved through his commanding personal authority. The aura of the supernatural, moreover, enhances his leverage with the wider village society, where it is rumoured that he is in active communication with the serpentine world. His patients have come from all sectors of the village.

Despite Gogapir, and elements of other exclusively Scheduled Caste traditions in Bimla, one would find it difficult to identify specific symbols of a Scheduled Caste culture in the village. One might argue that many of the villagers participated in a culture of deprivation; for, with the exception of the landlords, they are all impoverished. Yet appearances are deceiving, for within their own section of the village, the lower castes are caught within an even more economically and socially limited society than that of the other villagers. Only the outward elements of cultural difference are absent; such demonstrations of cultural difference might, after all, be greeted by acts of great displeasure from the upper castes. The lower caste quest for cultural identity in village Bimla, however, may be seen in their involvement in religious and social groups which have given them — albeit in an illusory way — the experience of an alternative, a touch of an egalitarian society, and a bit of social leverage.

Village Nalla: Beginnings of Change

Most of the villages in Punjab are not as oppressive, or as socially divisive, as Bimla. Landholdings in the northern and central areas of Punjab tend to be more modest, with less extremes of wealth. And, even though the lower castes are still regarded as Untouchables in these areas, their economic conditions are more flexible, their social status less onerous. Paradoxically, the separate social identity of the Scheduled Castes appears to be stronger in these areas.

Village Nalla[12] is a case in point. Nalla is located on the other side of Punjab from Bimla; but the distance is more than geographical. Nalla is in an idyllic setting on a hill above the Sirsa river, with the foothills of the Himalayas mounted behind. Nalla has a population of some 350, 85 per cent of which are of Gujjar caste, an agricultural caste known for raising cattle; about 50 of the villagers are Scheduled Castes, some 12 per cent of the total population, all of them of Chamar caste. The Gujjars are not large landowners. The leading Gujjar family has about 40 acres, and three or four Gujjar families have even less than five acres;

some of them are almost as poor as the Chamars.

The Chamars live by themselves at the downhill side of the village. They have their own well. The Chamars have a few animals, and several families are shoemakers for the surrounding villages. The remainder are seasonal labourers, and do rather well during the harvest season, earning Rs 8 to 10 per day. Much of the year they have little to do, however, so the income yearly is not that remarkable. Two or three of the Chamar families do domestic work for the richer Gujjar families, they are paid at regular wage-rates, and there does not seem to be the grovelling subservience one finds in village Bimla. Nevertheless the Chamars are deferential to the upper castes, and aloof.

The aloofness is reciprocated by the upper caste families, although they are proud of their acts of charity and their attempts at the social uplift of the lower castes. In 1961, Nalla was designated a 'model village' by the government, which resulted in several new buildings including a sports stadium equipped with concrete bleachers and a roof; new housing also was provided for the Harijans, a row of concrete huts near the sports stadium. To the villagers' dismay, however, the Chamars have refused to move into Harijan housing; the Chamars felt as if they were being exiled from the village. The Chamars have been more appreciative of the government's gift of five acres of cultivable land to eight Chamar families in 1968. The land was redistributed from areas vacated by the three Muslim families who lived in Nalla before the partition of Punjab in 1948, and is now a source of support for the Chamar families. Only a few of the families actually farm their land, since they do not have bullocks and equipment, they rent the land to the upper castes at the rate of Rs 500 per year.

Despite the upper-caste attempts at generosity, the lower castes appear to deliberately maintain their independence in such matters as political loyalty. In recent elections, when the dominant Gujjar family supported the Akali party, almost all the village voted for the Akalis — all except the Chamars, who voted Congress. When the village returns indicated a sizeable Congress support, the dominant families determined that the Chamars were culpable; and retaliated accordingly through a series of beatings. One member of the dominant Gujjar family suggested that the beatings would be more effective by being administered before elections rather than after.

The independence of Chamar loyalties extends into matters of religious affiliation as well. The Chamars are regarded as Sikh[25] by the upper castes, since the Chamars wear the turban and keep the other customary observances of Sikhs. But the Chamars have double, even triple, religious affiliations. In addition to their Sikh identities, the Chamars claim to be Ad Dharm, recalling the name of a Punjab Scheduled Caste religious movement earlier in this century, and they use the term 'Ad Dharm' as their caste name. When asked their religion, they almost uniformly reply 'Ad Dharm Hindu'. The leader of the Chamar community in Nalla, Chanan Lal, an old shoemaker with a flowing white beard, remembers the day he went to a nearby village gathering of Scheduled Castes to hear Mangoo Ram, the leader of the Ad Dharm movement during the 1920s and 30s. Chanan Lal describes Mangoo Ram as 'that great man', whose message 'gave us hope, and made us into men'. Two miles from Nalla there is a temple honouring Ravi Das, the patron saint of the Ad Dharm movement, the Chamars occasionally visit it, and attend a Ravi Das mela there every year. The organisational network of Ad Dharm no longer exists, but the fairs and other events keep up the associations of Nalla Chamars among their fellow caste members in other villages. Apparently, there was once a regional council for the Chamar caste in the Nalla area; there is some talk of its revival.

In addition to their Sikh and Ad Dharm religious identities several Chamars are members of Radhasoami and Nirankari — the most popular of Punjab's new religious movements. Although these are inter-caste movements, only the lower caste families in Nalla have joined, no upper castes are represented in these, or in any other sect. The two Chamar families who belong to Radhasoami joined the faith about five years ago when a Radhasoami carpenter from an adjoining village came to the Chamar section of Nalla; the missionary zeal of his devotion to Radhasoami was enhanced by the fact that he visited the Untouchable Chamars inside their homes. The Nalla Radhasoamis have a picture of the Radhasoami guru on their walls, along with a portrait of the Ad Dharm's Ravi Das. One Chamar has compounded his loyalties by adding to those two pictures one of Karl Marx.

In Nalla, similar to the more oppressive village Bimla, religion provides elements of escape and an alternative social identity. Yet in Nalla, religion is also a part of the separate caste identity of the Chamars. In the relatively more open social conditions of Nalla, there has been more openness for variety and dissenting loyalties. Perhaps in Nalla it is not the culture of deprivation which is more widespread, but the expression of it. These cultural expressions have not changed the conditions of the Nalla Chamars markedly, but perhaps it has affected their self-perceptions, by providing the elements of a cultural tradition which the Nalla Chamars can claim as their own.

Boota Mandi: Culture of Achievement

In the more developed areas of Punjab — the industrial areas in and near the cities — the economic conditions of the Scheduled Castes are frequently better, although this is not uniformly so. The economically improved members of Scheduled Castes in some cases maintain an individualistic identity in the cities' developing middle class. More frequently, Scheduled Caste members maintain their old caste identities, and alliances. The paradox which was evident in village Nalla is even more evident in the Scheduled Caste areas of the city; a greater degree of economic improvement and social flexibility is characterised by a stronger turn towards distinctively Scheduled Caste cultural symbols.

This is certainly the case in Boota Mandi, a developed area at the edge of Jullundur City in central Punjab. Boota Mandi is entirely composed of a single Scheduled Caste — Chamars — but the term, Ad Dharm, is preferred instead. The name of their colony, Boota Mandi, means 'Boot Market', or more accurately, 'leather market', because that trade occupies the primary source of revenue and occupation for the community.

Until around 1930, there was nothing along Nakodar Road, where Boota Mandi now stands, except scrub brush and eroded fields. In that year, Seth Kishan Das and his four older brothers, who were tenant cultivators in nearby Nagal village, five miles away, came with the intention of setting up a

wholesale cloth business to cater to the British army cantonment in Jullundur. There had been caste tensions between the Chamars and landholders in their village, and the brothers came with hopes for a new beginning. Kishan Das and his brothers discovered that more money was to be made in the sale of leather for military boots, rather than in cloth; but the Muslims in Basti Gujan of Jullundur City had cornered leather market, and were not hospitable to competition. Since they were themselves Chamars, however, the brothers had better access to the sources of supply — the Chamars who collected the hides from the village hide-collectors and who did the rude tanning. Thus, Kishan Das and his brothers were able to give the Muslims competition despite the Muslims' attempts to drive the brothers out of the market through price flutuation and intimidating their sources of supply. It was not until after partition, and the exit of the Muslims, however that Boota Mandi prospered.

Soon another Chamar, Sundar Das, came to Boota Mandi from village Dhanal, four miles away Sundar Das had saved money selling leather to the Chinese shoemakers in Calcutta, so he also was able to enter the leather business. Various uncles and cousins of Sundar Das and Kishan Das migrated from the villages to join them, and thus, the two major families, and much of Boota Mandi's population of 2,000, are either relatives of Kishan Das in the Klare subcaste or relatives of Sundar Das in the Mahay subcaste. 50 per cent of Boota Mandi's residents are involved in small-scale rough tanning which they do on contract, 30 per cent are wage labour for the various tanning enterprises, and 20 per cent are involved in the more lucrative trading business. The average worker does fairly well — between Rs 200 and 300 per month — and the main merchant families do extraordinarily well, in some cases earning thousands of rupees per month. One of the Mahay families has a television, a cousin who works with the BBC in London, and a son who is a bank manager and is married to a Punjabi girl (within his caste) from Kenya. A group of young Boota Mandi college graduates have recently established their own school, which specialises in educating the young ladies of upper caste families. Clearly, Boota Mandi is not a slum, nor a ghetto; a large number of its former residents have moved into the comfortable middle class surroundings of the new residential colonies in Jullundur, and many draw government salaries.

Many of the Scheduled Caste movements of this century have found financial and leadership support from among Boota Mandi residents. Even before Boota Mandi was founded, the original pioneers, Seth Kishan Das and Sundar Das, were both active in the Ad Dharm movement. For their caste name, the Boota Mandi residents have appropriated the Ad Dharm Mandal's name; and the patron saint of the Ad Dharm movement, the bhakti poet Sant Ravi Das, is prominently displayed in the art and calendars on Boota Mandi walls. In fact, there is a Ravi Das Gurudwara[13] in Boota Mandi, a Ravi Das library, and a Ravi Das community centre, all of them donated by the leading Klare and Mahay families around 1950, when Boota Mandi began to prosper. There is even a Ravi Das Youth Club, a social fraternity for the high school- and college-age boys. A Ravi Das school operates out of the Gurudwara, established in 1955, there are 350 children attending, an impressive 90 per cent of the school-age population. Over 50 per cent of both boys and girls attend high school.

The general level of caste pride is such that Ad Dharmi youth do not feel any reservation about admitting their caste identities in the larger society, they have even established Ad Dharm Youth Clubs in the local Doaba College in Jullundur, with branches in five or six other colleges. The Doaba College club has 42 members, and meets regularly for social events and political discussion; their main rival is the Sikh Students Association. Boota Mandi youth have been instrumental in forming a new socialist organisation; and one of them boldly ran for a parliament seat against India's former Foreign Minister, Swaran Singh.

India's best-known Scheduled Caste leader, B R Ambedkar, is also represented in Boota Mandi. Nearby, on Nakodar Road, a new statue of Ambedkar has been erected at a major intersection; a field has been fenced off and a small building there is the precursor of an 'Ambedkar Bhawan' to be built in the future. Further down Nakodar Road, towards the centre of the city, there are the offices of Ambedkar's Republican Party of India, and the editorial office of the Ambedkar journal, *Bheem Patrika*; it is published by L R Balley, who also lives near Boota Mandi, and is a frequent figure in the community.

Some of the young people in Boota Mandi have flirted with a local chapter of the Dalit Panthers which has recently been established in nearby Phagwara. In general, the level of activity and militancy among Scheduled Caste youth — especially the educated and reasonably wealthy ones — has increased dramatically in the past several years. In August 1978, the young people of Boota Mandi established their own version of the Dalit Panthers, the *Dalit Sangarsh Samiti*, which has launched demonstrations and agitations in sympathy with the Marathwada University issue in Maharashtra, and against local atrocities in Punjab.

One might wonder what is so *dalit* (oppressed) about the conditions of the young members of Boota Mandi's *Dalit Sangarsh Samiti*. They are, for the most part, well-educated and even wealthy. Are their protestations simply romantic tirades against conditions they have never experienced? Perhaps; and yet there is something both poignant and real about their acts of social protest. For, even though they enjoy the economic advantages of modern society, they are, after all, still Untouchables in the eyes of many in society. Their sense of solidarity with the less advantaged members of the Scheduled Castes is honest; they are, in their demonstrations of support, proclaiming that they too know the experience of deprivation, in a social sense. Perhaps also they are acknowledging that their particular economic fortune is a fragile and capricious thing. For, without the opportunities of modern industrial Jullundur, and without the luck and ambition of their grandfathers, they might be much like the village Chamars of Bimla or Nalla. So what unites the Scheduled Castes in the three areas — Bimla, Nalla, and Boota Mandi — is not so much a similarity of economic condition as it is a similarity in cultural awareness, a knowledge of who they are, who they have been, and who they might become.

Cultural Symbols and Contexts of Deprivation

The paradox noted in our consideration of the village Nalla Chamars has been completed in our impressions of Boota Mandi : the more advanced the group is, economically and socially, the more pronounced are the evidences of separate cultural identities. And within this paradox is a puzzle : how can a cultural identity be sustained without

the bases of identity — in this case, social oppression and poverty — which provided the common elements of that identity in the first place?

The puzzle is at least partly resolved by the fact that social movements — such as Ad Dharm, Ambedkar's movements, the Dalit Sangarsh Samiti — are the bearers of the new symbols of cultural identity. The symbols are of a community in movement, and not one mired in the helplessness which the conditions of social oppression and poverty often imply. The Scheduled Castes in the Punjab are in change; and the contexts for their cultural symbols are their attempts at social mobility, as well as their situations of oppression. Thus the disparate conditions of the locales of village Bimla, village Nalla, and Bhoota Mandi, are each contexts for a culture of deprivation in the Punjab, even though some of the contexts are mobile and changing.

Something unites the almost feudal members of lower castes in village Bimla with the more modern ones in Boota Mandi. That unity is their sense of socio-economic deprivation as members of Scheduled Castes; and it is this unity which continues to be the basis of social movements of solidarity and protest. Paradoxically, too, such movements tend to heighten and bring to consciousness an identity which had been latent. Thus only at some times, and among some people, has there been a collective identity for the whole of the Scheduled Caste community, a cultural identity for a common culture of socio-economic deprivation, a culture *in stasis* and *in change*.

How does this cultural identity affect the current discussion over whether benefits to the deprived should be defined by social or by economic categories — the Scheduled Castes or the poor? *It may confound the issue.* For, if the benefits awarded Scheduled Castes encourage a number of upwardly mobile people to retain their identities as members of Scheduled Castes, then government policy maintains and promotes that identity. And yet, it seems clear in my case studies in Punjab that the basis for common [illegible]ady exists, with or without [illegible] benefits. Moreover, for government to alter the basis for benefits at this ti[illegible]ould have a fissiparous effect i[illegible]he other direction: it would make [illegible]nctions within the Scheduled C[illegible] community which would underc[illegible] sense of cultural solidarity which often exists between the more advantaged and the poorer elements. *Such ties have economic advantages for the whole community — as we have seen in the case study of Boota Mandi. Such ties have been* essential for the creation of social *movements*. The furtherance of *economic distinctions would encourage the* individualism and social isolation which already sometimes accompanies economic success. The cultures of deprivation are laden with both social and economic elements. And, whatever solutions are offered for their improvement, they will have to take both elements into account.

Notes

1 Oscar Lewis, "Five Families: Mexican Case Studies in the Culture of Poverty", Boston: Beacon Press, 1962. The term 'culture of poverty' is sometimes associated with a causative model in which cultural attitudes are allegedly responsible for the inability of the poor to rise from their condition of oppression. This model does not apply to the Punjab Untouchables, whose cultural attitudes are those of defiance as well as submission. For a critque of the 'culture of poverty' model, see Charles Valentine, "Culture and Poverty", Chicago: University of Chicago Press, 1968.

2 Louis Dumont, "Homo Hierarchicus: The Caste System and Its Implications", (translated by Mark Sainsbury), Chicago: The University of Chicago Press, 1970, and published in France by Editions Gallimard in 1966, chapter 10, "Comparison: Are There Castes among Non-Hindus and Outside India?" and the Appendix, "Caste, Racism and 'Stratification' — Reflections of a Social Anthropologist".

3 An argument for the inter-cultural occurrance of castes and outcastes is made by Gerald D Berreman in 'Structure and Function of Caste Systems', in George DeVos and Hiroshi Wagatsuma, *eds*, "Japan's Invisible Race: Caste in Culture and Personality", Berkeley: University of California Press, 1966.

4 A comparison of Blacks and Untouchables, utilising quantitative analysis, is found in Sidney Verba, Bashiruddin Ahmed, and Anil Bhatt, Race, Caste, and Politics: A comparative Study of India and the US", Beverly Hills, Sage Publishing, 1971.

5 Herbert H Risley and other British ethnographers in the nineteenth century attempted to discern the racial differences by such devices as comparing measurements of nose sizes: currently such studies are in disrepute. For a more recent *review of the discussion*, see P C Biswas, 'Present State of the Problem of Correlation Between Racial and Caste Differences in India', *Anthropologist*, Volume XII, Nos 1 and 2, March and August, 1965.

6 The survey contained 93 questions regarding economic conditions, cultural attitudes, and political and religious affiliations. It was administered to approximately 150 upper-caste and lower-caste respondents *in six locations* (three villages, a town, and two sectors of a city) in 1970-71, and rechecked in 1978. The questions and a statistical tabulation of the responses are in Mark Juergensmeyer, "Political Hope: Social Movements of North India's Untouchables, 1900-1970", Ph D dissertation, Department of Political Science, University of California, Berkeley, 1974 (University Microfilm No 74-23, 959), Appendix A and Appendix B.

7 Marriage and family customs are still similar to those described in George W Briggs, "The Chamars", Calcutta: Associated Press, and London: Oxford University Press, 1920, chapter IV.

8 Regarding Scheduled Caste dialects, and their distinct difference from that of the upper castes, see John J Gumperz, 'Dialect Differences and Social Stratification in a North Indian Village', *American Anthropologist*, volume LX, 1958, also 'Religion and Social Communication', in *Journal of Asian Studies*, Volume XXII, June 1964. For separate channels of communication among the Scheduled Castes, see Robert J Miller and Pramodh Kale, 'The Burden on the Head is Always There', in J Michael Mahar, *ed*, "The Untouchables in Contemporary India" Tucson, The University of Arizona Press, 1972.

9 See my article, 'Ad Dharm: Religion of Untouchables' in *The Times of India*, Sunday, October 12, 1975. The movement is also featured in a forthcoming book on lower caste social movements which I have recently completed.

10 This point I explore further in 'What If the Untouchables Don't Believe in Untouchability?' in the *Bulletin of Concerned Asian Scholars*, forthcoming.

11 The name has been changed.

12 The name has been changed.

13 The Sikh term for a place of worship, 'Gurdwara', has been appropriated by some followers of Ravi Das; they claim that Ravi Das was also a guru.

Class and Jati at Asthapuram and Kanthapuram

Some Comments Towards a Structure of Interests

S S Sivakumar

Chitra Sivakumar

At the present stage of the development of social sciences in India, two somewhat contradictory trends appear to have emerged; the Marxian approach which relies heavily on class analysis and the empiricist approach which considers jati to be at least as important as class in the study of Indian society.

The present study, pertaining to two villages in the Chengalpattu district of Tamil Nadu, hopes to bridge this gap and to formulate certain hypotheses showing the historical and contemporary inter-linkage between these categories.

THE terms class and jati have been emphasised by two different schools of thought in India. Notwithstanding some non-Marxian attempts towards its use,[1] the term 'class' relies on the following premises :

(1) Historical Materialism as a philosophy;
(2) dialectics as a tool of analysis; and,
(3) 'mode of production' as the central point of reference.

The empiricist's analysis of caste or jati rests on the following premises:

(1) each society is sociologically unique;
(2) in India caste plays a major (and according to some dominant[2]) role in social relations, and
(3) the role and functions of caste are not explainable in material and dialectical terms alone.

Without having to go into many details, we wish to merely state that we accept the following possibilities as the starting point of our analysis: Firstly, conventional Marxist analysis, in confining caste to a superstructural role, has been less than fully attentive to its significance.[3] Secondly, the empiricists have, in turn, not fully exploited the economic significance of jati.[4]

The present study proposes to go into the interconnections between class and jati at Asthapuram and Kanthapuram. It must be considered as a sequal to the earlier works of one of authors.[5]

We address ourselves to one major question: What are the respective roles of class and jati in defining a structure of interests among the residents of the two villages. In order to elucidate the class-jati linkage in the contemporary context of the villages, we find it necessary to begin our discussion with a description of the agrarian society of the eighteenth century Tondaimandalam (the historical region to which our villages belong). This will constitute the first section of the present work. The second section consists of a description of the class-jati linkage in two villages during 1916. This section, is followed by the one which takes up the two villages in 1976. The fourth and the last section will consist of some hypotheses and some general observations pertaining to the cognitive world of the people of Asthapuram-Kanthapuram.

I

Production Relations and Jati in Eighteenth Century Tondaimandalam

At the very outset it may be pointed out that detailed recorded information on the role of jati pertaining to this period is very limited. To some extent, therefore, we also had to rely on local customs, legends, and practices, in an attempt to read history backwards.

Details of production relations among the different categories of persons in the eighteenth century Tondaimandalam have been taken up elsewhere;[6] for the present, we give a brief summary:

(1) The technology of paddy cultivation was stagnant at very low, and highly labour intensive, levels.[7] Paddy was the mainstay of the rural economy at that time.[8]
(2) The village economy was dominated by a class of individuals known as *kaniyatchikarars* (lords of the domain) who were also referred to as mirasdars.[9]
(3) Under the *kaniyatchikarars* were *payikaries* who were (temporary or permanent) resident cultivators, and whose tenure was held at the pleasure of the former. Next in the hierarchy were the village functionaries and artisans. At the bottom were *adimais* and *padiyals*, who were the servants of the *kaniyatchikarars*. While the former were bought and sold, the latter were bonded.
(4) Cultivation was undertaken either by the *kaniyatchikarars* directly with the assistance of servants or through *payikaries*.
(5) Each *kaniyatchikarar* owned a share of the village, which included the entire village domain, including the village site, tank beds, river beds, grazing grounds, and cremation and burial grounds. Under one form of co-sharing known as *arudhikarai*, the shares were permanently divided, and under another form known as *pasungarai*, the lands were periodically redistributed according to shares. Of these two, the latter was more ancient and, in many parts, predominant.
(6) Under *pasungarai*, the entire village output was considered as a composite whole and was apportioned into : (a) *Melwaram*, the overlord's share. (b) *Manyam*, output from land (partially or totally) exempt from revenue assessment. In the main, such lands belonged to the *kaniyatchikarars*, but also belonged in small sizes to village artisans and functionaries. Invariably, the temples were also provided with a *manyam* from some of the best lands. (c) *Tunduwaram* or *swamibhogam*, the fee paid out of the *payikaries'* output to the *kaniyatchikarars*. (d) *Swatantram*, the customary fees paid to the artisans and the village functionaries. On combination with (c) above, this constituted an account known as *swatantradittam*. (e) *Kanisumai*,

kalavasam, etc, share of the output going to the servants. (f) *Kudiwaram*, the remainder of the output which went to the *kaniyatchikarars* and *payikaries* (if any). It was estimated, towards the end of the eighteenth century, that the first five shares varied from 42 per cent to 38 per cent of the output, of which *melwaram* was around 30 per cent. It is therefore evident that the shares of the village output going to the servants, artisans, and functionaries must have been very small indeed.

(7) Under the *arudhukarai* system, all the above shares were individually apportioned among the *kaniyatchikarars*.

(8) The overlord who appropriated the *melwaram*, appointed officials to fix the annual assessment on each village after a first-hand survey. Connivance between the officials and the *kaniyatchikarars* over the assessment, could therefore work to the advantage of both parties — to the detriment of the overlord's share. That this was common occurrence is well known.[10]

(9) The political-economic implication of this contradiction between the *kaniyatchikarars* and the overlord was that their relative strengths were inversely related. Any form of collective unity on the part of the former would thus not only enable them to appropriate a larger part of the output, but also vest more power in their hands. As we shall see, jati organisations had a crucial role to play in this. Before taking up this point, let us consider the jati ramifications in some detail. This will be done at two levels. One, the village and the other at the regional level.

In 1799, the Tondaimandalam region was divided into 17,821 7/8 shares, out of which 13,994 9/16 (which were accounted for) were owned by 8, 837 *kaniyatchikarars*.[11] Over 80 per cent of *kaniyatchikarars* were Mudaliyars & Brahmins, the former accounting over 55 per cent.[12] Thus it is evident that these two were the dominant jatis. Further, there was a great deal of differentiation among the *kaniyatchikarars* themselves. Landownership among them ranged from 2.60 acres to 2,660 acres. Given jati endogamy, it is also evident that certain lineage groups were dominant within the dominant jati of the *kaniyatchikarars*. We have no reason to believe that members of the dominant jati also did not belong to the *payikaries* category. Available evidence suggests that this was possible.[13] The same evidence also suggests that *kaniyatchikarars* of one village could be *payikaries* of yet another village. At the bottom of the hierarchy, the *adimais* and the *padiyals* are said to have belonged to the Parayar and Palli castes. While the former worked for the Mudaliyars, the latter worked for the Brahmins. It is, therefore, evident that while there was a jati-wise polarisation at the extreme ends of the *kaniyatchi* hierarchy, there was an admixture of jatis at the *payikari* level.

The *kaniyatchikarars'* control over the villages had three crucial elements involving intra-jati patronage. First of all, the large number of locally maintained irrigation schemes (including irrigation canals extending upto 5 kilometres in length) was communally maintained by the *kaniyatchikarars* under the aegis of the *grama sabha* or *oor-kootam* (the village council).[14] Caste allegiance, therefore, became necessary for priority in the supply of irrigation water.[15] Secondly, temple lands which were of the best quality and were also partially or totally exempt from revenue assessment, were also under the control of 'well-to-do' *kaniyatchikarars*. Caste and kinship links with them enabled others who were not so 'well-to-do' to participate in the spurious (but quite common) enjoyment of the temple lands.[16] Thirdly, in the case of permanent *payikaries* (known as *ulkudis*) there was always the possibility of being confirmed as the *kaniyatchikarars* as long as they were supported by well-to-do members of their jati.[17] Thus jati connections enabled upward mobility for some at least. Finally, the biggest benefit sought after by the *kaniyatchikarars* was increasing acquisition of *kaniyatchi manyam* (assessment-free land for themselves). The extent of the above *manyam* often depended upon the influence of the jati, or some members thereof, at higher levels. All these reasons suggest that jati links were economically important within the village. In addition, establishment of affinity-cum-consanguinity, through cross-cousin marriages among the *kaniyatchikarars* of a jati, ensured the preservation of property, economic opportunity and power within certain lineage groups of a dominant jati. Thus kinship was one of the central aspects of the class-jati nexus within and across villages. Further, the economic dependence of the servicing and servant castes on the *kaniyatchikarars* of the dominant jati bestowed on the other members of the jati in the village a derived sense of status of a patron. This further reinforced the cohesiveness of the dominant jati.

Aside from this, the dependence of the servicing and servant castes on the *kaniyatchikarars* of the dominant jati added to the strength of the latter *vis-a-vis* the overlord himself as we shall see shortly.[18]

Let us now consider the role of the dominant *kaniyatchikarars* at the regional level in order to understand the regional aspect of the class-jati nexus. The region encompassing several villages was called the *nadu*. Almost all jatis including the Parayars appeared to have had *nadu* level organisations.[19] The dominant jati leaders at this level were known as *nattars* or *nattavars*. They were men of great wealth and following and were therefore the leading *kaniyatchikarars* of the *nadu*. It appears that at least in some of the jatis the *nattars* were voted into office and could be recalled if they lost their influence.[20] The *nattars* served as regional level intra-caste arbitrators. They were also responsible for the maintenance of jati *chowltries* (hospices), maintenance of large temples which had lands extending over several villages. They were also arbitrators on behalf of their jati in intra-regional, and inter-jati disputes. In an economy characterised by rain-fed irrigation tanks which were shared by several villages and locally maintained spring canals (serving one village, but by passing several others), irrigation disputes were obviously plentiful.[21] The role of *nattars* in adjudicating over such disputes was an important one. In fact, in the 18th century, when the English Common Law had still not arrived, the *nadu* courts (presided over by *nattars*) were major judicial institutions.[22] Finally, the *nattars* were so influential that often the overlord referred to them the grant of *manyams* to individuals.[23] Obviously, being a *nattar* enabled a *kaniyatchikarar* to add considerably to his wealth and power.[24] In addition, during the 18th century, leading citizens (apparently *nattars*) also functioned as *dubashees* (literary translators) to the Muslim rulers and to the Europeans. These *dubashees* were

sometimes more powerful and wealthier than any European official or the Nawab of Arcot himself.[25]

Aside from their great wealth and influence within their jati, the *nattars* also derived power through the subordination of the servant castes to them. For instance, the customary "right" of desertion (under oppressive conditions) enjoyed by the Parayars and other residents of the village could be effectively used to paralyse and deplete the revenue collection by overlords.[26]

Thus even an autocratic overlord had to reckon with the pyramidally structured and immensely powerful dominant jati organisations. The existence of more than one dominant jati in a region meant struggle among powerful *nattars* representing different jatis, over issues ranging from control of temples to disputes over *kaniyatchi* rights in villages.[27] The overlord's art of statesmanship therefore lay either in retaining the support of the *nattars* of the most powerful jati or in keeping the *nattars* of different dominant jatis constantly at loggerheads with one another. Hence, the overlord was seldom in a position to override the *nattars*. The Nawabs of Arcot apparently could not repress the power of the *nattars*. Ideally, of course, the overlord's hands were strengthened to a maximum if the leading *nattars* belonged to his own jati or community. We have little doubt about the veracity of the legend pertaining to the colonisation of Tondaimandalam area during 10th and 11th centuries by the Vellalas of Cholamandalam under Atondai Chakravarti (Mudaliyars being one of the jatis within the Vellala conglomerate).[28] Likewise, the advent of Telugu speaking Reddys (who constituted a dominant jati in Andhra) along with the conquest of Tondaimandalam by the Vijayanagar kings, and the advent of Muslims along with the Muslim conquest of the region, testify the necessity of jati or community support to the overlord.

To sum up, eighteenth century agrarian society of Tondaimandalam appears to have been characterised by a two-way linkage between class and jati. As we have seen, from the village level upwards, avenues, of upward mobility were literally closed to those without a proper jati bona fide. At the same time, the dominance of the jati itself depended to a large extent on its economic position, and the degree of power and wealth wielded by the individual members of the jati. From the point of view of an individual, since he was born into a jati, his own mobility prospects were, to a considerable extent, pre-determined by the already prevailing status of his jati. Within a jati, the mobility prospects of an individual was further affected by his lineage and kinship links. Considering the long term stability of dominant jati equations (to be broken up only through conquest or colonisation), the social definition of the 18th century individual in Tondaimandalam appears to have consisted of his lineage, kinship, and jati origins.

II

Asthapuram-Kanthapuram in 1916

The 19th century was a period of virtual destruction of *kaniyatchi* as a system of production relations. After over fifty years of tenacious struggle, the *kaniyatchikarars* as a class were decimated by the ryotwari regulations.[29] First of all, the *kaniyatchikarars* were reduced to the status of mere ryots and all distinctions between them and the *payikaries* ceased to exist. Secondly, the *inam* regulations took away their *manyam* lands once and for all. The prosperous among the erstwhile *kaniyatchikarars* now survived as prosperous ryots. But the poorer ones became poor ryots or possibly even tenants. The *payikaries*, now without any barrier between them and ownership status, emerged as independent ryots (wherever resources permitted). Land became private property in the modern sense of the word.[30] Acquisition of land no longer entailed the jati sanction within the village, but merely, an application for an ownership *patta* at the collectorate. Finally, the drastic shifts from the previous revenue assessments "in kind" to cash assessments under the ryotwari system, the heavily increasing burden of the assessment, the growth of railways and other transportation networks, initiated the process of commercialisation of agriculture.[31] These changes, therefore, paved the way for a class structure based on modern forms of private property.

However, in many respects, jati organisations continued to be important. For instance, within the village, irrigation management and temple management continued to be within the control of the dominant jati, now under the leadership of the prosperous ryots. Also within the village, the prosperous ryots and their jati-men continued to enjoy patronage over the servant and servicing castes. In the case of the servant castes (particularly the Parayars), their "emancipation" during the 1840s, and the theoretical possibility of "equality before law", and the hypothetical chance to become ryots, did not in the least alleviate their impoverishment. The loss of *kalavasam* and other traditional rewards, combined with the threat of insecurity entailed by their "emancipation", tended to enhance their misery. Many of them in southern Chengalpattu, underwent voluntary bondage. As for the servicing castes, the lapse of legality of their customary rewards left them also at the mercy of the prosperous ryots of the dominant jati in the village.

The dominant jati groups at the regional level acquired a new significance. They were no longer interest groups struggling with the overlord for ascendancy, in a decentralised polity. The advent and proliferation of a centralised bureaucratic regime based on English Common Law and centralised juridical machinery, and the Western System of education (which was vital in determining access to government jobs), all tended to reformulate the strategy of jati groups. Since Western education and government jobs became the new avenues for power and prosperity, jati groups became groups of regional lobbyists for government patronage. The degree of patronage enjoyed by members of a jati from the government, thus became a powerful variable in determining jati dominance.

An interesting phenomenon in Tondaimandalam in the 19th century was the emergence of Pallis as a dominant jati. Thanks to the leadership provided by some jati members who had entered modern professions (e g, law), and some others who were well-to-do, the Pallis formed a jati conglomerate with Padayachis, Gounders (of North Arcot) and others, called the "Vanniyakula Kshatriyas". This conglomerate claiming a genealogical root in a Chola-Pallava intermarriage fifteen centuries previously, and worshipping Raja Desingh (a Maratta petty chieftain) as its martial hero, emerged against the background of a powerful non-Brahmin movement organised by the dominant peasant jatis.[32]

Thus the regional background to our entry into Asthapuram-Kanthapuram of 1916 consisted of a new class structure co-existing with jati organisations with new functions. However, we must note that a contradiction had emerged within jati as a structure of interests: while there was some degree of weakening of

Table 1: Distribution of Peasant Households, Land Ownership and Occupational Holdings among Different Classes—Asthapuram-Kanthapuram (1916-1976)

Class		1916			1946			1976		
		No of Households	Land Owned (Acres)	Occupational Holdings (Acres)	No of Households	Land Owned (Acres)	Occupational Holdings (Acres)	No of Households	Land Owned (Acres)	Occupational Holdings (Acres)
(1) Big peasants		15 (10.2)	685.0 (88.2)	445.0 (57.3)	18 (11.7)	695.0 (89.0)	440.0 (56.3)	11 (5.4)	406.55 (57.5)	384.99 (54.4)
(2) Medium peasants		15 (10.2)	73.0 (9.4)	148.0 (19.0)	10 (6.5)	52 0 (6.7)	92.0 (11.8)	25 (12 2)	101.15 (14.3)	122.20 (17.3)
(3) Petty peasants		46 (31.3)	19.0 (2 4)	184.0 (23.7)	50 (32.5)	34.0 (4.3)	200.0 (25.6)	55 (27 0)	25.07 (3.6)	147.58 (20.0)
(4) Landless peasants		71 (48.3)	—	—	76 (49.3)	—	49.0 (6.3)	104 (51.0)	—	52.23 (7.4)
(5) Landlords	Resident	NA	—	—	—	—	—	9 (4.4)	(89 95 (11.9)	—
	Absentee	nil	—	—	—	—	—	NA	84.28 (12.7)	—
(6)	Total	147 (100 0)	777.0 (100.0)	777.0 (100.0)	154 (100.0)	781.0 (100 0)	781 0 (100.0)	204 (110.0)	707 (100)	707 (100 0)

Notes: (i) Figures in parentheses pertain to percentages out of total for all classes during the year concerned.
(ii) For explanation of variation in total owned and occupational holding during the three time points see S S Sivakumar (1977).

Sources (a) For 1976 — Census conducted by S S Sivakumar.
(b) For 1916 and 1946-47, a combination of information given by the Settlement Registers, Genealogical Tables and oral narratives of villagers and others.

dominant jati hegemony at the local levels, there was a strengthening of their conglomerates at higher levels

Let us now consider the nature of class-jati nexus in the two villages in 1916.

Table 1 gives us an idea of the relative economic strength of different classes of peasants during 1916 Table 2 provides similar information in terms of per household averages. Table 3 gives us an idea of the relative economic strength of the different jatis and Table 4 sums up the class-jati-wise distribution of economic strength for the same year.

The definition and identification of different classes of peasants in the two villages are discussed elsewhere.[13] Here we merely present a brief summary. (1) Big peasants are those who use hired labour to obtain a major part of their output. Usually, they owned over ten acres of land and sometimes over hundred acres. The distinguishing feature of this class is the abundance of resources for purposes of consumption as well as production. (2) Medium peasants also obtain a major portion of their output through the use of hired labour They usually own around five to ten acres of land, but they also augment their own holding with leased-in land. Their resources are far more limited as compared with those of the big peasants. (3) Petty peasants own very small land-holdings (usually under two acres) and by and large also indulge in share-cropping to a considerable extent in order to make both ends meet. Due to their penury, they often cut down on labour hire and if family labour is not adequate to fill the gap, they suffer low yield levels (4) Landless peasants, of course, are landless. Mostly they depend on their wage earnings and sometimes they undertake to share-crop small plots of land. (5) Landlords are those who lease out their lands. The reasons for their non-cultivation may vary from non-availability of able-bodied males in the household to preoccupation with certain other sources of earning (e g, business)

It is evident from Tables 1 and 2 that the big peasants owned most of the land in 1916, and the landless peasants were the most numerous. The dominant production relation was therefore the one between these two. As we shall see shortly, the class of petty peasants also constituted a part of this relationship. Briefly stated, the relationship between the big peasants and landless peasants was as follows:[34] Of the 71 landless peasant households, 52 were known as *padiyals* and they were full-time servants of the big peasants. All the 52 were bonded to the latter. The remaining 19 were known as coolies and were daily wage-earners. The relationship between the *padiyal* and the big peasant was characteristic of the production relations in the region at that time.[35]

The most dominant big peasant of the two villages at that time was a Mudaliyar whom we shall call TM. 39 of the 52 *padiyal* households worked for him Invariably, a *padiyal* joined TM's household as a collateral against loans advanced to his father. Usually, he joined around the age of 10 or 12, performing simple chores. By the age of 15, he graduated to the first of agricultural chores such as irrigating the fields. He became a full-fledged worker handling all agricultural jobs around 18. During this process, the wages (padi) of the *padiyal* increased from a minimum of 9.4 kgs to a maximum of 76.8 kgs of paddy per month. In addition he also received one meal a day. An interesting carry-over of the 18th century tradition were gifts during Deepavali and Pongal festivals. The former consisted of a small amount of oil (about 75 ml) and some soap-nut powder for the ritual bath. During the latter, he was given some clothes (one loin cloth and one upper cloth, known as *veshti* and *quddai* respectively) and a meal During harvests the *padiyals* were collectively allotted 6.4 kgs of paddy per day's threshing. All these three payments, interestingly enough, were known as *merei* (a corruption of the word *murai* meaning custom), which was exactly the term used to describe the payments made to the servants in the 18th century.

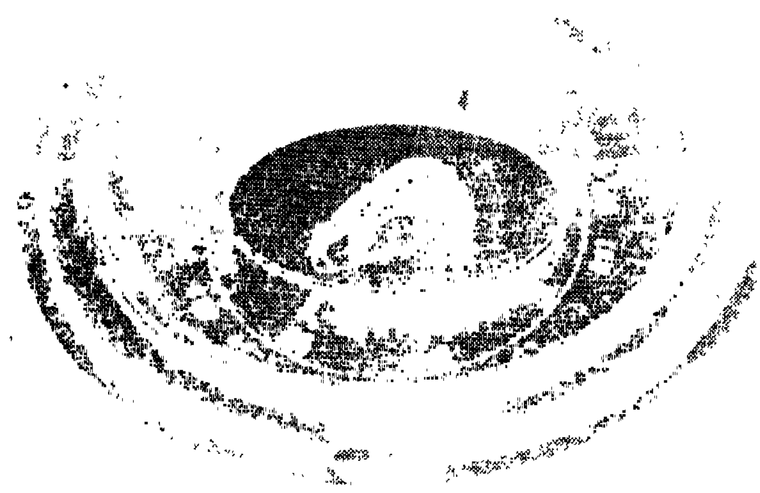


TABLE 2 : DISTRIBUTION OF PER CAPITA OWNERSHIP AND OCCUPATIONAL HOLDINGS AMONG DIFFERENT CLASSES OF PEASANTS—ASTHAPURAM-KANTHAPURAM (1916-1976)

Class	1916		1946		1976	
	Ownership Holdings (Acres)	Occupational Holdings (Acres)	Ownership Holdings (Acres)	Occupational Holdings (Acres)	Ownership Holdings (Acres)	Occupational Holdings (Acres)
(1) Big peasants	45.67	29.67	38.67	24.44	36.96	35.00
(2) Medium peasants	4.87	9.87	5.20	9.20	4.05	4.89
(3) Petty peasants	0.41	4.00	0.68	4.00	0.46	2.67
(4) Landless peasants	—	—	—	0.64	—	0.50
(5) Landlords — Resident	—	—	NA	—	10.0	—
(5) Landlords — Absentee	—	—	NA	—	NA	—
(6) Average for the villages	5 29	5.29	5 07	5.07	3.47	3.47

Source : Same as Table 1.

TABLE 3 : DISTRIBUTION OF HOUSEHOLDS, OCCUPATIONAL HOLDINGS AND OWNERSHIP HOLDINGS ACCORDING TO DIFFERENT JATIS—ASTHAPURAM-KANTHAPURAM (1916-1976)

Jati	1916			1976		
	No of Households	Ownership Holdings (Acres)	Occupational Holdings (Acres)	No of Households	Ownership Holdings (Acres)	Occupational Holdings (Acres)
(1) Brahmin	4	84.0	49.0	—	—	—
(2) Mudaliyar	17	506.0	324.0	21	400.77	305.33
(3) Chettiyar	1	6 0	4 0	3	24.45	18.66
(4) Kanakkupillai	—	—	—	1	—	—
(5) Pandaram	1	22.0	17.0	6	13.50	22.21
(6) Nayudu	1	3 0	5.0	2	0 66	0.66
(7) Idayar	5	28 0	35 0	11	88.70	102.65
(8) Nadar	—	—	—	1	1.00	1.00
(9) Gramani	—	—	--	2	3.28	—
(10) Palli	43	122.0	205.0	51	42.41	88.50
(11) Asari	1	—	—	3	—	—
(12) Udaiyar	1	1.0	1 0	1	—	—
(13) Pandithan	2	1 0	1 0	2	—	2.00
(14) Vannan-Meljati	3	—	—	3	6.55	6.55
(15) Villi	1	—	—	1	—	—
(16) Vedan	1	—	—	1	—	—
(17) Oddan	—	—	—	1	—	—
(18) Parayar	78	4.0	136 0	116	41.80	159.44
(19) Chakkili	1	—	—	1	—	—
(20) Vannan-Kiljati	—	—	—	1	—	—
(21) Total	160	777 0	777.0	230	622 72	707.00

Notes : (i) The shortfall in the total ownership holding in 1976 is due to the fact that we do not possess exact figures on the land owned by absentee landlords. All that we know is that such lands amount 84 28 acres and the tenants claimed that most of these landlords were Mudaliyars.
(ii) The 'traditional' occupation is given in Table 4.

Source : Same as Table 1

About the time a *padiyal* became too old for efficient work, he was retired off with an acre or two or three of land for share-cropping. At this stage he came to be called *sukhavasi* or *sowasi* (a corruption of the former).[46] Since this erstwhile *padiyal* had invariably not repaid the loans incurred or had even incurred further loans, his son or nephew went to work for the *ejaman* or master.

At least 30 of the 46 petty peasant households of 1916 were *sukhavasis* of this type, and 24 of them had been retired off by TM himself.

The relationship between the servicing households and the *ejaman* (i e, TM) followed a non-contractual and traditional pattern. In 1916, there were three washerman and two barber households, and one each of smith, potter, rat-catcher, fisherman-cum-basketmaker, and cobbler households. Eight of the Parayars were *vettiyans* or irrigation attendants. The payments made to these servicing households were also known as *mereis* or *swatantram*. The potter got one sheaf of grain with hay from each cultivating household (excluding untouchables) in addition to his earnings from his *inam* (*manyam*) land.[47] All the eight vettiyans were given two sheaves of grain with hay per *kani* (1.33 acres) of the land irrigated. In addition three of them had amongst them four acres of *manyam* land. The washerman households received two sheaves of grain with hay from each landowning household. The barber household also received the same. The smith household received two sheaves of grain with hay per *kani* for each crop. The two tribals, the Villi and the Vedan (the rat-catcher and the fisherman-cum-basketmaker, respectively), received one bag of paddy each per year contributed collectively by all landowning households. The cobbler who repaired the leather irrigation bucket called *saal*, and supplied one pair of footwear per landowning household per year, received two bags of paddy again collectively contributed by all the landowning households.

Let us now consider the jati element at Asthapuram and Kanthapuram. Tables 3 and 4 show that Brahmins and Mudaliyars put together owned nearly 600 of the 777 acres of land in the two villages, although they comprised less than 13 per cent of the households. We may also note that a third of the big peasant households came from lower jatis such as Pandaram, Idayan, and Palli. However, they still owned only 133 acres of land put together and were dwarfed by the Mudaliyars (480 acres). This picture of the emergence of other jatis (particularly Palli) as big peasants under the Mudaliyar hegemony was characteristic of Southern Chengalpattu at that time.

The Pallis and Parayars (untouchables) were the only jatis constituting the landless peasant class. Here again it is an important continuum from the 18th century, notwithstanding the different terms under which they were employed at this time. Further, as in the 18th century, the Brahmins did not employ Parayars. The *padiyals* and the *sukhavasis* employed by the former were all Pallis. Thus while the production relations had changed, there was little change in the pattern of jati dominance.

There are also certain other indicators of this. For example, the distribution of water from the irrigation channel originating in the spring five miles away, was still done on the basis of the *vatta murei* scheme which prescribed that water distribution should follow the ritual hierarchy: temple lands, Brahmin lands, Mudaliyar lands, and so on. Further, the 64 acres of temple land was under the control of TM, who had just wrested it from the hands of


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TABLE 4 : DISTRIBUTION OF DIFFERENT CLASSES OF PEASANT HOUSEHOLDS AND OWNERSHIP HOLDINGS (IN ACRES) AMONG DIFFERENT JATIS—ASTHAPURAM-KANTHAPURAM (1916)

Jati	Big Peasants		Medium Peasants		Petty Peasants		Landless Peasants	Landlords		Servicing Households and Others		Total	
	Households	Land Owned	Households	Land Owned	Households	Land Owned	Households	Households	Land Owned	Households	Land Owned	Households	Land Owned
(1) Brahmin	2	69	2	15	—	—	—	—	—	—	—	4	84
(2) Mudaliyar	7	480	8	23	2	3	—	—	—	—	—	17	506
(3) Chettiyar	—	—	1	6	—	—	—	—	—	—	—	1	6
(4) Kanakkupillai (accountant)	—	—	—	—	—	—	—	—	—	—	—	—	—
(5) Pandaram (temple attendant)	1	22	—	—	—	—	—	—	—	—	—	1	22
(6) Nayudu	—	—	1	3	—	—	—	—	—	—	—	1	3
(7) Idayar (shepherd)	2	25	1	2	2	1	—	—	—	—	—	5	28
(8) Nadar (toddy tapper)	—	—	—	—	—	—	—	—	—	—	—	—	—
(9) Gramani (toddy tapper)	—	—	—	—	—	—	—	—	—	—	—	—	—
(10) Palli	3	89	2	24	7	9	31	—	—	—	—	43	122
(11) Asari (smith)	—	—	—	—	—	—	—	—	—	1	—	1	0
(12) Udayar (potter)	—	—	—	—	1	1	—	—	—	—	—	1	1
(13) Pandithan (barber)	—	—	—	—	1	1	—	—	—	1	—	2	1
(14) Vannan-Meljati (upper caste washerman)	—	—	—	—	—	—	—	—	—	3	—	3	—
(15) Villi (tribal snake and rat catcher)	—	—	—	—	—	—	—	—	—	1	—	1	—
(16) Vedan (tribal fisherman and basket maker)	—	—	—	—	—	—	—	—	—	1	—	1	—
(17) Oddan (stone-cutter)	—	—	—	—	—	—	—	—	—	—	—	—	—
(18) Parayar	—	—	—	—	33	4	40	—	—	5	—	78	4
(19) Chakkili	—	—	—	—	—	—	—	—	—	1	—	1	0
(20) Vannan-kiljati (untouchable washerman)	—	—	—	—	—	—	—	—	—	—	—	—	—

Source : The same as Table 1.

a Brahmin. TM's Mudaliyar subordinates cultivated this land.

The other aspects of social relationships between the dominant jatis, particularly Mudaliyars, and their subordinating jatis were said to have followed according to "age-old customs". For instance, the Parayar had a right to beat the drums during Mudaliyar funerals and during the upper-caste Mariamman festival. They also had a right to erect the outer pillars of the marriage pandal in a Mudaliyar household. For all these, they were paid certain *mamool* (the customary reward). During certain auspicious days during the year, the Parayar had a right to sing in front of the Mudaliyar households in return for which they were provided some ragi gruel. The Parayar would also formally invite the Mudaliyars to witness the performance of the annual *koothu* (folk drama) and the latter were expected to graciously decline the invitation after making a donation.[38]

The barber's wife was the go-between in the negotiations prior to a Mudaliyar marriage. One of her tasks was to inspect the physical normalcy of the bride-to-be, under the ritual pretence of dressing her up. The barber himself performed an important role when he ritually purified a dead Mudaliyar with his last shave before the funeral. For all these "rights", there were special rewards.

The washerman's wife had the "right" to be first to change the clothes of a Mudaliyar girl who attained puberty.

The Asari and the Udaiyar likewise had the right to perform certain functions — e g, when a Mudaliyar built a new house and conducted the *graha-pravesam* (house-warming) ceremony.

It is possible to view all the above functions performed by the subordinate jatis as social obligations rather than as "rights". However, when the older members of the subordinate jatis whom we met in 1976 talked to us about these practices during TM's time, they said that these practices gave them a sense of importance and even indispensability *vis-a-vis* their patrons. As one of the barbers in his 70s told us, "We are not pure, but a Mudaliyar, when he dies won't be much purer than us if we did not shave him then. Therefore when I shave a dead Mudaliyar, I am doing him a favour. As long as he and I are from one village, it is my right to do him good." The periodic occurrences of such ritual practices also seemed to neutralise to some extent the weight of hierarchy in the minds of the subordinate castes. Referring to the large number of times he had beaten his drums in Mudaliyar funerals, an old ex-*vettiyan* (in his 80s) said: "I beat my drums to say to the world 'here is a good man passing by, and if he has been bad forget about it; he is dead. Whether good or bad, can he go this way without a Parayan beating the drum?' "

Whatever the compensation afforded by these periodic practices, the rules of purity and pollution, and the rigidity with which they were followed ensured that the subordinate jatis maintained their distance from the Mudaliyars. Even amongst the subordinate jatis, these rules appeared to have been followed down the line, contributing to the maintenance of ritual distance among them.

In 1916 therefore, Asthapuram-Kanthapuram appear to have been at the cross-roads. On the one hand, the new forms of property, commercialisation of agriculture and newer opportunities for economic mobility, and the consequent (new) class structure seemed to have created the basis for change in social relations. On the other hand, remnants of older social relations seemed to have lingered strongly; for instance, the Parayars still continued to refer to themselves as the *adimais* of the Mudaliyars. Further, the poorer Pallis still sought patronage from the well-to-do Brahmins as they did in the past. The continuation of other forms of patron-client relations, the rigid adherence to the ritual rules pertaining to inter-jati distances, the attempts by the economically mobile Pallis towards sanskritisation, and the continuance of older forms of rewards for the servicing jatis reveal the strength with which the legacies of the 18th century social order persisted. In other words the "collective conscious-

Table 5: Distribution of Households and Land Ownership of Different Classes of Peasants and Others among Different Jatis—Asthapuram-Kanthapuram (1976)

	Jati	Big Peasants		Medium Peasants		Petty Peasants		Landless Peasants	Landlords		Servicing Households and Others		Total	
		Households	Land Owned	Households	Land Owned	Households	Land Owned	Households	Households	Land Owned	Households	Land Owned	Households	Land Owned
(1)	Brahmin	—	—	—	—	—	—	—	—	—	—	—	—	—
(2)	Mudaliyar	6	291.70	5	20 0	5	5.0	—	7	84.67	1	nil	21	400.71
(3)	Chettiyar	2	24 45	—	—	—	—	—	—	—	1	nil	3	24.45
(4)	Kanakkupillai	—	—	—	—	—	—	—	—	—	1	nil	1	nil
(5)	Pandaram	—	—	2	13.50	—	—	3	—	—	1	nil	6	13.50
(6)	Nayudu	—	—	—	—	1	0.66	—	—	—	1	nil	2	0.66
(7)	Idayar	2	79.0	2	9.70	3	nil	4	—	—	—	—	11	88.70
(8)	Nadar	—	—	—	—	1	1.0	—	—	—	—	—	1	1.0
(9)	Gramani	—	—	—	—	—	—	—	1	3 28	1	nil	2	3.28
(10)	Palli	1	12.00	12	26.00	9	2.41	21	1	2.00	8	nil	51	42.41
(11)	Asari	—	—	—	—	—	—	—	—	—	3	nil	3	nil
(12)	Udayar	—	—	—	—	—	—	—	—	—	1	nil	1	nil
(13)	Pandithan	—	—	—	—	1	nil	—	—	—	1	nil	2	nil
(14)	Vannan-meljati	—	—	1	6 55	—	—	—	—	—	2	nil	3	6.55
(15)	Villi	—	—	—	—	—	—	—	—	—	1	nil	1	nil
(16)	Vedar	—	—	—	—	—	—	—	—	—	1	nil	1	nil
(17)	Oddal	—	—	—	—	—	—	—	—	—	1	nil	1	nil
(18)	Parayar	—	—	4	25.80	36	16 00	75	—	—	1	nil	116	41.80
(19)	Chakkili	—	—	—	—	—	—	1	—	—	—	—	1	nil
(20)	Vannam-kiljati	—	—	—	—	—	—	—	—	—	1	nil	1	nil

Note: The total owned land comes to 622 72 acres in this Table. This excludes land owned by absentee landlords in whose case detailed Jati figures are not available.

Source: Authors' census.

ness" or the "un mol common' of Asthapuram-Kanthapuram in 1916 seemed to have been characterised by the 18th century social syndrome.

III

Asthapuram-Kanthapuram in 1976

Table 5 gives us the distribution of different classes of peasants and other households among different jatis in 1976. In addition, Tables 1, 2 and 3 also provide us with a comparative picture of the two villages in 1916 and 1976. The most significant change as far as class structure is concerned is the emergence of the class of landlords (owning 174.23 acres of land) in 1976, and a proportionate fall in the share of big peasants. Most of the former's land (nearly 145 acres) belongs to people who combine non-agricultural vocations with land-ownership, and almost all of them are fully or partially absentee in status. This is symbolic of the extent to which market has penetrated over the years. The emergence of Chettiars as big peasants (both of whom are traders of considerable worth), the emergence of two Idayar big peasants as big landholders (who began with extensive interest in the mutton market and fire-wood market, respectively), and the fact that at least two of the Mudaliyar big peasants have invested sizeable non-agricultural earnings in lands, further substantiate this point.

In fact, even the poorest of the cultivators market at least 25 per cent of their output and the richest ones market 87 per cent of their output.[39] Also a sizeable part of the big peasants' assets is tied up in loans to the Madras film industry and urban real estate.[40]

The very character of big peasant production and economic calculations underwent a drastic change in the 40s, leading to the emergence of the dynamic and enterprising big peasant today.[41]

Substantial changes have occurred in the class relations of the big and landless peasants. The *padiyal-sukhavasi* system of the past has yielded place to one dominated by the coolie or daily wage earner. While 52 out of 71 landless peasants of 1916 were *padiyals*, only 20 out of 104 of the landless peasants in 1976 were *padiyals*. The character of the *padiyals'* functions has also undergone a drastic change. None of the *padiyals* today is a bonded servant. His status is one of an overseer-cum-handyman on a monthly salary. Some of the big peasants are even experimenting with cash salaries for the *padiyals*. While demographic factors have been important in bringing about these changes, the fact of commercialisation of the employer-labour relationships is equally significant.[42]

Commercialisation has also seriously affected the relations between the servicing households and the big peasant households Over the years, increasing number of villagers have gone into the use of aluminium and stainless steel vessels, which has forced the Udaiyar household into destitution. Today they not merely do not receive their *merei* or *swatantram*, but in their destitution have lost their land as well. The *vettiyans*, the barbers, and the washermen have also lost their *merei* With the advent of pumpsets, many big peasants and medium peasants have attained a degree of independence not only from the vagaries of nature and also from the regulations pertaining to the communal irrigation scheme. In the mid-60s, the big peasan's persuaded the village panchayat that the services of four of the eight *vettiyans* were redundant. Soon, the four ex-*vettiyans* mortgaged and sold their *manyam* lands, in order to meet their consumption expenditure. The four *vettiyans* who remained are sharecroppers on the side It is also reported that these individuals are secretly in the pay of the big peasants "for taking care that enough water reached their lands".

Survival or even prosperity of the servicing households now depends upon their ability to adapt their "traditional" occupations to the prevailing market conditions. The washermen are

a case in point. All the three washermen in the village now work for clients in nearby urban areas (even Madras). One of them, after managing to get his son an attender's job in the Chengalpattu Medical College and hospital complex, has ensured himself a long-term contract to launder clothes. This household now owns over six acres of land. The other two washermen households have acquired four to five acres of land each on mortage. The ability of the washermen to provide cash loans upto Rs 500 on demand in the usually cash short village economy has made them important creditors to small cultivators who have to borrow to meet their cultivation expenditure.[43]

Another occupation which promises a steady inflow of cash is that of the arrack seller. With the attainment of "freedom" by the landless peasants in recent times they are forced to purchase their own arrack.[44] The two Gramani households are doing such thriving business that six Parayars and five Pallis have gone into this as well.[45] The Gramani households have also acquired nearly six acres of land and several dozen brass vessels on mortgage.

One of the barbers has been working as a roadside barber in Madras on weekends to augment his income. He is also a small share-cropper and is reported to be distilling arrack on the side. The other barber is too old for such enterprises and in the absence of his *swatantram* is nearly destitute

With the advent of more intensive cultivation of land during the last dozen years, the smiths are very much in demand. They, therefore, not merely get their *swatantram*, but also receive labour charges for "extra work". They have also gone into carpentry during recent times, as they find it lucrative.

A brief comparison of Tables 4 and 5 shows us that the number of servicing and other households pursuing other occupations has doubled since 1916. It is interesting to note that while eight of these households of 1916 have sunk into destitution (the rest having prospered), the 13 new households are performing lucrative but "non-traditional" occupations. For instance, eleven of the thirteen arrack and toddy sellers are Pallis and Parayars. Five of the six traders are not Chettiars, but belong to Mudaliyar, Palli, and even Parayar jati.

This brings us to the position of jatis in 1976. As in 1916, the Mudaliyars continue to be the dominant landowners even in 1976. The emergence of business and urban based Mudaliyar landlords who own over hundred acres of land since the 1940s is a new phenomenon. The Brahmin households left earlier, when their members acquired government jobs. By 1976 most of their lands had been sold. These two occurrences are a part of the happenings in the region itself: first members of the Brahmin and next the dominant peasant jatis are said to have left rural areas for urban centres during the first half of this century.[46] We are informed that the Pallis' emergence as dominant landholders in rural Southern Chengalpattu occurred in the void created by the departure of many Brahmins.[47] In Asthapuram-Kanthapuram, a part of the Brahmins' land was bought up by a Palli and the rest by Mudaliyars. In general, Pallis of Asthapuram-Kanthapuram have been atypical in that over a period of time they have lost their land to enterprising Idayar big peasants, whose case has been seen earlier. The period 1945 to 1976 has been, in fact, the era of the rise of the enterprising big peasant, irrespective of jati background. For even amongst the Mudaliyars, barring two, none of the big peasants of 1976 is a descendant of big peasant households of 1916. From amongst the big peasants of 1916 in general, only six of the 15 households continued in the status by the third generation.

The rise of Parayars as landholders in 1976, is historic, granted the taboo which existed against their right to own land in the previous centuries. Thus the fact that they own only 42 acres of land put together, must not be ignored as a mere minor statistic. The emergence of some of the Parayars as the leading medium peasants alongside the Pallis is also significant. The fact that landless peasants are spread out among four jatis, as against two in 1916, is important in itself, and should not be under-played in the light of the still continuing numerical preponderance of Parayars and Pallis (respectively) in this class.

In short, significant changes have occurred in the class structure, production relations, and the class-jati nexus itself in the last 60 years. To what extent such changes have affected the structure of interests can be seen only if we discuss the cognitive world at Asthapuram-Kanthapuram in 1976.

IV

Cognitive World at Asthapuram-Kanthapuram, 1976

The ensuing discussion will be centred around three aspects of the cognitive world, namely, the notion of class, the notion of jati as hierarchy, and finally the world of politics.

Notion of Class

Do the people of the two villages perceive themselves as being differentiated along class lines? Apparently not. For instance, during our last three years' acquaintance with the people of the two villages, we have been struck by the singular absence, in their day-to-day language, of words describing important production relations in class analysis. For example, there are no equivalents for 'landlord', 'tenant', 'labourer', 'rent' and 'exploitation' or 'appropriation'. This is not to say that Tamil language itself is devoid of words conveying these concepts; nevertheless, the existing Tamil words (often evolved by over-enthusiastic Marxists) are unintelligible to a large majority of rural folk in Southern Chengalpattu. The word *nilachuvandar* is used by Marxists to refer to landowners, but is alien to the vocabulary of Asthapuram-Kanthapuram. Here a landless peasant usually refers to a big peasant by his given name and jati, e g, Sundara Mudaliyar or Kishta Naicker. A more diffident person might use such forms of reference as *Periya* Mudaliyar (the big Mudaliyar).

Likewise, 'tenant' has no equivalent Most of the share-croppers and 'tenants' still continue to refer to themselves as *sowassi* or *sukhavasi*, terms which are carry-overs from the distant past. To some extent, this is still justified, since in relation to a landless peasant, a share-cropping petty peasant is still a *sukhavasi*, and (as one of the big peasants explained to us ironically) he still exists (*vasi*) for the *sukham* (pleasure) of the landowner. Share-cropping itself is described as cultivation for *waram* (output sharing). However, it may be recounted that in the 18th century, the entire village output was divided into *warams* (shares), such as *melwaram* (the overlord's share), *kudiwaram* (the subject's share), *tunduwaram* (the village lord's share), and so on. Thus the term *waram* indicates an output share only, and does not connote superior-inferior rights which 'rent' connotes. This is further illustrated by the fact that many persons (rich or poor) take on cows, pigs, goats, chicken, and even trees on *waram* basis. The urban terms of *kudacoolie* or *vadagai* apply to hire charges on man-made objects only, such as a house or a bicycle. Cash

payments of 'rent' are known as *kuttagai* or *guttagai* (corruption of the former), but symbolically enough cash payments of rent hardly exist in the two villages.

The common Tamil word used in reference to a labourer in the organised and unorganised production centres in urban areas is *tozhilali*, but, in the rural areas of Southern Chengalpattu in general and in the two villages in particular, *tozhilali* refers to smiths, barbers, washermen, and potters. The connotation being that a *tozhilali* is one who depends on the skill of his hands alone for his living, an agricultural labourer who depended on the mercies of his employer and vagaries of nature, was not entirely a *tozhilali*. A daily wage earner and a permanent farm hand refer to themselves as coolie and *padiyal* respectively. In both senses the concept is that of an 'unfree' labourer, notwithstanding the demise of the *padiyal-sukhavasi* system, as we shall see shortly, a landless peasant is not quite free.

Surandal, kollai, etc, are words used by Marxists to refer to exploitation. However, aside from their ethical connotations, these words which mean cheating and burglary (or dacoity), respectively, hardly convey exploitation as a scientific derivative of social perception. In the two villages, these two terms are used in a number of contexts referring to a number of acts or occurrences such as work-shirking by a coolie (*surandal pervazhi*, cheater), a young woman getting widowed soon after marriage (*purushanai kollaikondal*, looted her own husband's life), and loss of a part of the body (*kannu kollai pochchu*, literally meaning, eyes were stolen).

Thus the cognitive categories referring to economic relations in the two villages do not lend themselves to an articulation of economic relations along the lines of class analysis. It might be argued by some that this reflects only the time-lag in the social perception of the people of the two villages. From what has been discussed so far, however, it is evident that the prevailing cognitive categories indicate the continuing influence of the legacies of the past.

The break from the past, as already noted, is in terms of the changes in the character of the big peasant agriculture and some Parayars becoming land-holders. These occurrences appear to have affected the attitude towards wealth and poverty right down the line. It is now common to see even a very poor Parayar dreaming about a few acres of land and some cattle as his own property. That such dreams were certainly not common in 1916 is illustrated by the following statement of VM (son of TM): "Look at D! Could you imagine such a thing happening during TM's time? D's father was my father's *padiyal* and now D's son has been to college and goes around the *paracheri* in a suit like a *dorai*. D's father could not have dreamt of owning a single acre of land during my father's time." (D is the most prosperous among the Parayars and owns eight acres of land. *Paracheri* is the residential settlement of *Parayars* located on the outskirts of the village. *Dorai* means an English official.)

VM's reflections are echoed by K, an ex-*vettiyan*, who said: "During those days we did not own even the *nattam* on which we live." *Nattam* refers to that part of the *purambokku* (communal waste) lands which are earmarked for building sites in the revenue records. Even today, many of the *nattam* lands which are owned by the Parayars are referred to as V Mudaliyar's *nattam*, or B Mudaliyar's *nattam* and so on, thereby reminding us that till a few decades ago the Parayars did not own even the sites on which they built their huts.

This is a major break from the 18th century situation wherein jati, kinship, and lineage, pre-ordained economic opportunities for one and all. Even in 1916, while all other jatis including Pallis had broken through these constraints (or at least could do so), the Parayars were still constrained. Today, as long as resources permit, there is no constraint on anybody's economic opportunities. The common attitude from a Mudaliyar big peasant down to a Parayar landless peasant seems to be that enterprise and resources lead to wealth, whereas penury and foolishness lead to poverty and weakness. The following conversation between SM and one of the authors illustrates this point. The author and SM were standing on the bund watching coolies transplant paddy.

Author: This looks like Ponni. Have you been planting this variety of paddy for quite some time?

SM: Yes, it is Ponni. This is the third time I am sowing it. There, next to the coconut tree by IM's land, I have two acres of IR-20. And there, to the left by SP's land, you see two-and-a-half acres of good Samba.

Author: I did not know you own those lands as well. Is it not a nuisance to have different plots of land scattered around?

SM: These lands were given to my father as dowry when he married TM's niece. Those days, it never occurred to people that holdings must be in a consolidated lot. If I had these lands together, I will employ a tractor.

Author: Does it mean that it is only your generation which is conscious of better use of land?

SM: Even my father liked to grow a good crop. But it is only my generation that is conscious that it is possible to go on increasing the yield of land. We are also aware that if we are 'smart' we will never face the financial crises our parents did.

The experience of G, a Parayar petty peasant, illustrates the same point. He incurred a debt of Rs 500, in order to spend half of it bribing a trade union official to get his son a job as a dock-worker, and the other half propitiating Mariamman (a female deity) with a goat for the same purpose. In the end, he discovered that he had been taken for a ride, and in the process had been left with a debt of Rs 500. The wrathful G went to Mariamman's temple and shouted at the deity "you widowed whore! I invested Rs 500 on the two of you. He ran away, but you cannot run away. Let us see who offers you a goat again." It is evident that G considered that he had made a business deal with Mariamman, and that she had cheated him. Thus even propitiating a God or Goddess is a form of investment. This and the case of SM substantiate the fact that from the rich down to the poor there is a feeling that it is enterprise and resources which constitute the avenues to prosperity.

Granted this awareness, it would seem logical that uneven distribution of resources would lead to bitterness and the emergence of class consciousness. As we have seen in earlier discussions, the distribution of land and other assets at Asthapuram-Kanthapuram is very highly skewed. Notwithstanding this fact, we were unable to see any traces of class consciousness among the poor in the villages. The jati divisions among the landless peasants have resulted in a split among them, often resulting in conformism to jati exclusionism to the detriment of class interest. For instance, all the bargaining for the increase in daily wages since the 1940s has been undertaken and

negotiated [illegible] the Parayars alone. The Pallis, on the other hand, stood by, or on occasions even sided with the employers, while at the same time reaping the rewards in the form of higher wages.

Nexus of Jati

Within the villages, jati as a factor appears to have weakened and grown stronger at the same time. The hegemony of dominant jatis over resources has come under question, ever since the Parayar acquired land. The patron-client relationship between the servicing jatis and the Mudaliyar big peasants has also been eclipsed. Finally, the emergence of factionalism among the latter and its spread among other jatis has also put an end to the Mudaliyar's control over irrigation water and temple lands.

While in 1916, the class-jati nexus was at the cross-roads, by 1976 new class relations had evolved, but jati remained at the cross-roads.

To illustrate this, let us first consider the case of Mudaliyars. By and large, they still observe ritual rules of purity and pollution with those whom they consider as being below them. During 1976, we witnessed an episode concerning the Mudaliyars persevering with jati endogamy under great odds: one of the Mudaliyar big peasants' boys had been having an affair with a young shepherdess from a medium peasant household. During the course of the affair the girl became pregnant and a dispute ensued, in which some powerful and wealthy underworld elements belonging to the shepherd jati demanded that the boy marry the girl. The Mudaliyars of the villages recruited the support of influential and affluent jati folk from several other villages, and successfully countered the demand of the powerful shepherds. In yet another case wherein a Mudaliyar boy ran way with a Chakkili (cobbler) girl and got married to her clandestinely, the boy was pursuaded to return. The marriage was declared to be null and void by both parents, since they both agreed that "a Mudaliyar could just not marry a Chakkili".

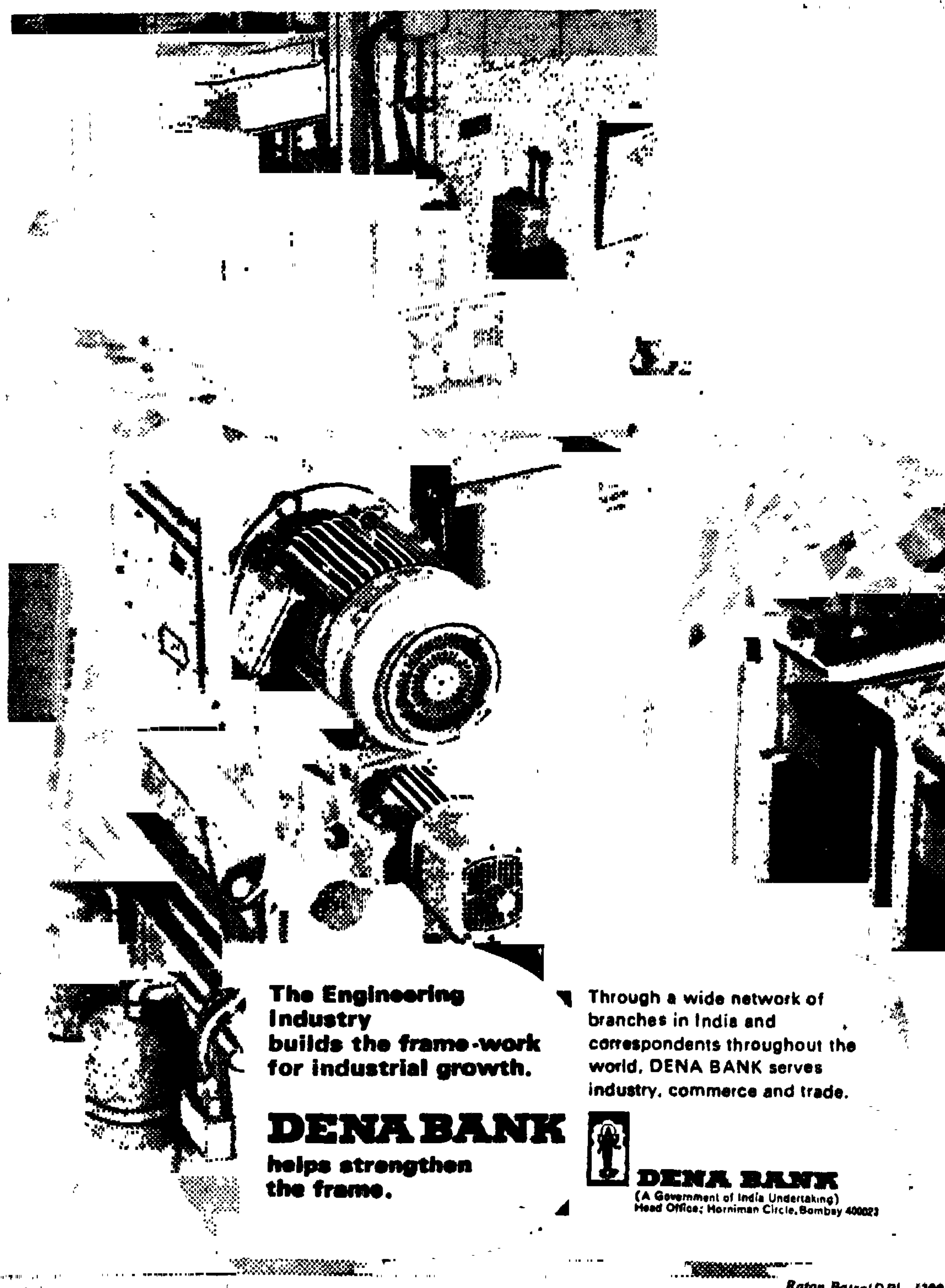
In the domain of purity and pollution, while the older generation of Mudaliyars still adhere to the rules, the younger ones do not seem to. For example, one of the Mudaliyar big peasant boys, whom we shall call LM, who is reputed to be a casanova, is known not to purify himself with a bath after sleeping with lower caste women. On one occasion when LM contracted influenza, SM (whom we mentioned earlier and who is in his 50s) told us: "It is not sleeping with them that is bad. But one must always have a bath. The ancient people did not make this rule for nothing. Look what has happened to LM." LM, and many other young boys of his jati, also inter-dine with lower jati people such as Idayar and Kanakupillai (accountant), which is another instance of transgression of rules associated with purity and pollution. Such transgression of rules by the younger Mudaliyar men seems to evoke both anger and protectiveness among senior Mudaliyars.

In general the jati situation is described by many Mudaliyars through common expressions such as "the times are bad". There also appears to be a growing cynicism about the individual jati member's responsibility for the transgression of others. The reaction of the Mudaliyars to the advent of pigs in the middle of the village characterises this (pigs are considered polluting and nobody except the Parayars, Chakkilis, and Oddars consume it). When the Oddar household set up its piggery in the heart of one of the villages, beside the Murugan temple, nothing seems to have been done to prevent them from doing so. However, every Mudaliyar household individually grumbles that "the others encourage the Oddars". The only collective action is one of collective hysteria on the part of Mudaliyars, each time the pigs stray towards the temple tank.

The Parayars, on the other hand, are undergoing a traumatic process of sanskritisation. Some of the earliest Parayars to come by land, switched over from the consumption of ragi to rice. Subsequently this expression of sanskritisation spread to every other household. This has led to physical debility amongst a large number of them, since rice is both poorer in nutrition and in calorific content.[48] In addition, a large number of these households have started observing upper caste rituals such as *amavasai* (new moon), and *kritikai* (the day of the star *kritika*). Our estimate of their consumption budgets suggests that in over 70 per cent of the households, the shift in cereal consumption and the observance of upper caste rituals has led to an additional 30 per cent to 40 per cent of consumption expenditure. Most strikingly, a demand for servicing households such as barbers and washermen has emerged. In the past the Parayars served each other as hair dressers, but now a barber comes from Chengalpattu town once in a fortnight to attend to their needs. Also in the past, the Parayars possessed very few pieces of clothing which they themselves washed. But now, one of the poorest households among them serves as a washerman, and many Parayar households do not have any commensal relationship with the latter.

This process of sanskritisation is a heavy burden on a large number of Parayars who are destitute coolies.[49] The feeling of jealousy towards the relatively well-to-do and the intense competition in the land-lease market amongst them, and the rivalry with each other for political patronage (details of this later) have resulted in a great deal of mistrust and bitterness. For instance, during 1976, one of the authors was trying to arrange for MFALA loans for 15 of them. During this process, the author had to take two or three of them to the BDO's office situated 14 kms away. He explained to them that he did not have enough money to pay for the busfare of all of them, and so only two may be chosen by them to go to the BDO's office. In the ensuing half an hour there was a sullen silence, and when the bus arrived everyone tried to board the bus. The author, once again, insisted on only two accompanying him. After curt exchange of words amongst each other, seven eventually boarded the bus with the author. Subsequently, each one of them explained that "the others were malicious fellows, who would deliberately sabotage other people's welfare".

Modern education adds to the embitterment, and alienates the embittered Parayars from the rest. D's son V studied three years in Madras, and returned after an unsuccessful attempt at the examinations. One of the authors' first meeting with V was bizarre: In the dilapidated *Paracheri*, one evening in 1976 he was accosted by a handsome young man in a beautifully cut double-breasted suit and exquisitely polished shoes. In broken English he said "how do you do, I, V. Good evening, sir. What are you doing?" After the author had explained the purpose of his visit, V said: "These idiot fellows, sir. All tell you lies. You come." He then took the author to a half constructed RCC structure and said, "My home. 25,000 rupees. My father not having money, so still building for two years". During the next half an hour,


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he talked about his family, himself, and his frustrations. In broken English, despite attempts by the author to converse in Tamil, V spoke with terrifying venom about his father, and about "these idiot people". Subsequently we learnt from others about V's abortive attempts to buy a house in Mudaliyar's street, his forced seduction of several Parayar women and girls (in an attempt to emulate LM and other Mudaliyar boys), and his drunken violence. One of the Parayars who took pleasure in V's failure to purchase the house in the Mudaliyars' street said, with a malicious grin, "It does not matter how rich a Parayar you are. You cannot cease to be one. Where will you run? If you are rich, you build your palace in *paracheri*. This is your home".

When V's father D offered to contribute to the customary famine relief fund, during the bad crop of 1974-75, along with the Mudaliyars, the fund collecting Parayars scornfully turned down the offer.

In this situation of economic differentiation among the Parayars, of the decline of the *Padiyal-Sukhavasi* system, and in a situation of growing mutual bitterness and antagonism, the traditional jati leadership has collapsed. The *Pannaikarars* no longer command the respect from the well-to-do Parayar. They are no longer followed by the others who are impoverished, since they are no longer close to the patrons (since the patrons themselves are no longer what they were). There is a vacuum in leadership among them, which is conveniently utilised by the factions of the upper castes.

In this connection, it might be pointed out that there are two sides to the way Parayars feel towards Mudaliyars today. The bitterness which they feel over the lapse of the *Padiyal-sukhavasi* system is also focused against the Mudaliyar. Barring a small minority, the Parayars in general did not express either admiration or respect for any of the Mudaliyars in the village (excepting AJ, about whom more will be seen later) during their conversation with us. In fact, we were told "Mudaliyars these days do not behave like Mudaliyars". On one occasion, this bitterness even exploded into violence: LM's late father had a reputation of being a cruel and ruthless man among the Parayars. One day a Parayar boy, walking down the street where LM's father lived, whistled a film tune, at which LM's father promptly thrashed the Parayar youth. That evening a mob of Parayars surrounded LM's father's house and forced entry into the house. LM's father and two other Mudaliyar men who were in the house, escaped, and did not return for several days. The Parayars are said to have manhandled the women of the household, and then dispersed.

One immediate inference from this episode is that the Parayars would no longer take any nonsense from the Mudaliyars. To some extent this inference is validated by the fact that there was no retaliation from the latter. However, one of the persons who spearheaded the Parayar mob, said to us, "somebody had to teach him the proper manners of a Mudaliyar". Part of the anger of the Parayars was that LM's father dared to oppress without ever having conformed to the patron image which involved generosity, charity and kindness.

The destitution of the Parayars is the major reason why they still require patrons. Recently, one of the Parayars got converted to Christianity and was trying to convert several others too. He explained it thus: "Last year the padre gave so and so a thousand rupees to dig a well. If I convert enough people soon, I will also get some assistance".

Aside from sheer economic insecurity, the Parayars are also vulnerable *vis-a-vis* the forces of law. In their frequent disputes with Pallis (which will be seen shortly), they are often apprehended by the police. While the Pallis have influential persons in their jatis to help them out, the Parayars have none except the Mudaliyars. The ease with which a destitute individual can be "framed" on trumped up charges is to be seen to be believed. Therefore, it is likely that for a long time to come the Parayars themselves would seek to stay within the shadow of the Mudaliyars. That this has larger ramifications in the world of politics will be clear later.

Finally, about the Pallis. Perhaps, no where else is jati solidarity as intensely portrayed in Southern Chengalpattu as among them, although even this is on the decline. They are the only jati group in the two villages with a formal regional jati organisation, which is rigidly controlled by the jati leaders. Financial support to the jati organisation is provided by rich peasants and others among them. The leaders of the *nadu* council are elected by village leaders, who have the right of recall. The jati has several subordinate functionaries who are actually destitute persons permitted to beg from jati members. Some of these subordinates known as *naukars* are the bards of the jati who sing the praise of the jati during festivals. We were told by senior Palli peasants that the institution of beggars such as *paghal vesha karan* (a beggar who dresses in various costumes and comes begging for meal at midday) was meant to take care of the destitute within the jati. We were also told that in recent times with the population of the poor increasing and with lesser and lesser funds coming into the jati organisation from the well-to-do, the strength and solidarity of the jati organisation itself is on the decline. We saw two instances which indicate that while on the one hand there is a weakening of the jati solidarity (mainly due to competition for the fewer and fewer economic opportunities), there is also a compulsion to rely on the jati as the last resort. The first of these episodes concerns GN and HN, of whom the former was one of the caste elders. Both of them are masons, as many Pallis are. They had been competing with each other for a job which was going in the villages. GN was promised the contract. At the last minute, HN quoted a far lower price and was awarded the contract. On the day the construction was to begin, GN arrived on the scene not knowing that HN had already been awarded the contract. When the former learnt what had transpired, an argument ensued between them, at the end of which GN said, "I will see that you are punished in the *koottam*" (*koottam* is the jati council). HN retorted, "your *koottam* is not worth my pubic hair! Will they get me a job?"

The other episode pertained to a dispute between a Mudaliyar and a Palli, in which the Parayars were also involved. One of the Mudaliyar boys known to be a trouble-monger, was driving his bullock-cart along. When he came to a spot where the wife of a Palli had spread paddy on the road to dry (this is the way it is done in most of Tamil Nadu), he stopped the cart on top of the paddy. The Palli's wife told him that he should push along lest the bullocks urinate on the paddy. Before anything could be done, the bullocks urinated. In the quarrel that ensued blows were exchanged between the two. Soon her husband joined the fray. At the intervention of some others, the parties concerned traded abuses and departed. That evening a body of

Pallis, in a considerable state of intoxication, marched to the Mudaliyar's house. Anticipating trouble, the Mudaliyar boy waited in the street with a few Parayar share-croppers of his. The clash that ensued between the Pallis and Parayars was only verbal and after a while both the parties dispersed. The next day, father-in-law of the Palli woman said, "This fight is only a small issue. But it is a very serious problem. Mudaliyars own all the land and the Parayars do all the share-cropping. Unless we stand together, we are finished."

It is evident from the above two episodes that the economic insecurity among the Pallis has the dual effect of weakening and at the same time reinforcing their jati solidarity.

This leads us to the situation of confrontation which exists between the Pallis and Parayars. While the former have a sizeable number of wealthy and politically influential big peasants in Southern Chengalpattu, the majority of them are landless and petty peasants. It is the same situation at Asthapuram-Kanthapuram as well. Two of the hamlets adjacent to the two villages are single jati Palli settlements. Some of the Palli big peasant households in these hamlets, both of which come under the Asthapuram panchayat (as does Kanthapuram), are politically influential in the panchayat. At the same time, most of the Pallis of Asthapuram-Kanthapuram are landless or petty peasants, as has been noted earlier. A majority of them have to compete with an even larger number of Parayars for the limited amount of land available for share-cropping. In the last few decades, the 'liberation' of the Parayars compounded with population increase, has further intensified this competition.[50]

In Asthapuram-Kanthapuram the exit of Brahmin landowners and the continued dominance of Mudaliyar landowners, who prefer Parayar share-croppers to Pallis, has rendered the problem even more acute for the latter. Finally, the new tendency of the big peasants (since 1940s) to lease out less and less land, has considerably reduced the area of land available for lease from them. Simultaneously, the cost of petty-peasant cultivation has gone up, due to the compulsion by the landowners to use at least a minimum amount of fertilisers.[51] The petty peasants are aslo forced into a vicious circle of indebtedness and forced marketing of their output.[52]

The situation of the landless peasants and the competition among them reveal a more or less similar picture. All these factors have rendered a sizeable proportion of the Pallis as destitute as the Parayars. As one of the Pallis said to us, "The Palli woman has to work shoulder to shoulder with a Parayar woman in the same field."

It appears that in a situation of competition and identical state of destitution, the loss of the opportunity to maintain even jati distance, seems to be the last straw. Aside from the need to (literally) rub shoulders with a Parayar there are other things which upset the Palli further. For example, the fact that some Parayars come to drink at the Palli-owned arrack shop, although the latter never visit the former's arrack shops, has added another edge to the Pallis' irritation (that the Parayars started arrack shops in competition was bad enough). Further, the permission given 20 years ago for the Parayar women to come to the irrigation tank during the fishing season (the Pallis stopped fishing in the tank immediately) meant an "unjust" deprivation. Lastly, the rapid sanskritisation of the Parayars threatened the Pallis with the possibility of an eventual loss of all claims for ritual superiority over the former. This complex set of factors has led to a continuous animosity between the two. As a reaction to the Pallis, the Parayars are getting increasingly militant. During one such conflict in 1978, the armed confrontation between the two had reached such proportions that members of neither jati felt safe along the Chengalpattu-Tirukazhukunram road for some weeks. There is no reason to believe that the conditions underlying the conflict between the two jatis will change in the near future. What we have seen so far seems to indicate that it may even heighten.[53]

In sum, we may conclude that while the proliferation of market seen earlier has engendered new production relations, it seems to have created the bases for new jati equations. Further, at least at the present stage, the forces unleashed by market seem to work in contrary directions. What patterns of group formations and linkages this leads to can be understood only by studying the world of politics.

World of Politics

It has been seen that in many respects the material bases for the older forms of jati-based dominance in the village no longer exists. It has also been seen, however, that jati equations themselves are in a process of realignment, and that there is no discernible emergence of class affiliations. The implication of these for the of politics is that there are elements of change as well as continuity as far as political alliances, factions, and patron-client strategies are concerned.

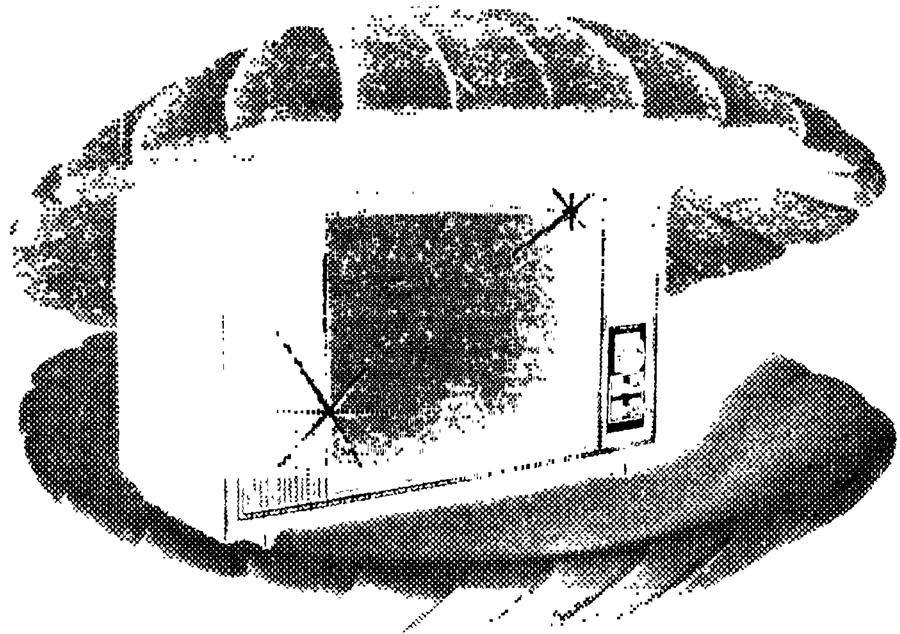
In what follows we shall discuss politics in the villages, the people's perception of the state, and modern political processes such as elections.

It was seen that around 1910 the dominant jati politics in the villages centred around control over temple lands. With the exit of Brahmins from the villages during the 1930s, the struggle for control over temple lands split the Mudaliyars into two factions.

With the advent of Panchayat Raj in the 50s, village politics acquired additional dimensions. Around that time, multi-caste factions appear to have emerged (the reasons for this have already been seen). By about the Mid-50s, the Palli big peasant from the neighbouring hamlet (whom we have already referred to) captured power as the Panchayat President. Around that time, the son-in-law of one of the Mudaliyar big peasants of Asthapuram-Kanthapuram villages also entered the political arena of the two villages. Until his arrival, the Congress Party held sway over the two villages, having as its members Mudaliyars as well as Pallis. The young son-in-law (whom we shall call AJ) brought the DMK to the village and with it the Tamil 'socialism' (populism?) of Annadurai and other leaders. AJ now has complete dominance in the two villages and is a parliamentary secretary to the AIADMK ministry at Madras.

The success story of AJ, reflects the dynamism and fluidity of multi-caste factionalism. It involves winning the Parayar support through patronage, egalitarian rhetoric and establishment of leaders amongst them. It also involves utilising the dissenters among the Pallis to win a sizeable backing from them. And finally, he has united the Mudaliyars in an informal anti-Palli faction. All these have involved an acute perception of the prevailing concepts of State, and the reorienting patronage-clientele on more personalised lines.

It would not be wrong to describe the prevailing awareness of State among the people of the two villages as one of the patron of patrons. Government is perceived as an abstract entity, doling out various favours and privileges and



meting out punishment. It is not seen as a body of people who (at least, hypothetically) are meant to execute popular aspirations. In this sense, there is the same awesomeness[34] about government as there is about a local deity. The difference of course is that petitioning for the favours of a deity involves merely a few relatively simple offerings such as betel leaves, coconuts, a chicken or a goat, or even hair, and at best a cow or two. The pujari is also a neutral person in the sense that as long as a few rules are followed, he cannot influence the god against you.

Petitioning the government on the other hand, involves, a complex set of obligations, generally consisting of being a member of an interest group, and keeping happy the patrons immediately above, whose tenure and whims are indeterminate. The interest groups to which a person attaches himself might vary. For instance, a person wears the mask of jati when it comes to benefits and privileges accruing to "Backward Classes" and "Scheduled Castes". He puts on the mask of a tenant or the small farmer when it comes to tenancy legislations or SFDA loans. He wears the mask of the poor when it comes to free medical, educational, and other assistance.

The patrons consist of a wide range of government functionaries, elected politicians, and other persons of influence such as a kinsman of an official, or the jati fellow of an official or politician. The fact that elected politicians have limited tenures makes them depend on established interest groups in the society, and keeping their requirements met.

Here jati acquires considerable significance. While on the one hand, the jati interest is a given factor which a politician cannot change within his limited tenure, he finds it necessary to reward jati interests for the longevity of his own tenure. An important factor constituting a reward is appointment, posting, and transfer of members of jati within the officialdom. Thus jati groups thrive over time.

The logical outcome of this process is the emergence of jati conglomerates at the regional level. This facet of the political process is contrary to another facet, wherein at the local level intra-caste factionalism leads to alliance groups of multi-jati nature. AJ's initial success, as we have already mentioned, was the forging together of an effective multi-conglomerate in the twin villages, to the detriment of the Palli jati based political groups. His subsequent success as an MLA was, however, based on large scale support of Pallis, who are numerically preponderant in the Southern Chengalpattu region as mentioned earlier.

AJ's present predicament is one of trying to reconcile his multi-jati approach with the need to meet the demands of Pallis. Already, many non-Palli residents of Asthapuram-Kanthapuram have begun complaining that AJ is partial to Pallis, and Pallis elsewhere claim that AJ is helping only Mudaliyars and is friendly only to the Parayars. This predicament illustrates the contradictory nature of the relationship between jati and politics at two different levels. What we have not discussed so far is the way in which the class factor is linked in the process. Most leaders of the dominant jatis in this region are either big peasants or well-to-do traders. Invariably, they are either themselves political leaders or important sponsors of the former. In the process of their role as vote-brokers, these individuals expect and receive a number of benefits beginning with government contracts, and ending with jobs or seats in prestigeful courses such as medicine and engineering. It is interesting to note that the big peasants' involvement in politics is on jati lines rather than on class lines, and such a political involvement is an important factor in their consolidation of their individual class position.

In recent times certain all Tamil Nadu "class based" organisations have emerged, such as the "Tamilnadu Vyavasayigal Sangam" which is said to be an organisation of the well-to-do peasants. To what extent such organisations reflect the emergence of "class" solidarity as an important force is difficult to say. It is, however, clear to us that such organisations cannot be free from jati ramifications at least for some time to come. For example the three representatives of this organisation in Southern Chengalpattu who met us in 1978 were all Pallis. A similar line of reasoning will be valid in the case of left parties' peasant organisations. We have been informed that jati is an important factor in both the setting up of village bases and in the party hierarchy itself. It might be interesting to enquire into the extent to which single-class-base areas of the leftist movement are also single jati areas.

Conclusions

To sum up, we have considered at some length the domains of the social and cognitive world at Asthapuram-Kanthapuram, namely those of class, jati and politics. Notwithstanding the evolution of class structure since 1916, and notwithstanding the drastic changes in production relations since the 18th century, we find that the cognitive world is not characterised by "class consciousness". The consciousness, if we may hazard the use of such a value-loaded term, is highly complex with elements of awareness of the consequences of the distribution of income, intermixed with a reinforced awareness of ritual distinctions pertaining to jati. This element of cognitive dualism manifests itself particularly strongly among the "have nots".

In the world of politics there is a dualism of strategy. Local level strategy takes the form of a patron-client relationship, the elements of which cut across jatis. At the regional level, however, jati conglomerates become far more significant. The dilemma of political mobility then is the need to balance these two. The class connotation of politics then is one of continued benefits to the well-to-do, only as long as the latter continue to occupy the leadership of their jatis.

Our discussion of class-jati nexus from the 18th century to 1976, and our conclusions raise some interesting questions. (1) Is it possible to think of jati as only an element of the "superstructure"? (2) Is it possible to think in terms of an all-India "mode of production", without taking into account the specific regional-historical significance of the class-jati nexus? (3) Is it meaningful or wise to raise the slogan "down with jati"? (4) Is there any rational manner in which the present day class-jati nexus can be linked to the centre-periphery theory of the world-capitalist order? (5) Given the nature of the class-jati nexus and given the structure of the State in India today, is there a possibility of anything more than "populism" emerging?

The difficulty of seeking answers to these questions leads us back to an equally complex question posed by a petty-peasant at Asthapuram-Kanthapuram. After a long night's discussion of the happenings in the Peoples' Republic of China, we stated, "Is there anything not possible for a people?" Our friend queried in return: "If the bullocks and the driver sit on the cart, will the cart run on its own? The driver is the leader, the leader is the upper jati. How do the Chinese manage

without jati?"

Notes

1 Beteille (1965).
2 Dumoünt (1970).
3 See for instance, Djurfeldt and Lindberg (1975). Also see S S Sivakumar (1979a).
4 For instance Epstein (1962) and Bailey (1957), have attempted to relate jati to changing economic conditions. However, even from these works we are unable to get a proper idea of the nature of the economic significance of jati, in the sense that economic relationships are not viewed in terms of class relations. Even more recent works such as that of Chakravarti (1975) suffer from the same lacuna.
5 Sivakumar (1978a) and (1978b).
6 Sivakumar (1978b).
7 Sivakumar (1977).
8 Official revenue records of the last quarter of the 18th century are full of references to paddy alone and not to any other crop. See "Chengalpattu District Records" (1785-1800).
9 See Sivakumar (1978b).
10 See Sivakumar (1977).
11 Place's Report on the "Chengalput Jaghir" (1799), in Bailey and Huddleston (1892).
12 *Ibid.*
13 Place's Report, *op cit.* Also see "Chengalpattu District Records", vol 440, pp 118, 153-154, 408, and 415.
14 Sundararaja Iyengar, (1921).
15 For numerous illustrations see "Chengalpattu District Records", vols 440, 441, 442, 444, and 445. During 1976-77, we came across an ancient method of water distribution known as *vatta murai*, according to which irrigation priorities were allotted according to a person's place in the ritual hierarchy — for example, the temple, Brahmins, Mudaliyars, Chettiyars and so on, down the line.
16 See, for instance, numerous cases of dispute regarding management of temple lands in "Chengalpattu District Records", vols 440-445. For a more detailed analysis of this issue, see Baker and Washbrook (1975). Our own experience in Southern Chengalpattu during recent times shows us that temple lands which are the best lands have always been the bone of contention among lineage and jati groups, historically.
17 An *ulkudi* (a resident *payikarie*) could, with the support and permission of local *kaniyatchikarars*, become a *kaniyatchikarar* himself. See for instance, for an interesting dispute on this issue, "Chengalpattu District Records", vol 440, pp 118, 153-154, and 214.
18 The famous episode pertaining to Tirumazhisai (Trimashee) wherein such desertion "rights" were used by the *kaniyatchikarars* against the collector. See "Board of Revenue (consultations) Proceedings", vols 147, 148, 149 and 150. This dispute and its implications are the subject of a forthcoming paper of the authors, entitled "The Trimashee Dispute: A Note on Economy and Society in Eighteenth Century Tondaimandalam". A brief summary of the dispute is also provided in Sivakumar 1978 (b).
19 See, for instance, "Board of Revenue (Consultations) Proceedings", vol 149, p 3,390.
20 This was the way in which jati organisations were organised at the *nadu* level even in 1976. We were told by jati elders that this has been so from "times immemorial". Tamil literature of the Sangam period (2nd to 5th century AD) also has reference to a system of ballotting known as *kuda volai*, at local levels.
21 See note 15 above.
22 "Chengalpattu District Records", vol 441 (pp 31, 32, 89, 109, 110, 111, and 114) vol 442 (pp 158, 159).
23 We have no direct evidence on this for Tondaimandalam. However, in Cholamandalam, where also *kaniyatchi* prevailed, permission of leading members of dominant jatis was required even during the reign of powerful monarchs such as Raja Raja, Circa, 10th century. See, an interesting inscription presented in the Appendix to Bailey and Huddleston (1892).
24 "Chengalpattu District Records", vol 442, pp 229-31.
25 One such person known as Papa Iyer was owed more than one million star *pagodas* by the Nawabs of Arcot (around 1785, one *pagoda* equalled rupees 3.5). See the "Fifth Report of the Commissioners on the Private Creditors of the Late Nawabs of the Carnatic" (1810).
26 See note 18 above.
27 For numerous instances, see 'Chengalpattu District Records" vols 440-444.
28 Place's Report, *op cit.*
29 Sivakumar, (1978b).
30 *Ibid.*
31 On the extent of commercialisation, interesting details are available in Ratnam (1966).
32 For details see Irschick (1969).
33 Sivakumar (1978a).
34 Detailed analysis of this has been made in Sivakumar (1977).
35 See for instance, Slater (1918).
36 The term *sukhavasi* has been interpreted by older Parayar peasants of 1976 as people who were better-off in relation to *padiyals*. Interestingly enough, the term as it is used in present day urban Tamil also refers to people who do not have to perform drudgery for a living.
37 The *inam* of the servicing jatis was abolished by Acts II and III of 1892-93. Thus, although the potter's land was, out of habit, called his *inam*, in actual fact, he was a *ryotwari pattadar* like anyone else.
38 Interestingly enough, in 1976, only Pallis and Parayars were performing *koothu* or drama. Many Mudaliyar boys were interested in them, but they were afraid that actual participation might be infra-dig.
39 Sivakumar (1978a).
40 *Ibid.*
41 Sivakumar (1977).
42 *Ibid.*
43 *Ibid.*
44 The linkage between the widespread illicit arrack distilling and the class-jati nexus in Southern Chengalpattu is a complex and detailed one. A brief report on this by one of the authors appeared in *Point of View*. (September 1977). A more detailed study of this is currently being conducted by one of the authors. Even in the eighteenth century, daily quota of arrack and toddy constituted a part of the customary rewards of the Parayar *adimais*. See, for instance, "Board of Revenue (Consultations) Proceedings", vol 157, pp 5242-5245.
45 This is an aspect of the linkage between class-jati nexus and illicit arrack distilling referred to in note 44 above.
46 See Beteille (1965).
47 This was narrated to us by Palli and Brahmin landowners belonging to several villages in this region.
48 Sivakumar (1977).
49 *Ibid.*
50 During 1916-1976, the population of landless peasants increased by 107 per cent while the population of the villages themselves increased by only 86 per cent. (Source: census conducted by Sivakumar and Genealogical Tables.)
51 See Sivakumar (1978a).
52 *Ibid.*
53 Recent happenings, such as the "massacre of Harijans by upper castes" at Villupuram, must be seen in this light. Interestingly enough, our informants tell us that,
(i) The men-behind-the-scene in both parties at Villupuram were rivals in the thriving trade in contraband from Pondichery. Thus, occupational rivalry.
(ii) The mistress of the 'Harijan' over whom the trouble was sparked, was a Palli.
(iii) Palli-Parayar disputes are most frequent in that area.
All this portrays a scene very similar to the one at asthapuram-Kanthapuram.
54 For instance, one of the friends at Asthapuram asked one of the authors in 1976: "Have you seen Indira Gandhi? You are from Delhi. So you must be seeing her everyday!". The author asked him whether it mattered that he [the author] saw Indira Gandhi. The reply was: "Is she not the *arasu* (government)?" The author asked: "Does that matter?" Pat came the reply, "The government is everything. As far as Gods are concerned, you can take a vow and make an offering and keep them happy. What can you give to a government? Even your life is not enough offering to it!"

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Di… Caste and Class Conflicts

Sharad Patil

The transition from the non-hereditary varna to the hereditary jati marks the transition from the early tribal slave societies to the feudal societies before India was colonised. This article traces that process in some detail. Jati or caste did then represent class defined in terms of relation to land, expropriation of its surplus, and military and bureaucratic sharing of wealth and power.

With colonial society, new class relations came into being. In the basically mercantile economy the urban bourgeoisie, big and small, merged with the rural class of rentier landlords as the creditor became de facto landlord and the debtor a permanent serf. Naturally, the rentier was a vehement protagonist of the varna jati dharma or ideology, ever to underpin the changing economic and political base.

It should be emphasised that the ruling classes of capitalists and landlords and their parties increasingly rely on caste and religious support in the race for parliamentary power.

Given the composition of Indian society, socialism cannot be achieved without peasant agrarian revolution. And it is in the rural areas that caste is the strongest. Mass organisations will have to devote as much energy to the struggle against caste as they devote to the struggle against economic exploitation on new class lines.

CASTE in Vedic times was not based on birth, but on initiation (Aryan: *upanayana;* non-Aryan: *abhisincana, upasampada*). The *Vratya-stoma* of Atharva-veda (XV) was composed for absorbing alien tribes or tribesmen into the tribal caste society. As for hierarchical ranking of castes, we see that during the epic period, through the higher three castes: Brahman, Kshatriya and Vaisya, of the rajaka (monarchical) tribal slave States had hypergamous inequality amongst them, they had equal rights in the administrative organs of these States, i e, in the sabha (tribal council) and the parishad (tribal assembly). In the a-rajaka (non-monorchical) tribal slave States or sangha-ganas — from which Mahavira and Buddha hailed — there was no Brahmin caste at all, the custodian of purity. (The Sudra-Dasas, though slaves during the whole epoch of the tribal slave society, were varna and not non-varna, and hence were not untouchables.)

Two Heritages

Phule's theory of the caste system was that it was created by the Aryan or Irani Bhats or Brahmans. His harking back to king Bali[1] meant that, before the coming of the Irani Brahmins, Indian society was a casteless (i e, classless) agricultural community. Thus, his race theory did not owe its origin exclusively to the European one but drew upon an age-old non-Brahman tradition.[2] The term 'bahu-jana samaj', meaning majority of society, is not of Marathi origin. Indeed, 'bahu-jana' was a term which Buddha usually used to denote the masses, while 'Brahmanetara' is a term which goes back to early Vedic times.

"Aitareya Brahmana" (II.19), the earliest treatise on Vedic ritualism, relates that the Vedic seer Kavasha Ailusha was denounced as 'a-Brahmin' by the Aryan priests, who were performing a sacrificial session on the banks of the river Saravaati; he was driven out in to the sandy waste to die of thirst and hunger. His 'Child of the Waters' *(Apo-naptriyam)* hymn (Rg X.30) was meant for performing the magic of 'controlled inundation' (*parisaraka*) of the riparian land. This means that he belonged to the riparian agricultural civilisation of the Indus era. Rks 20-24 of the Rg-Vedic hymn III.53, composed by the Aryan seer Visvamitra, are considered to be anti-Vasishtha. The former was patriarchal while the latter was matriarchal. Hence the struggle that commenced at this early period of Indian history was between two peoples — the one agricultural and hence matriarchal and matrilineal and the other pastoral and hence patriarchal. Karma, in his quarrel with Salya, derided the matrilineal Vahikas of Punjab as Dasamiyas and Vrshalas (slaves and slavelike).[3]

The grammarian Patanjali (BC 200), commenting on Panini's rule I.4.1, classified the countries of his time as '*a-Brahmanako desah*' (non-Brahmin countries) and 'a-Vrshalak desah' (Brahmin countries).[4] The struggle between these two social systems was bound to be fought out in the ideological field. Philosophies of India are not divided between materialistic and idealistic systems, but between a-Brahmin or *Nastika* (anti-transcendentalistic) and Brahmin or *Astika* (transcendentalistic). Shankhya (Later tradition classified this as Brahmanic), Lokayata (materialism), Jainism and Buddhism are a-Brahmin, while Purva-Mimamsa, Vedanta, Nyaya (Logic) and Vaiseshika are Brahmin. All these non-Brahmanic philosophies had their own monastic orders called *gana* or *sangha* (tribe) which were casteless (i e, classless). It is well known that these were against caste system and *karmakanda*. When two Bhikkhus called Yamelu and Tekula, hailing from the Brahmin caste, urged Buddha to permit them to render his teachings in Sanskrit, he forbade them and laid down that his teachings should be propagated exclusively in the languages spoken by the people.[5] The saint Jnanesvwra, who is supposed to have laid the foundation of the Bhakti movement in Maharashtra, was boycotted by the Brahmin caste council (Brahma-sabha), and hence, was constrained to embrace the non-Brahmanic Nath sect. The saint Cakradhara of the Mahanubhavas was Jnaneswara's predecessor. He was tortured to death by Hemadri, the Brahmin minister of the Yadavas of Deogiri. The Bhagawat dharma itself is considered to be non-Brahmanic.[6] Thus, Phule (1827-1890) had behind him a long non-Brahmin tradition.

The Brahmin or Astika philosophies and their Vedic and neo-Vedic religions were fierce protagonists of caste society and sexual inequality. The philosophy fashioned by priest-kings such as Pravahana Jaivali, Asvapati Kaikyea, and Janaka, of the rajaka tribal slave States was Brahmavada or Monist idealism, while the philosophy of the a-rajaka tribal slave States or *Sangha-ganas*, which arose out of the dissolution of these theocratic monarchies, was a form of Sankhya or dualistic pluralism.

Krishna, the leader of the first *sangha-gana* in India, was faced with the task of preserving his nascent oli-

garchy [illegible] the raj in States such as Magadha and Salva. He struck a historic compromise with a section of these rajaka States led by the Pandavas. The philosophy which he fashioned to justify this alliance came to be known as Advaita Brahmavada, a combination of the philosophies of these two types of slave States. Better known as Vedanta, it found its greatest exponent in modern times in Tilak who wrote his famous *"Gita-rahasya"* to expound it. Since then it has become the official philosophy of the Indian bourgeoisie who had reached a 'historical compromise' with landlordism right from the time of Phule and which has continued even after Independence.

Dange inherited this Astika tradition from Tilak. Bani Deshpande Dange's son-in-law, states in his "The Universe of Vedanta" that the Vedanta philosophy of Badarayana is the greatest philosophy of India[7] and proclaims " the Vedanta philosophers established their supremacy over every school of philosophy virtually wiping them out of existence from the soil of India "[8] Deshpande even claims that, what Marx did in fashioning his dialectical materialism was just to rediscover the Vedanta philosophy![9] Dange, in his foreword to this book, extolls the philosophy as "astounding cognition of the world process, its laws and philosophy" by the 'vedavadins'[10] This is the heritage of Vedavadin nationalists and communists!

Nagative Intellectual Legacy

B R Ambedkar attempted to prove that the Sudras originally constituted the solar Kshatriya caste of the Vedic Aryan society, but that since the Brahmins refused to perform *upanayana* for them they were pushed down to the fourth caste.[11] The non-Brahmins regarded not only the so-called Vedic religion, but all Vedic and Sanskrit literature, culture, and philosophy, to be products of the intellectual villainy of the Brahmins against the Sudra-Atisudras.[12]

Ambedkar's argument, however, can hardly stand the test of history. *Sangha-ganas* right from that of the Yadavas of the Mahabharata times (BC 850) to those of Buddha's time (BC 600) had no Brahmin caste. Their initiation *samskara* consisted in taking a ceremonial bath *(abhisincana) in their mangala pokkaranis* (lotus ponds). This negative attitude goes back to the time when the Nastika philosophies started their struggle against the Atika philosophies.

Though Buddha took the same attitude, he evolved his philosophy after a thorough exploration of the Astika and Nastika philosophies of his time, and in response to the need for a philosophy that could provide ideological leadership to the anti-slavery feudal revolution of his time. (Chapters XIV 'Sangha-gana', XV 'Philosophies of the Slave Era', and XVI 'Feudal Revolution', of my book *"Dasa-Sudra Slavery"*, being published by Allied Publishers, expound these philosophies sociologically.) That is why his school proved to be the longest (BC 600 to AD 700) and produced the greatest galaxy of philosophers from Nagasena and Nagarjuna to Dignaga and Dharmakirti. Buddhism is responsible for the greatest revolution in all fields of Indian history. But, though Buddhism was against caste system, it left it untouched. With its eclipse the non-Brahmin current lost its spirit of independent philosophical quest. The social, cultural and philosophical revolts, since then, were essentially readjustment within the feudal system, and were thus unable to go out of the caste and philosophical framework of Brahmanism.

Non-Brahmin thinkers of the colonial period though they broke through the caste framework, were unable to rise above this negative legacy. Their negative attitude towards the so-called Brahmanic Indian history, philosophy, and culture could not but have adverse effects on their intellectual achievements. That is why the non-Brahmins failed to develop their own scholarship.[13]

Dialectical Relation of Caste and Class

Phule identified caste with class. He visualised the struggle of the *bahujana samaj* as a class struggle of the Sudras and Ati-Sudras against the Shetjis and Bhatjis. It is worth noting that, up to the advent of the British raj in India, the main class division of all class societies in India was constituted in a communal manner. The rajaka tribal slave States of the epic period were constituted by the three ruling and exploiting castes: Brahman, Kshatriya and Vaisya, while the ruled and exploited caste was Sudra (in non-Brahmanical States: Dasa-karmakara). The Arab feudal class too, that ruled over non-Islamic subject peoples, comprised the conqueror Arab tribes.[14] Pre-Turkish Indian feudal society was made up of the military castes and the Brahmin caste as the ruling and exploiting castes, on the one hand, and the Sudra and Ati-Sudra castes (merchants, peasants and labourers), on the other. This will be best illustrated by what M G Ranade said in 1898 about the social transformation being brought about by the British:

> ...The country is in a transition stage, passing from semi-feudal patriarchal conditions of existence into a more settled and commercial order of things, from the laws of custom to the rule of competition.... In all countries, property, whether in land or in goods, must gravitate towards the class which has more intelligence and greater foresight, and practises abstinence, and must slip from the hands of those who are ignorant, improvident, and hopeless to stand on their own resources. This is a law of Providence and can never be wisely or safely ignored by practical statesmen for any fancied or sentimental considerations. As long as the differences in the habits and education of the saving few, represented by the Bania and the Brahmin classes, and the spending many who count by millions among the military and the cultivating classes remains good, property will gravitate from the one class to the other, notwithstanding all prohibitory legislation....[15]

Ranade, as is well known, was a social reformer, a liberal nationalist and one of our earliest bourgeois economists. What he says amounts to this: the feudal ruling castes of Brahmins and Marathas were being replaced by the capitalistic Brahmin and Bania castes. Phule used the more popular terms: Shetjis and Bhatjis, instead of Banias and Brahmins. Class in pre-colonial India was not made up of economically, politically and socially homogeneous group of persons, but of one or a cluster of castes which were analogous politically and socially. Class itself was a communal category.

But does this mean that there was no economic differentiation within castes? Many among the highest castes: Brahmin and Kshatriya, lived in penury even in ancient times. Angirasa, the Brahmin seer of the Rgvedic hymn X.117, cursing his affluent caste-brothers, says,

> No, the gods have not created hunger as the only way to death,
> Deaths (of various types) also await the satiated man.
> The riches of the donor do not get exhausted,
> And the miser finds no one to pity him.[16]

"Aitareya Brahmana" (VII.15) says that the Brahmin Ajigarta Sanyavasi, hard-pressed by hunger and destitution, sold off his middle son Sunahsepa for hundred cows to the Ikshuaku prince Rohita for sacrificing him in his stead to the god Varuna. The epics Ramayana and Mahabharata narrate tales of pauper Brahmins who lived by the *unche* way, i e, by gleaning grain from harvested fields and foodgathering. The captains of Alexander have recorded that numerous Kshatriyas hired out their services. This was the situation as far as the tribal slave society was concerned.

In feudalism, the ruled and exploited Sudra peasant castes had economic differentiations. Irfan Habib gives us a class break-up of a Punjab village surveyed in 1697-87 for the assessment of *jiziya* (poll tax on non-Muslims).[17]

'Where the mind is without fear and the head is held high;

Where knowledge is free;

Where the world has not been broken up into fragments by narrow domestic walls;

Where words come out from the depth of truth;

Where tireless striving stretches its arms towards perfection;

Where the clear stream of reason has not lost its way into the dreary desert sand of dead habit;

Where the mind is led forward by thee into ever-widening thought and action—

Into that heaven of freedom, my Father, let my country awake.'

Rabindranath Tagore

No	[illegible] of Persons	[illegible] Per Capita Valued at Rs	Economic Class	Caste
I	13	2,500	Zamindars; Moneylenders and grain merchants	Dominant military caste Vaisya castes
II	85	Over 52	Rich peasants and ordinary peasants and craftsmen	Sudra peasant castes, and artisan castes.
III	137	below 52		
IV	22(?)	—	Absolutely indigent	Ati-Sudra castes and tribes

TABLE 2

Taluka	Total Population	Agricultural Labourers	Agricultural Labourers Per Cent
Akrani	22,517	270	1.17
Akkalkuwa	58,516	3,433	5.86
Nawapur	99,360	18,022	18.13
Nandurbar	1,46,413	31,651	25.61
Taloda	79,686	22,515	28.13
Shahada	1,34,552	44,805	33.5

In the Gatha Sapta-sati of the Satavahana king Hala (AD 50) *gamani* (village chief) falls in category I, *gahavais* (Sanskrit: *graha-pati*, meaning householder) in II, and *halikas* in III. That is why the great scholast Vacaspati Misra (AD 900) said that a dusty-footed *halika* is not capable of philosophical cognition.[18]

But does this mean that economic differentiation had taken place in all castes? Data lifted from the census of 1951 is tabulated in Table 2 to help arrive at an approximate estimate as to the extent to which class differentiation had taken place in the six Adivasi taluks of the district Dhule in Maharashtra.

Class differentiation had taken place to the extent that land alienation due to usury and capitalistic agriculture had developed. We can infer from this that, in pre-colonial India, no economic differentiation could take place in the Adivasi tribes and the Ati-Sudra castes. In pre-colonial India, there were claims of shares in the agricultural product. This is not to be confused with private property in the means of production. Thus, in pre-colonial class societies of India, though economic differentiation could take place between the ruling and the peasant castes, it could not split any of these castes into classes. Caste hindered further class formation. Hence, class struggle in such a society could take place only through caste organisations. Class struggle took the form of caste (and communal) struggles.

Property and Caste

This conclusion is bound to lead to the formulation which Omvedt makes:

> ... Prior to colonial rule, in almost all cases, land was not a commodity but, in the words of Eric Wolf, an 'attribute of the community' to which the peasant belonged claimed by a community, a class, or tribe or lineage as a whole. In India, though the British asked the question 'who owned the land?', it was in fact the wrong question: no one owned it, rather, certain groups, from cultivators and artisans in villages up to feudal overlords, had a claim to shares of the produce on the basis of their performance of functions for the society. But colonial rule most typically established land as a market commodity ... .[19]

Sale and purchase of land is attested in Buddha's time itself by the purchase of the site for the Jeta-vana Vihara at Sravasti by the *trader* Anathapindika from the prince Jera of the non-tribal feudal Kosala kingdom. More regular transactions — sanctioned and regulated by law in Mauryan times — are evidenced by the chapter III.65 of the *"Arthasastra"* entitled 'Sale of Vastu' — *vastu* meaning house, land, etc.

This was possible because — with the advent of non-tribal feudal States such as Kosala, Magadha, Avanti, etc — instead of the clan, the joint family became the primary and most important unit of Society. Communal property was displaced by joint family property. According to *"Arthasastra"* (III.61) family and property became divisible in every fifth generation. Kautalya lays down that land can be sold or mortgaged [illegible] village, only, say by a [illegible] grantee to another grantee only. The seller had to ask his clansmen then his neighbours, then his creditor. Though it is argued that Kautalya had legislated only for the sale of a house, it is clear that he laid down a procedure by giving the rules for selling a vastu like a house.

R S Sharma's observation should be taken in this context. "It is only from the Gupta period onwards that the law books lay down provisions regarding partition, sale, mortgage, adverse possession and lease of land."[21] Irfan Habib proves indisputably that, during the Moghul period, peasant families owned their respective lands and they could alienate their lands subject to above-mentioned provisions.[22] Colonial rule removed all these restrictions on the alienation of landed property and opened the way for the formation of classes in every caste. Marx noted this new economic development and wrote in *New York Times*, August 8, 1853: "Modern industry will dissolve the hereditary division of labour, upon which rest the Indian castes, those decisive impediments to Indian progress and Indian power."[23]

According to Marx, caste was a product of pre-industrial class society. Hence he expected it to disappear during the development of modern industry and the class struggles generated by it. Dange, writing in *Socialist*, November 25, 1922, identified caste with class: "The fight of the Non-Brahmin classes to raise themselves to the status of the Brahmins began when the Hindu society divided itself into various castes or classes."[24] Thus, according to him, the struggle of the non-Brahmins was exclusively for sanskritisation, for raising themselves to the erstwhile ruling caste or castes. He went on to say that the non-Brahmin movement was dominated by petty bourgeois elements who wanted a share in the spoils. However, he admitted that there were also sincere but confused elements who wanted to do away with all classes. But, castes, he declared, were of no consequence; for they would vanish in the class struggle to give way to two classes only: "Proletarians and God Capital)!"[25] In order to prove his old thesis, he writes in his work of more mature age:

> The rise of the three Varnas (Brahman, Kshatriya and Vaisya) takes place simultaneously with the rise of slavery, the Sudra Varna. Why? Because slavery arises out of the same momentum that brought forth the Varnas — the variety and rising productivity of labour, exchange and private property ....[26]

That is why Prabhakar Vaidya remarks that class theory or class struggle was taken by these early communists to be the panacea for solving every problem![37]

Varna and Jati

Romila Thapar makes a distinction between varna and jati and thinks that varna was the theory and ritual ranking of castes, while jati was the actual status and functioning of castes.

> ... the functional aspect of caste appears to have been jati and not varna. Varna appears to have represented the theory of structure, and may best be translated by the word 'group'. Jati relationships represent the actual way in which society functioned, and this word is better translated as 'caste'. Varna became what sociologists have called the 'ritual rank', whereas jati was the indication of the actual status. The dharma-sastras, therefore, when speaking of varna, were referring to the theory of caste, each varna representing the ritual ranking of castes, and not necessarily the actual socio-economical status. Every jati was given a ritual rank so that its order in the hierarchy could be easily assigned...[28]

The rise and development of varna and jati are held by Thapar to be contemporaneous. The word jati does not occur in Vedic literature except in *"Nirukta"* (XII.13)[29] and *"Katyayana Srauta Sutra"*.[30] It means that jati is post-Vedic institution. Then what is varna? The Rgvedic hymn, I.179.6, says that the Kshatra Lopamudra and the Brahma Agastya nourished both the varnas by uniting in sacred marriage. According to A K Coomaraswamy, the sacred marriage (*deva-vivaha*) was performed in order to imitate the sacred marriage of the Sky and the Earth (*Dyava-Prithvi*) in rainy season through which the world was reproduced.[31] The Kasika commentary on Panini's rule, VI.2.131, tells us that the terms *paksha* and *varga* were applied to the parties or constituents of a tribe. These terms also mean half or the moieties of a tribe, which takes us to the original meaning of varna. The moieties of a tribe: Kshatra and Brahma, united to reproduce the tribe and the world. Aitareya Brahmana (IV.27) describes the sacred marriage of the Rashtri or Kshatra Vak and the Brahma Brhaspati. Rashtri is the only word for kingship in "Nighantu" (II.22.1), the oldest Vedic glossary. Thus, Rashtri was the designation of the queen of a matriarchal tribe. Rashtra means the communal land of a tribe. Vak also is called Rashtridevi by Atharva-veda (IV.30). Devi means one who distributes rashtra land by lots (aksha). The water of the river Sarasvati which was brought to consecrate a king in the Raja-suya sacrifice is called rashtra-da (rashtra-giving) by "Vajasaneyi Samhita" (X.2-4). Sarasvati, a tributary of the Indus, conferred such a kingship on the person elected by the tribe for kingship.

Thus, the matriarchal agricultural tribe of the Indus civilisation was constituted by two varnas, denoting its two sexes. The tribe was classless, but women being the rulers and men the ruled, there was social inequality between them. Thus, varna arose in a classless tribal society; but the society being matriarchal, it was a product of sexual or social inequality as well as division of labour. With the advent of the pre-Aryan rajaka tribal slave society, comprising of Kshatriya, Brahmin, and Dasa-Kamakara varnas, varna became the manifestation of social and economic inequalities and further division of labour in class society.

The word jati is used in the sense of caste for the first time by "Vinayapitaka".[32] It enumerates Candala, Vena, Nesada, Rathakara, and Pukkusa, as low jatis, and Khattiya and Brahmin as high jatis. We come across the jatis mentioned by "Vinayapitaka" only in the non-tribal feudal monarchies such as Kosala, Magadha, etc, that had arisen in Buddha's time. Hence, jati is a product of feudal society representing the multiplying and increasing division of labour and social and economic inequalities in that society.

Varna and Jati

But what is the difference between the social inequalities represented by these two institutions, and what is their relation with each other? Nobody could become a member of tribal society — classless or class — without being initiated with its *samsakara*. It was a puberty rite which entitled one to all the rights and privileges of that society. It was the ritual of rebirth.

Hence, Kshatriya and Brahmin varnas of the non-Brahman rajaka slave States were twice borns (*dvija*), while their communal slaves and labourers of the Dasa-Karmakara varna were once-borns. In the same manner, Brahmin, Kshatriya, and Vaisya varnas on the Brahmanic rajaka slave States were twice-borns, while their communal slaves and labourers of the Sudra varna were once-borns. Again, each of the twice-born varnas had a different kind of initiation ritual. The *sangha-ganas* that succeeded both types of the rajaka States had only two varnas: Kshatriya and Dasa-Karmakara. Thus, the main thing that distinguished the varna system was the initiation ritual.

The *sangha-gana*, or the highest form of tribal slave system, was displaced by the *samanta* or the non-tribal feudal system. Hence, initiation, a pre-eminently tribal ritual, lost its efficacy. It became an empty ritual. A person was now born in his jati, which is the literal meaning of the term. Kane gives the characteristic features of jati as follows:

> In most of the works on the castes in India a few features are pointed out as the characteristics common to all castes and sub-castes. They are: (1) heredity, i e, in theory a man is assigned to a particular caste by birth in that caste; (2) endogamy and exogamy, i e, restriction as to marrying in the same caste and not marrying certain relations or other persons, though of the same caste; (3) restrictions as to food (i e, what food or water may be taken or not taken and from whom); (4) occupation (i e, members of most castes follow certain occupations and no others); (5) graduation of castes, some being at the top in the social scale and others being deemed to be so low that they are untouchable ... (6) The caste council with the chief having in meeting assembled among other matter. The power to regulate the conduct of its members, to impose the penalties of fines or excommunication for lapses..."[33]

In the Buddhist canons, the word 'jati' is still used in the sense of tribe. The Sakya tribe is repeatedly referred to as jati,[34] Jatis evolved out of disintegrated or subjugated tribal States or tribes. The real disintegrator or subjugator of the tribal States or tribes was the new feudal means or mode of production. Jatis became parts of a non-tribal feudal class society, but regulated their internal affairs subject to the powers vested in the feudal State functionaries on a tribal model, as is evident from the above-mentioned characteristics. ***They took their place in the new non-tribal feudal society in the framework of the old varna system according to the new division of labour in a hierarchical manner.*** This is how the new varna-jati system came into existence.

Religion: New and Old

The religion of this new society is defined by the Dharmasastras as consisting of Srauta (Vedic) and Smarta (based on Smritis). Srauta was the varna-asrama and sacrificial (karma-kanda) religion of the old rajaka (priest-kingly) tribal slave society, and Smarta is the varna-jati religion of the new non-tribal feudal society. This composite religious code was systematised by



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individual Brahmin priestly ministers of the feudal kings. But, though the religion of the rajaka tribal slave society was varna-asrama and karma-kanda, there never was any individual law-giver of the tribal slave society as a whole. The repositories of tribal religion were the tribal elders.

Yudhishthira, after becoming the priest-king (dharma-raja) of all the Kurus, sought instruction in dharma (which then covered everything, law, religion, philosophy, etc) from Bhishma, a Kshatriya tribal elder of the Kurus. Buddha says in the "Mahaparinibbana-sutta" that the repositors of the age-old religion of the Vajjis are their tribal elders. The religion of the sangha-gana oligarchies was again varna-asrama, though in a modified form, but minus karma-kanda.

The religion of each tribal State was in its own spoken language. The religion of the feudal society was now exclusively in sanskrit, which had long ceased to be a language spoken by the people. With the beginning of the Christian era, even the the non-Brahmanical Jainas and Buddhas adopted Sanskrit as their literary language. Sanskrit became a prerogative of the top feudal class. Not only Sudras and Ati-Sudras, but women as a class not excluding queens could speak only in Prakrit.

Brahmins now became the sole repositories of Vedas and Vedandas. In pre-feudal times, initiation was never the monopoly of the Brahmin varna. In that society, even when kingship became hereditary, every new king had to obtain the sanction of the tribal elders and he was consecrated to kingship by the tribal assembly. Only a Kshatriya could become a king. But now any powerful leader of a military tribe-cum-caste could seize power. That is why the Puranas say that, with the Sudra Nandas, Kshatriyas had ceased to exist. This military tribe-cum-caste had to be initiated to the Kshatriya caste. The job was now done by the Brahmin priesthood. The Brahmin caste became the sole dispenser of sanskritisation. In return, prominent priestly Brahmins received brahma-deya land grants. These grantees became a part of the class of zamindars — the Moghul term for feudal lords, equivalent to Deshmukhs or Desais. That is why Ranade said that the military caste and the Brahmin caste were the rulers of the feudal society.

Army of Prayer

Patil or mugaddam, and desai-deshmukh or chaudhari, were usually of the dominant military caste. Kulakarni-deshpande or patwari, and sir-deshpande or ganugo, were invariably Brahmins or to a lesser extent Kayasthas. What was their charge on the revenue collected? Irfan Habib informs us:

> ...It appears that from Mirat ... that there was a five per cent charge on the revenue which was equally divided between the mugaddam and the desai (chaudhari) just as there was another charge, known as sad-doi, or 'two per cent', which was equally divided between the patwari and the ganugo (Ain I, p 2000).[35]

What was the share of the village priest in the 'surplus product' of the peasant in a village? We get the following information from South India.

> .. According to Benjamin Heyne, who studied the situation in South India in the first decade of the last century, the tax equalled 35 per cent of the crop, the remuneration for the administration and armed men (of the zamindar?) accounted for 12.5 per cent, for members of the clergy over 2.5 per cent, and for servants (not engaged in agriculture) and artisans 2.5 per cent. Thus, only about half of the total crop (in an average year) was retained by the working part of the rural population (ryots, pariahs, servants and artisans).[36]

As for the tax-free land allotted to Brahmins and Cazees, we get the following information from Gujarat given by James Forbes in 1856.

> ...Some particular fields, called pysita and vajeeso lands, are set apart in each village for public purposes ..., in most, the produce of these lands is appropriated to the maintenance of the Brahmins, the cazees, washermen, smith, barber, and the lame, blind and helpless, as also to the support of a few vertunnes, or armed men who are kept for the defence of the village.
>
> In the tax report of June 10, 1815, prepared by Forbes, we find a more accurate description of *pysita* as a land allotment provided 'for the maintenance of various descriptions of artificers in each village'. It was also allotted to members of the clergy, communal servants and administrative staff of the district. The total areas of these lands in the district are 36,563 bighas, of which only 5,190 bighas were owned by 'village artificees, such as carpenters, blacksmiths, potters, tailors, washermen, barbers, shoemakers and tanners'. An estimated 14,380, bighas were owned by communal servants (bhils, jains, etc), while the rest of this land (16,993 bighas) belonged to the administration personnel and priests staffing the temples and mosques. In other words, this part of the land was in effect feudal tax-exempt property. ...[37]

Religious land grants to Brahmins in the pre-Turkish feudal regimes in Maharashtra are described by R S Sharma as follows:

> In the Rastrakuta kingdom, far more villages were held by temples and Brahmanas than in the Pala and Pratihara dominions taken together. Apart from grants of villages made singly, the Rastrakuta records speak of the regrant of 400 villages by one ruler, and the grant by another ruler of 1,400 villages, 600 agraharas and 800 villages to temples (devakulas). Thus under the Rastrakutas, priestly institutions rather than priests themselves seem to have emerged as important intermediaries in land ... This development seems to have taken place in Maharashtra under the influence of the South where temples possessed more landed property than individual priests.[38]

Even under the bureaucratic feudalism of the imperial Mauryas rtvik (priest), acarya (teacher), mantri (minister) and purohita (royal chaplain) — all Brahmins — were paid a salary of 38,000 panas per year, equivalent to what was paid to senapati (army chief), yuvaraj (crown prince), rajmata (king's mother), and mahishi (chief queen) (V.91). The military caste and the Brahmin caste were equal partners in the feudal rule in every respect, the need being mutual. That is why the Moghul emperor Jahangir called the priesthood *'lashkar-i-dua'*.

> ...The State had its own interest in maintaining this class. Jahangir called it the 'Army of Prayer', and he is reported to have said that this army was as important for the empire as the real army....[39]

R S Sharma notes that, in India, there was no 'struggle between the Papacy and the State' (which later developed into the ideological struggle that prepared the ground for the industrial revolution) which characterised the history of medieval Europe, but that the ruling dynasties of pre-Turkish times 'vied with one another in making religious grants'.[40]

Sankaracharya (AD 788-820), considered to be the greatest idealist philosopher of India, established the organised Hindu church in India, which was the ideological and religious bulwark of Indian feudalism. The leaders of the Indian bourgeoisie did not unfurl the banner of materialism as their counterparts in Europe did a few centuries earlier, but took over the saffron flag of Vedanta from the Hindu church through Tilak. The only Marxist scholars of Indian philosophy of note: Rahul Sankrityayana, Deviprasad Chattopadhyaya, and K Damodaran — excepting the first — owe allegiance to the Vedantin Dange's political party. Damodaran could not withstand the spell of Vedanta.[41] Marxist philosophy is yet to wage a serious struggle against this philosophy of the Hindu church.

Struggle against Class-Caste

Omvedt says that, with colonial society, new class relations came into being.

> With the basically mercantile economy that dominated rural as well as urban colonial areas, the commercial bourgeoisie, big and little, was not simply an urban class but merged into the rural class of rentier landlords as the creditor became a *de facto* landlord and the debtor a permanent serf.[42]

The high caste Hindu rentier landlords were naturally vehement protagonists of the varna-jati dharma.[43] And though the political and economic base changed, the caste system survived.[44] With Independence,

> ... The Maharashtrian Brahmin intelligentsia, though still dominant in educational and cultural institutions, has been swept from political power by a rich peasant non-Brahmin elite with strong roots in the villages and with an institutional basis in rural co-operatives and educational societies. The existence of a class elite in almost every caste group, including untouchables, has meant a significant degree of opening up of the society and a dispersal of castes along the economic ladder. Yet caste traditions, including the relegation of untouchables to separate living areas, remain strong in the villages and religious practices which the Satyashodhak Samaj opposed, including reliance on Brahmin priests, remain in existence ...[45]

It should be added that the ruling classes of capitalists and landlords and their ruling party, as they turn away from 'Western' democracy, are increasingly relying on religious and caste support. (There was only Congress then. Now there is also Janata, the mass powerful and cohesive constituent of which is Jan Sangh.) Muslim and Christian communities in India are themselves caste ridden. Development of an elite class in every caste, community and tribe (increasing organised militancy in the tribal communities has forced the government to pour far greater funds for their 'uplift') has broadened and strengthened the social base of this class-cum-caste rule. The struggle for revolutionary social transformation in India has thus become more difficult, complex, and protracted. The warning that Ambedkar gave to Indian socialists and communists in 1936 has hardly lost its force today.

> ... That the social order prevalent in India is a matter which a Socialist must deal with, that unless he does so he cannot achieve his revolution, and that if he does achieve it as a result of good fortune he will have to grapple with it if he wishes to realise his ideal, is a proposition which in my opinion is incontrovertible. He will be compelled to take account of caste after revolution if he does not take account of it before revolution ...[46]

Socialism cannot be achieved in India without 'peasant (agrarian) revolution'. And it is in the rural areas that the caste system is the strongest and the Left movement the weakest — practically non-existent in large areas. As far as Maharashtra is concerned, Leftist parties have tended to become urbanised and elitised. Marxism is becoming increasingly attractive, but it is unable to bring Marxist persons, groups and parties closer in order to form a Marxist-Leninist party capable of organising and leading the revolution.

But there is increasing realisation, on the other hand, that an organised struggle against the caste system and oppression of women should accompany the class and mass movements. It is this realisation that has given rise to a controversy that in order to conduct such a struggle separate organisations of scheduled castes and tribes should be formed. Separate organisations of women of various Left parties are already in the field, though mainly led by elite urban women. There is no propriety in establishing new organisations of scheduled castes and tribes. Mass organisations of the agricultural labourers and industrial workers must devote as much energy to the struggle against the caste system as they devote to the struggle against the class system.

Will castes disappear along with classes? Marx said that, though economic classes will disappear in socialism, the old ideology, sexual inequality, inequality between intellectual and manual labour, disparity between urban and rural areas, and other vestiges of thousands of years of class rule will persist. The first castes arose out of the sexual or social inequality in the classless matriarchal society. Hence, caste being basically a manifestation of even pre-class social inequality, vestiges of caste will remain even after the disappearance of classes. Out of the fire of the final fight against these vestiges of caste-class system will emerge a new man, the builder of communism in India. All our energies, therefore, must be bent in conducting the present revolutionary movement against the class-caste rule with this final goal in view.

Notes

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2 E M S Namboodiripad, "Kerala. Yesterday, Today and Tomorrow", pp 115-116, pp 29-31.

3 Mahabharata, VIII. 44-45.

4 Vasudevshastri Abhyankar, Vyakarana-Mahabhashya, Part II, p 167.

5 J Kashyap (ed), Vinayapitaka, Cullavaggapali, V. 16.43.

6 Lakshmanshastri Joshi, Navabharata (Marathi), Nov-Dec 1975.

7 Bani Deshpande, "The Universe of Vedanta", p 154.

8 Ibid, p 155.

9 Ibid, p 152.

10 Ibid, p 14.

11 B R Ambedkar, "Who Were the Shudras?" pp XIV-XV.

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15 M G Ranade, "Essays on Indian Economics", pp 314-315

16 D R Chanana, Rg-Bhasya-Sangraha, p 261.

17 Irfan Habib, "The Agrarian System of Mughal India", pp 119-121.

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19 Gail Omvedt, op cit, pp 24-25

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23 R P Dutt, "India Today", p 244

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28 Romila Thapar, "Past and Prejudice", pp 29-30

29 P V Kane, "History of Dharmasastra", Vol II.

30 Vedic Index, I 381

31 A K Coomaraswamy, "Spiritual Authority and Temporal Power in Indian Theory of Government", pp 65-66

32 J Kashyap (ed), op cit, Pacittiyapali, V 2.15.

33 P V Kane, op cit, p 23

34 J Kashyap (ed), op cit, Mahavaggapalli, I.30.37, Dighanikayapali, Silakkhandhavaggo, III.3.11, III 4 14.

35 Irfan Habib, op cit, p 132

36 V Pavlov V Rastyannikov, G Shirokov "India Social and Economic Development (18th-20th Century)", p 26.

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39 Irfan Habib, op cit, p 310

40 R S Sharma, op cit, p 208

41 K Damodaran, "Indian Thought" p 487.

42 Gail Omvedt, op cit, p 22.

43 Ibid, p 97

44 Ibid, p 3.

45 Ibid, p 2

46 Ibid, p 303 B R Ambedkar "Annihilation of Caste", pp 48-49.

Caste and Class: An Interlinked View

Ajit Roy

In the face of growing attempts to substitute the concept of caste for that of class in the revolutionary strategy for India, this paper, unabashedly, seeks to uphold the essence of the traditional strategy of the historical communist movement in India.

First, contrary to the widespread view that the caste is a uniquely Indian phenomenon, the origin of varna *is shown as basically a form of class differentiation.*

Secondly, caste, with many significant variations no doubt, is traced in the social developments in other parts of the world.

Thirdly, the historical attempts made by Gandhi, Ambedkar and Lohia to solve the caste problem are briefly examined and their limitations revealed.

Next, the spontaneous movements within the caste-class dichotomy in India are briefly studied.

Finally, the class essence of the presently accentuated caste tensions is brought out.

CASTE, or more precisely, *varna*, for which the former, a Portuguese synonym, has come into wide use in comparatively recent years, has been an invariable dimension of the social evolution in India during the last 3,500 years. While the general connotation of the concept — as a hierarchical stratification of society — has remained unchanged, the specifics of the *varna* order have undergone a few changes, along with changes in the socio-economic environment.

Contrary to the naive view that the four-fold *varna* division, along with the accompanying residue of 'outcaste', was a readymade scheme of social order, of divine or semi-divine origin, and that it has been an inseparable component of the so-called Hindu *dharma*, most vedic scholars are in agreement that the concept of *varna* had undergone changes even in the vedic phase of history itself.

The earliest of the vedas, the Rigveda, uses the term *varna* to distinguish the Arya *varna* from the dasa *varna*. *Varna* means colour and "it was in this sense that the word seems to have been employed in contrasting the Arya and the dasa, referring to their fair and dark colours respectively."[1] During the Rigvedic phase itself, the Aryan community had started splitting into classes. The Rigveda frequently mentions three strata among the Aryans: Brahma, Kshatra and Vis, the first being the priestly literati, the second, the warriors and the last comprising the common people. "It is only in one of the later hymns, the celebrated Purushasukta, that a reference has been made to four orders of society as emanating from the sacrifice of the Primeval Being. The names of these four orders are given there as Brahmana, Rajanya, Vaisya and Sudra..."[2] Some scholars have, however, expressed doubt about the authenticity of this hymn's claim to Rigvedic origin; they believe it to be a later interpolation.

According to one opinion, "the emergence of a distinct class structure" among the Aryans coincided with the formation of the four *varnas* or what we have now come to identify as castes. "The earlier division into three social groups or *varnas* represented division of labour and division of social product and not division into classes. The first class-caste division occurred between the Aryans and the dasas who were major local enemies of the Aryans. New relations of production were introduced when the conquered dasas were transformed into a servile class and made the helots or servants of the tribe as a whole. The dasas who were absorbed into the Aryan fold as the shudra caste, became the main producers of the social surplus."[3]

It is true that that the first class division on the world scale was the division between master and slave, the latter procured from captives of alien tribes. It is also true that the pre-Aryan tribes absorbed into the Aryan fold as helots were turned into the base of the social pyramid and designated as the fourth, Shudra, *varna*. But the intra-Aryan division among the three original *varnas* was itself a class division, prior to the absorption of the pre-Aryans. The Vis or the Vaisya of the original three-fold *varna* division formed the pedestal of the Aryan society till the assimilation of the non-Aryan tribes in the form of the Shudras. "The Aitaraya Brahmana describes him [the Vaisya] as tributary to another" and "to be suppressed at will ."[4]

Indeed, the formation of the three original *varnas* signified the separation of the manual and mental labour. The Vis or the Vaisyas were condemned to manual labour in order to create and yield surplus produce for the maintenance of the two higher *varnas*.

The fact that the Kshatriya had been differentiated as a separate warrior stratum signified the advance of the process of dissolution of the primitive-communal system, in which wars — both defensive as well as offensive — were the common responsibility of all the able-bodied members of the clan. This separation representing the creation of a coercive force distinct from the collective as a whole signified a class division; the monopoly of the coercive powers in the hands of the upper stratum in turn contributed to a further consolidation of the division.

Division of labour simultaneously representing division of social product is nothing but a class division,

> because the *division of labour* implies the possibility, nay the fact that intellectual and material activity — enjoyment and labour, production and consumption — devolve on different individuals...
>
> With the division of labour, in which all these contradictions are implicit, which in its turn is based on the natural division in the family and the separation of society into individual families opposed to one another, is given simultaneously the *distribution*, and indeed the *unequal distribution*, both quantitative and qualitative, of labour and its products, hence property ..[5]

The differentiation between the Brahmana and the Kshatriya represented a division of mental and material labour within the ruling class, "so that within this class one part appears as the thinkers of the class (its active, conceptive ideologists, who make the perfecting of the illusion of the class about itself their chief source of livelihood), while the others' attitude to these ideas and illusions is more passive and receptive, because they are in reality the active members of this class and have less time to make up illusions and ideas about themselves. Within this class this cleavage can even develop

into a certain opposition and hostility between the two parts..."[6]

But on the whole it was, at least in the early phase, a functional division within the ruling class with opportunity of horizontal mobility. Vedic scholars cite many instances of such mobility in the early vedic phase. For example, one commentator says:

> Many members of the ruling families, finding court life unpleasant, due to succession disputes, intrigues and revolutions, adopted [the] lucrative and influential occupation of priesthood. Ikshaku Mandhatri's fourth and fifth descendants, Vishnu Vriddhas and Haritas, adopted priesthood... When Navaga's kingdom was destroyed, his fourth descendant, Rathithara became ... [a] priest. Haihaya Vitihavya being defeated by Pratardhana of Kasi became a ... priest. We owe the second Mandala of Rigveda to his son ... Kausika Gathina Visvaratha became a priest when his Kanyakubja kingdom was devastated by Haihaya inroads, and he assumed the name of Visvamitra and founded a priestly gotra of his own. The third Mandala of the Rigveda is mostly the composition of the Visvamitras... Bhargava Jamadagni (a Brahmana) became a warrior. His son, Parasu Ram, was a renowned fighter. Drona, an Angirasa (one of the four original Brahmana clans) was a teacher of the Pandavas in archery and he by his prowess acquired the South Panchala kingdom. Not only there were intermarriages between the Kshatriyas and Brahmanas, but professions were adopted and interchanged as circumstances demanded. The social organisation was in a fluidic condition.[7]

The two functions of the ruling class — physical coercion and intellectual coercion — were indeed collateral in nature. There are many instances in history when there two functions have been performed by one and the same stratum of the ruling class. For instance, in the opinion of Antonio Gramsci, "The Prussian *Junkers* resemble a priestly-military caste".[8]

Referring to the picture of the Aryan life as revealed in the Rigveda, Max Muller says:

> We see the Aryan tribes taking possession of the land and under the guidance of such warlike gods as Indra and Maruts, defending their new home against the assaults of the black-skinned aborigines as well as [illegible] inroads of later Aryan [illegible] but the period of war soon [illegible] end and when the great [illegible] people had once settled [illegible] their homesteads, the military and political duties seem to have been monopolised by what we call a *caste*, that is a small aristocracy.[9]

In a note on the word 'caste', Max Muller adds:

> During times of conquest and migration, such as represented to us in the hymns of the Rigveda, the system of castes, as it is described, for instance, in the Laws of Manu, would have been a simple impossibility... On the other hand, even during that early period, there must have been a division of labour, and hence we expect to find and do find in the gramas of the Five Nations, *warriors*, sometimes called nobles, leaders, kings, *counsellors*, sometimes called priests, prophets, judges; and *working men* whether ploughers or builders or roadmakers. These three divisions we find clearly even in the early hymns of the Rigveda.[10]

At a much later period, the *varna* division was further extended to include a fourth stratum — the Shudras. According to a source quoted earlier,

> Chudes, a mixed tribe of Austroloids and Negroides, and whose settlements extended from Baltic Esthonia through eastern slopes of Urals, western spars of the Altai up to the western parts of Siberia, on the banks of Yenissi and whose ancient sites show that they were skilled in metal-making, fruit-raising, irrigation-works and raising of swine, have been known as Shudras... They were employed not only for grazing the cattle, tilling the soil, doing domestic work of drudgery, but also skilled in crafts so that they might be useful to their masters.[11]

Besides the Chudes, even if one accepts the above theory, the Shudra *varna* must have over the centuries absorbed the impoverished Vaisyas, the mixed descents from early Aryans and the indigenous pre-Aryan tribes, and other elements of pre-Aryan indigenous population absorbed in the lowest rung of the Aryan society. The original social divisions, based on divisions of economic and political powers, buttressed by ethnic, particularly colour, differentiation over the centuries crystallised into rigid caste divisions.

The masses of the indigenous pre-Aryan population, particularly dark in complexion, who refused to be absorbed in the lowest rung of the Aryan order, or were refused absorption, after the Aryans had consolidated their four-fold *varna* divisions, gradually came to be regarded as 'untouchables', the outcastes or the fifth *varna*.

Even after it had established its decisive sway and had even given rise to a reaction against its rigidity, in the form of Buddhism/Jainism, *varna* division had not, however, become fully hereditary in all the Aryan settlements. In his dialogue with Assalayana, a Brahmana youth, came to argue with Gotama Buddha, against the latter's teachings on *varna divisions*, Gotama is reported to have said:

"Have you heard that in some of the adjacent districts there are only two castes — masters and slaves — and that [a member of] the master [caste] can become a [member of] the slave [caste] and vice versa?"

To this, Assalayana replied: "yes, sir, I have heard that..."[12]

The evidence of the Rigvedic texts indirectly proves the existence of a class division of the contemporary Aryan society although slavery or induction of pre-Aryan clans as helots in the service of the Aryans was yet to emerge as a significant phenomenon. Without a part of the society having been relieved from the responsibility for material production, those beautiful hymns would never have been composed. Max Muller pays a glowing tribute to "the ancient literature of India, the literature dominated by the Vedic and Buddhistic religions" and says:

> That literature opens to us a chapter in what has been called the Education of the Human Race, to which we can find no parallel anywhere else. Whoever cares for the historical growth of our language, that is, of our thoughts whoever cares for the first intelligible development of religion and mythology however cares for the first foundation of what we in later times call the sciences of astronomy, metronomy, grammar and etymology, whoever cares for the first intimations of philosophical thought, for the first attempt at regulating family life, village life, and state life [illegible]founded on religion, ceremonial, tradition and contract (*sama*[illegible]) must pay the same attention [illegible] literature of the Vedic period [illegible] the literature of Greece [illegible] Rome and Germany.[13]

As to how this [illegible] intellectual achievement of the Vedic Aryans had been possible, Max Muller suggests two factors by way of explanation, one psychological and the other geophysical. In India, he says, "we find the Aryan man, whom we know in his various characters, as Greek, Roman, German, Celt and Slav, *in an entirely new character*. Whereas in his migration northward, his active and political energies are called out and brought to their highest perfection, we find the other side of the human character, *the passive and meditative*, carried to its fullest growth in India".[14]

Further, "in the northern climates, where life is and always must be a struggle, and a hard struggle too ... the European climate with long cold winters, in many places also the difficulties of cultivating the soil... We work till we can work no longer, our highest ideal of life is a fighting life". By contrast, in the East, particularly India, life is, or at all events was, not very

vere struggle, where climate was mild, soil fertile, where vegetable food small quantities sufficed to keep body health and strength, where the mplest hut or cave in a forest was all e shelter required ... was it not, I , natural there, or if you like, was not *intended* there, that another side human nature should be developed - not the active, the combative and quisitive, but the passive, the medita- ve and reflective?"[15]

Max Muller certainly has a point ere. The mild climate and fertile soil id play a significant part in the evolu- on of the early Vedic society in India. hey combined to enable a *part* of the ociety to produce the basic needs of he whole community and thus free the *ther part* to indulge in passive medita- ion and reflection. Because of these wo distinctive features of the Vedic abitat, namely, fewer needs and lighter abour needed to meet them even on he basis of quite primitive technology, xtraction of surplus produce was ossible even before slavery in one or nother form had made its appearance n India.

The differences in geophysical en- vironments may have in course of a historical span contributed to a process of psychological differentiation between the northern and southern Aryans, but there could hardly have any major psychological divide between the two branches of the Aryans, so recently parted.

Moreover, the high level of medita- tion and reflection expressed in the Vedic literature was far from the uni- versal level of the Vedic society. It was the reverse side of the intellectual retardation of, originally, the Vaisya commoners, and then the shudra labour- ers who were condemned to a life of hard physical labour and subsequently debarred from access to superior knowledge.

Finally, as Max Muller himself men- tions, but without fully realising its significance, conscious attempts were made by the emerging power elite — the passive meditators — to perpetuate this iniquitous social division by "at- tempts at regulating family life, village life and state life, as founded on reli- gion, ceremonial, tradition and contract".

Thus the *varna* division from its original beginning in the Rigvedic phase was essentially a reflection of class differentiation, sustained by the ideological and political domination of the ruling strata.

Just as the ruling class was functio- nally, differentiated into collateral Kshatriyas and Brahmanas, similarly also with the growth of productive forces and consequent separation of handicrafts and agriculture, there came to develop functional differentiation among the practitioners of various crafts. In the course of time and under the conditions prevailing, transmission of hereditary skill played an important part in the maintenance and develop- ment of crafts and services. Therefore, the growth of sub-castes and their petrifaction into hereditary formations followed as a matter of course.

Over the centuries, as new crafts and skills developed and new elements from the aboriginal clans became absorbed within the wider social frame, dominat- ed by the Aryans, the number of sub- castes went on proliferating. And under the over-powering influence of the Brahmanical ideology of hierarchical social order, these sub-castes became embroiled in struggles for relative superiority *vis-a-vis* the other, originally collateral, sub-castes.

The practice of untouchability is a much later development and its origin is still somewhat a matter of specula- tion. Ghurye, for instance, offers the following explanation of the origin of this practice:

> Special rights for higher classes and disabilities on the lower ones was almost a universal feature of class-society; and the Brahmanic theory of four castes with their rights and disabilities does not call for any special explanation. Only the practice of untouchability is peculiar to the Hindu system. It will have been clear from the history of this factor of caste ... that the ideas of untouchability and unapproach- ability arose out of the ideas of ceremonial purity, first applied to the aboriginal Shudras in connection with the sacrificial ritual and ex- panded and extended to other groups because of the theoretical impurity of certain occupations.[16]

This explanation is far from satis- factory. First of all, untouchability is not so particularly an Indian pheno- menon. As Ghurye himself says else- where: "In Japan during her military age — twelfth century to the middle of the nineteenth century AD — society was divided into five distinct groups... The fifth class was formed by two groups called the Eta and Hinin, who were the Pariahs and outcastes of the community".[17]

Ancient Iran also had a four-fold social division and a very important place for the priests and rituals;[18] but this had not led to the practice of un- touchability and unapproachability. The explanation of the emergence of this obnoxious phenomenon probably lies mainly in the sharp ethnic difference between the fair-skinned Aryans who formed the ruling elite and the jet- black aborigines of this subcontinent. When the Aryans realised that a point has been reached in the process of absorption of the dark-skinned pre- Aryans at the base of the social pyramid, beyond which, they could not hope to retain even the already somewhat diluted purity of their race, they im- posed sharp, and strict restrictions on mutual contacts between the Aryan so- ciety and the pre-Aryan aborigines.

The Iranian branch of the Aryans had no such problems as they did not have to encounter a large mass of dark-skinned population. The theory of unclean jobs, willy-nilly performed by the fifth *varna*, would hardly explain the phenomenon of untouchability. In their primitive community, the Aryans themselves had to take care of the so- called 'unclean' jobs. They "had their own medicine men as [well as] their own carpenters who made the chariots, their own leather tanners who made leather for their war and domestic needs... [these jobs] required special training and technical knowledge. Every tribe had them and prized them".[19]

The importance of the pigmentation of the skin as a factor governing the accommodation of population groups within the caste system is proved by the fact that even after the *varna* order had been rigidly established, there was no difficulty for the established order in absorbing the fair-skinned fresh arrivals through the north-west at a relatively high rung of society.

From this brief and admittedly schematic sketch of the evolution of the *varna*/caste division of the Indian society, it should be clear that, Krsna's emphatic declaration in the *Bhagvad- geeta* ("The four-caste division has been created by Me") notwithstanding, the phenomenon is a product of historical evolution, conditioned by socio-econo- mic-ethnic factors. Not only that the *Bhagvadgeeta* is an *ex poste* rationalisa- tion of an existing social reality, but religion *in general* is so. Many enthu- siastic crusaders against the obnoxious caste system in India are unaware of this *real* interrelation between the Indian social evolution and the evolu- tion of the Hindu religion. Further, ignorant of the fact that Marx had built up his world outlook, at least chrono- logically speaking, by *first* revealing his basic truth — of the derivation of religion from the social reality — they accuse Marx of having 'failed Hindu

India'[20] by failing to make 'caste' the central key to the understanding of its problems. This accusation is entirely baseless as Marx had begun his social enquiry on his finding that:

> *Man makes religion*, religion does not make man... This state, this society, produce religion, an *inverted world consciousness*, because they are an *inverted world*. Religion is the general theory of that world, its encyclopaedic compendium, its logic in a popular form, its spiritualistic *point d'honneur*, its enthusiasm, its moral sanction, its solemn complement, its universal source of consolation, and justification...[21]

Hence, by providing an insight into the process of the stratification of the Indian society and the evolution of religion as its superstructure, Marx's writings help to understand and fight caste divisions.

II

Just as Indian *varna*/caste divisions have for their essence the class stratification of society, class differences elsewhere also under certain circumstances have assumed features of caste distinctions.

Not only had the ancient Egyptians and Iranians and the medieval Japanese evolved well-developed caste orders, only did the Prussian Junkers reveal many caste-like traits, many other social formations also have displayed features of castes: "castelike or quasi-caste systems have occurred in various societies whenever social strata have tended to evolve into closed, endogamous groups".[22]

Superficially viewed, the feudal division of medieval Europe closely resembled the three-fold stratification of the original Rigvedic *varnas*. "The nobility (counterpart of Kshatriya) was a military aristocracy charged with the defence of the country and the exercise of judicial power. The clergy (counterpart of Brahmana), an ecclesiastical and intellectual elite not only ministered to the spiritual needs of the population, but, as the literate stratum in the early medieval period, also performed important administrative functions. The peasantry's (the counterpart of the early Vaisya) principal social obligation was to labour for the support of the nobility and the clergy, who dominated the feudal oligarchy".[23]

Soon the two upper divisions developed into closed groups with identical interests as lords of huge landed estates and with close family connections. "After the twelfth century, entrance into the nobility could be obtained only through heredity or royal grace: henceforth the king alone could elevate a person of non-noble birth to the closed ranks of the nobility. During the height of the Middle Ages, kings made but sparing use of this power."[24] The "higher clerical offices were increasingly pre-empted by the younger sons of the noble families until the upper ranks of the church hierarchy became almost closed to any but those of noble blood".[25]

Just as the Indian *varna* division was later sought to be sanctified with the myth about the divine origin of the precise hierarchical order — that the Brahmana, Kshatriya Vaisya and Shudra were created out of the mouth, arm, thigh and feet respectively of Brahma, the Creater — so also was the medieval European hierarchy projected as a divine dispensation. R H Tawney quotes a medieval theologist: "The Church is divided in these three parts, preachers, and defenders, and...labourers ...As she is our mother, so she is a body, and health of this body stands in this, that one part of her answer to another, after the same measure that Jesus Christ has ordained it... Kindly man's hand helps his head, and his eye helps his foot, and his foot his dody... and thus should it be in parts of the Church... As diverse parts of man served unkindly to man if one took the service of another and left his own proper work, so diverse part of the Church have proper works to serve God..."[26]

All this, however, is not to deny the particularly petrified character that the caste system came to assume in India and the most obnoxious nature of the practice of untouchability with few historical parallels. While the roots of the practice of untouchability have already been touched upon, the petrifaction and the seeming unchangeability of the caste regime have to be traced in the very long period of historical stagnation of the Indian society. As Kosambi has rightly concluded:

> When the profound ignorance, generally complete illiteracy, of the UP Brahmins of the period (i e, late 19th century) is taken into account, this shows that the degenerate caste system had long outlived its usefulness to society — even at the very centre of Hindu sanctity, Banaras. However, due to historical inertia, the institution could be abolished only by fundamental alteration of the productive mechanism — industrialisation. Transient economic pressure could accomplish little.[27]

III

The explicitly religious reform movements and regional/local struggles apart, India has seen since the twenties three major streams of national campaigns for the eradication of caste iniquities in general and the curse of untouchability in particular, led by Ambedkar, Gandhi and Lohia, according to the chronological order of their initiation. Ambedkar started as the spokesman, of a particular sub-caste, Mahar, in the erstwhile Bombay province, but later emerged as the foremost leader of the 'untouchables' of the whole country. His lifelong struggles against the caste oppression were, however, constrained within the boundaries of constitutionalism on the one hand and religious reforms on the other. The limits of the first dimension were reached when as the chairman of the Constitution drafting committee, he successfully piloted in the Constitutional Assembly the republican Constitution of the Independent India — a Constitution which, true to the ideals of bourgeois democracy, proclaimed an end to all forms of *formal* inequalities among Indian citizens[28] (except for preferential treatment for the depressed sections of the population — a unique addition to the treasury of bourgeois democratic ideals) and further provided for legislation making the practice of untouchability a criminal and cognisable offence.

The other limiting dimension of his approach persuaded him to part way with Hinduism as a religion and to lead, shortly before his death in mid-1957, a mass conversion of the 'untouchables' to Buddhism at a ceremony in Nagpur in October 1956.

Although earlier Ambedkar had organised a Labour Party primarily with his caste followers and modelled on the British Labour Party, and, just prior to his death, he evinced a certain interest in establishing some sort of liaison with the Socialist Party led by Lohia, his entire outlook was firmly rooted in the Westminster type of democracy. Lohia's colleagues who acted as go-between in the negotiations with Ambedkar reported to Lohia: "He was very sympathetic, cordial and eager to understand our viewpoint in detail. He explained the democratic practice in England, at some length, of choosing a candidate, and it seems is a very great believer in democracy".[29] Lohia confirmed this aspect of Ambedkar's mental make-up when he wrote back: "With Dr Ambedkar, the greatest difficulty has always been his ideological affiliation with the Atlantic camp. I do not think that this affiliation is anything but ideological... You might continue a little ideological dis-



cussion with him through your common friends."

While Ambedkar's lifelong efforts including his part in the making of the Constitution have made some important contributions towards bettering the lot of the 'untouchables', they have been far from successful in liberating the latter. His religious excursion, leading him and his followers into the fold of Buddhism, has produced hardly better results. indeed in so far as the eradication of the inequality of the 'untouchables' is concerned, this has been as unproductive as the earlier conversions of the 'untouchables' to Christianity.

This was inevitable for two reasons: first, the superficial changes, represented by the legal-constitutional measures as well as the change of religion on the part of the oppressed *masses* had *no* structural changes in the bases of the social system as their counterpart; second and more important, as long as the wider Hindu society stuck to its traditional moorings, the overwhelming impact of its massive presence would successfully nullify the effects of any superficial and/or peripheral changes.

Gandhi's commitment to the eradication of untouchability was total. A firm believer in the Hindu religion and hence an ardent aspirant for *moksha*, from the twenties onward, he "declared, times without number, from various public platforms that it is the prayer of my heart that if I should fail to obtain *moksha* in this very birth, I might be born a *bhangi* in my next. ... if there is a rebirth in store for me, I wish to be born a *pariah* in the midst of pariahs, because thereby I would be able to render more effective service to them and also be in a better position to plead with other communities on their behalf".[31]

But as in other social spheres, Gandhi sought to achieve his objective in the sphere of caste relations also without destroying, even seriously disturbing, the existing order. He sought to tackle his task through an idealised and utopian interpretation of the *varna* division. This should be clear from the following exposition of his views given in 1932:

> The varna system is ethical as well as economic. It recognises the influence of previous lives and of heredity. All are not born with equal powers and similar tendencies. Neither the parents nor the State can measure the intelligence. But there would be no difficulty if each child is prepared for the profession indicated by heredity, environment and the influence of former lives; no time would be lost in fruitless experimentation, there would be no soul-killing competition, a spirit of contentment would pervade society and there would be no struggle for existence.[32]

However, to do justice to Gandhi, it should be mentioned that his advocacy of the *continuation of the varna* divisions was based on the utopian expection that all work would be regarded in equal esteem and would be equally rewarded.

Gandhi's approach was one of accommodation, instead of challenge. This will be clear from the practice he introduced in the Satyagraha Ashram, about which he writes:

> The Ashram does not believe in subcastes. There are no restrictions on interdining and all Ashramites sit to dinner in the same line. But no propaganda in favour of interdining is carried on outside the Ashram, as it is unnecessary for the removal of untouchability, which implies the lifting of bans imposed on Harijans in public institutions and discarding the superstition that a man is polluted by the touch of certain persons by reason of their birth in a particular caste. This disability can also be removed by legislation. Interdining and intermarriage are reforms of a different type which cannot be promoted by legislation or social pressure. The Ashramites therefore feel free to take permitted food with everyone else but do not carry on any such propaganda.[33]

It will be be seen from the above that like Ambedkar, Gandhi also depended substantially on legal-constitutional, that is, superstructural changes for achieving the desired reforms in social practice. In other words, he had no consciousness about the need for demolishing the social reality which had given rise to and continued to sustain the obnoxious practice of untouchability. This was the fundamental limitation of his 'Harijan' campaign ever since he had launched on it after his fast in the Yervada jail in 1932. His main weapon in combating this evil was his re-interpretation of the Hindu scriptures. He wrote in *Harijan*

> I have, indeed, said that the verses produced by the Sanatanists in support of untouchability as they describe it are wholly inconsistent with the fundamental principles of Hinduism. Therefore, under the canons of interpretation laid down in the Shastras themselves, such verses must be repudiated as devoid of authority.[34]

He made it clear repeatedly that *vis-a-vis* the question of untouchability, his aim was reforms within the framework of the Hindu religion. As he says:

> ...I have no doubt that, if Hindus cling to untouchability, Hinduism and Hindus will be swept out of existence. I cling to Hinduism because it gives me all the solace I need, and because I have found in it no warrant for untouchability as we know it today.[35]

Gandhi sought to avoid any confrontation of the 'untouchables' with their oppressors on either economic or social issues. For their economic amelioration, he would depend on welfare measures undertaken by reformists; at the social level he would depend on the enlightened caste Hindus for slowly persuading the conservative majority to eschew untouchability. To a correspondent who wanted to know if the Harijan labourers should be advised to retaliate against harassment by the landlords, Gandhi replied:

> No one can be compelled to slave for another. Hence, those Harijans who are oppressed should learn to quit the oppressors' lands. The question naturally arises: Where should they go after quitting these lands? It is the duty of a Harijan *sevak* to find some work or other for such helpless Harijans.[36]

To another question: "Rather than do constructive work among Harijans, will it not be better to create intense dissatisfaction amongst them with their condition and thus promote such self-help as they can generate among themselves? It is no use your trying to convert the *savarnas*", Gandhi replied:

> The question betrays ignorance of the whole scope of the movement. To create dissatifaction among the Harijans can bring no immetiate relief to them and can only perpetuate a vicious division amongst Hindus . the movement is one of repentance and reparation. Hence it is confined, on the one hand, to constructive work among Harijans, and, on the other, to conversion of *savarnas* by persuasion, arguments and, above all, by correct conduct on the part of the reformers.[37]

Gandhi was, it will be seen from the above, against any militant activism on the part of the Harijans.

Religious reform movements, of course, have played and can play significant roles in bringing about historical progress under certain conditions. But they can do so only if they reflect the urges and efforts, even if indirectly, for effecting the needed structural changes in society. Since Gandhi left the entire question of structural changes out of his terms of reference, his ceaseless campaigns on behalf of the 'untouchables' for a quarter of century were hardly more effective than, say, the efforts of missionaries to eradicate the evils of alcoholism or prostitution.

That the 'Harijan' work was the least successful among Gandhi's multifarious undertakings is proved by the fact that none of the 113 contributions from the

world and Indian statesmen and thinkers to a volume[38] brought out in his honour — a tome of 459 pages — makes any mention of this part of his activities; only the editor of the volume, S Radhakrishnan, devotes half a dozen lines to this in his editorial introduction.

Although he felt a measure of spiritual affinity with Gandhi, particularly on the question of "non-violent, peaceful means of propaganda, organisation and struggles", and later on developed a lot of respect for Ambedkar, Lohia advanced the struggle against untouchability considerably beyond the limits imposed by the two earlier exponents of the struggle against this practice. As against Gandhi's advice to the 'untouchables' to eschew active resistance against caste oppressions and his efforts to solve the problem within the framework of *varna* divisions, Lohia advocated militant struggles by the 'untouchables' themselves, though, rightly, in alliance with elements from the upper castes, for the total abolition of the caste system. While Ambedkar's activities were mainly limited to the 'untouchables' themselves — in Lohia's words, he (Ambedkar) "refused to become a leader of non-Harijans" — Lohia's conception of struggle envisaged a common front against the caste institutions embracing forward-looking elements from all parts of society.

If the collection of his articles, speeches and notes, published under the title "The Caste System" in 1964 is any guide, then it may be concluded that before 1953, Lohia had not paid any particular attention to this problem. In the ten years between 1953 and 1963, he seems to have developed a comprehensive approach to this question.

Though he claims that "the Socialist Party [that is, after he had split away from the PSP to form a separate party of which he was the undisputed leader] is the first political party in India which has understood the caste system ...",[39] his exposition of the problem was extrem[illegible]ppy and superficial. His [illegible] the subject, referred to [illegible] not even try to look into [illegible] social and historical origin of the [illegible] or its evolution overtime. His passionate zeal and crusading spirit notwithstanding, Lohia's outpourings on the [illegible]ject of caste are marked by sim[illegible] exposition, if not self-contradictions, as may be seen from the following analysis of his writings and speeches on the subject.

Lohia gives a correct estimate of the traditional strength of the caste [illegible] the objective reasons for it. He says:

> Caste is presumably world's largest insurance for which one does not pay a formal or regular premium. The solidarity is always there, when everything else fails. In fact, there are few occasions for other things being tried out. Men just tend to make friends within the caste, their family most certainly. Such a close solidarity at child-bearing, funeral obsequies, weddings and other rituals must necessarily have its consequences on other aspects of life including the political. It must, in fact, influence and determine the mind and its basic thought. The political aspects are easily influenced. When a continual get-together takes place on all major and personal events of life, it must be somewhat bizarre if political events took place outside that framework. When men are puzzled at a caste voting more or less alike, they behave as though they had come from another planet.[40]

Even if one makes allowance for the fact that with the progress of urbanisation and modernisation and the advance of intra-caste class differentiation and inter-caste class solidarity, there have been some modifications, the picture drawn above is still largely true in so far as the backward and less dynamic rural areas of the country are concerned.

He reveals correctly how different lower castes have successfully challenged Brahmin supremacy in various regions only to claim the same privileges for themselves *vis-a-vis* the other oppressed castes. "Again and again," he says, "the revolt of the down-graded castes has been misused to upgrade one or another caste rather than to destroy the entire edifice of castes".[41]

He repeatedly — and rightly — stresses that only a miniscule section of the high caste population form the ruling elite because of their economic power, professional excellence and intellectual accomplishments. The rest of the so-called high caste population are duped into supporting this elite out of a false consciousness of caste affinity.[42]

Alongside this analysis, Lohia formulates the following programme for destroying the caste institution:

(i) "Studies, debates, seminars and all other types of meetings and discussions [to] lay bare such elements of India's culture, thought and life, as have produced stagnation and caste";

(ii) actions "to purify religion and its practices of the taints of caste, which shall, while believing that intermarriage alone ultimately dissolves castes and propagating for it through scientific studies and the creative arts, concentrate on the immediately attainable aims of common and festival meals";

(iii) "demand the securing of sixty per cent of the leadership posts in government, political parties, business and armed services, by law or by convention, to the backward castes and groups .. taking care to see that one or two numerically powerful backward groups do not usurp the right of the immensely more massive but splintered totality of the lower castes...";

(iv) not to "act electorally but may, through appropriate decision and if requisite strength is reached, affiliate with an existing political party of its choice or turn itself into one..."[43]

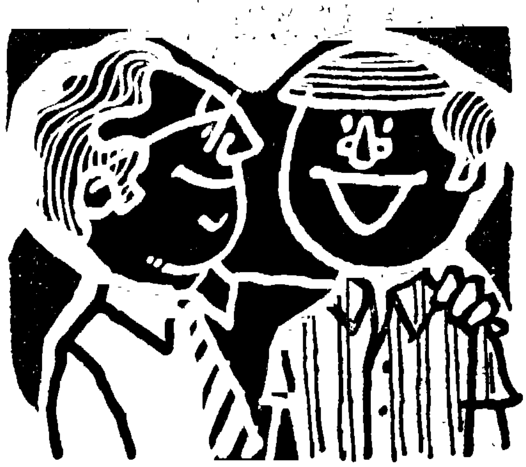
The above programme was drawn up by Lohia for the Association for Study and Destruction of Caste some time in 1960. In 'A Note on Caste', presented at the special conference of the Socialist Party at Gorakhpur in June 1963 — the note in which he claims that "The Socialist Party is the first political party in India, which has understood the caste system and has launched a policy of abolition of castes" — Lohia says:

> The attack on caste has till now been from one and a half sides — from the religious side and partly from social movements. Now simultaneously with the economic approach, the attack has to be launched from the side of marriage relationship also, may it be verbal only, so that the social attack may be perfect. Adult franchise and the principle of preferential opportuni[illegible] constitute the political approach, while increased wages, abolition of taxes on uneconomic holdings, distribution of land, etc, would be the economic measures for abolishing caste. Such an all-round attack alone would render the destruction of caste possible at last.[44]

First of all, a little reflection would reveal that Lohia's analysis of the caste situation does not fully tally with his programme for its abolition. If the caste has acted, as it really has, as a sort of social insurance, then the caste institution cannot be overthrown unless an alternative system has emerged to substitute it. An alternative framework to replace caste can only be, in so far as the oppressed masses are concerned, organisations on class lines and fraternal ties among them. But the role of such class organisations and of class struggles for throwing up these organisations is totally absent in Lohia's scheme for struggles against caste.

He correctly reveals the dynamics of the caste struggles seen so far; one low caste or sub-caste seeking its own advancement, not only in isolation from but also at the cost of other low or

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lower castes. But he does not seem to realise that this is inevitable as long as the movement is motivated by caste consciousness. He obviously does not accept the Marxist position that of all the social forces, it is only the working class which is objectively and historically compelled to emancipate all other oppressed and exploited segments along with its own emancipation. He clings to the utopian hope that a struggle inspired and limited by caste consciousness can rise above its *raison d'etre* and seek the liberation of the other segments of the oppressed population, beyond the circle of its own caste.

While Lohia is aware of the fact that the actually ruling or dominant force in the Indian society is not high castes as such, but a very small fraction of it, yet he does not accept that it is class struggle and class struggle only that can dispel the false (caste) consciousness that ties the depressed masses of the high castes to their affluent 'brethren' within the common castes.

The specific programme suggested by Lohia cannot basically alter the social reality that has arisen in the course of 3,500 years of history. For instance, studies, seminars and symposia can contribute to altering the social reality only if they are related to revolutionary mass practice. Lohia's programme of struggle against caste is not interwoven with the class struggles of the working class and the toiling peasantry. In isolation from these struggles, studies and debates would be a sterile intellectual pastime, which within the existing socio-economic milieu can be indulged in only by the educated upper caste elements.

Inter-dining will be a symbolic act only without affecting the condition of actual social existence, and intermarriage, a rarity, as long as an economic and cultural gulf continues to divide the high and low castes. Inter-[illegible] between the high and low [illegible] cannot be the means, as Lohia [illegible], for achieving the dissolution [illegible]; it can only be the consummation of the process of the abolition of castes.

Lohia [illegible] 60 per cent of the [illegible] in government, busi- [illegible]vices, etc, for backward [illegible]oups. It is, to say the least, [illegible] unreal and utopian to expect that a major and decisive part of government and armed services leadership will be handed over within a class society to elements from the oppressed segments of the society. It may perhaps be conceivable in a highly developed country like the United Kingdom, wherein for historical reasons a large stratum of the working class has been won for collaboration with the economically and politically dominant class, so that the manning of formal leadership positions by elements from the working class will not jeopardise the *status quo*. But it is idle to expect such a development in a country like India, pregnant with explosive potentialities because of massive and growing deprivation of the vast majority of the population.

Indeed, by raising such a demand, Lohia has revealed the reformist character of his approach. He does not advocate a revolution — peaceful or otherwise — involving the overthrow and destruction of the existing order. He aims at its reform — conceivably major reform — but without endangering its foundation.

Lohia demands the same proportion of leadership posts in the political parties also for the backward castes and groups. Since he does not qualify or specify the parties, the implication is that all political parties, including the parties of the dominant social forces, are also covered by this demand. One fails to understand what leadership role can the elements from backward castes and groups play in the political parties, i e, political instruments, of the ruling classes/strata.

How and why should business which is run for private profit be persuaded and/or cajoled to recruit its leadership according to the Lohia formula? Due to competition among business establishments, the only criterion in their recruitment can and must be efficiency.

Finally, can a modern society be run by a leadership, 60 per cent of whose personnel would be chosen because of their backwardness? Or, maybe, what Lohia had in mind was advanced, i e, educated and skilled, elements from backward groups. If so, isn't there a real danger of these elements getting alienated from their own social base and absorbed as elements subservient to the vested interests within the existing structure?

Moreover, how can it be ensured that some particular castes, sub-castes or groups will not try to monopolise the benefits of Lohia's formula? Or, alternatively, how to draw up a formula which will do justice to and satisfy all the innumerable sub-castes and groups among the backward segment of the Indian population? Will not such a venture serve only to intensify and perpetuate the divisions and dissensions among the backward sections, instead of unifying the masses of the oppressed and exploited population?

Lohia suggests that the movement for the abolition of castes may in future opt for an existing political party or form a new one. But nowhere does he elaborate the nature of politics, appropriate for the basic objectives of the movement. Politics implies a comprehensive perspective of social development, not merely the pursuit of a single or partial objective.

Moreover, if the last excerpt from Lohia's writing, quoted earlier, is supposed to represent his ideas about the political frame of the movement visualised by him, then Lohia's politics is hardly distinguishable from, say, Indira Gandhi's. For, adult franchise and preferential opportunities have already been there for some time, taxes on uneconomic holdings were abolished by many a state government under Congress rule, distribution of land and some increases in wages have also been promised and partially implemented.

It will thus be seen that in conceptual terms, Lohia's programme was basically a moderate one, which did not challenge the class rule of a minority, monopolising the productive resources of the society. It is a progra[illegible] for bargaining for impro[illegible]hin the existing system. [illegible]ce [illegible]rent differences notwithsta[illegible], Lohia's programme is not a radical alternative to Ambedkar's and Gandhi's approaches, but merely a development thereof.

The basic homogeneity of all these strands is rooted in their non-historical and anti-Marxist approach. Moreover, Anti-Marxism is more explicit in Lohia's case than in the case of the other two.

Before we come to anti-Marxism, let us take a particular sample of Lohia's non-historicism.

The resolution "Towards destruction of caste", drafted by Lohia begins as follows:

> The Third National [illegible]ference of the Socialist Party [illegible] the caste system in India as the largest single cause of the present material and spiritual *degeneration* of the country.[45]

Lohia's talk of degeneration is historically untrue. Compared to any previous period of the Indian history, the present period represents considerable advancement in both material and spiritual terms, all the growth of crisis factors notwithstanding. Indeed, even the present accentuation of the caste tensions represents an advance of self-awareness — a relative growth of the critical self-consciousness — and an

upsurge of [illegible] on the part of the most downtrodden segments of the Indian masses. Instead of degeneration from any idealised, hypothetical milieu in the past, all social symptoms indicate powerful struggles for regeneration and upliftment, struggles which have been fed in varying measures by many streams, including those represented by Ambedkar, Gandhi and Lohia.

In proclaiming the superiority of his own recipe over Marxism, Lohia says:

> Karl Marx tried to destroy class, without being aware of its amazing capacity to change itself into caste, not necessarily the ironbound caste of India but immobile class any way.[46]

One is not fully clear about the real import of the above statement. If it is meant only to convey the idea that all social distinctions have not been entirely removed in the historically evolved socialist societies, Lohia can hardly claim greater prescience than Marx. For, more than a century ago, in his famous "Critique of the Gotha Programme", Marx not only foretold, but justified this. These "defects", he said, "are inevitable in the first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society".

It is only "In a higher phase of communist society, after the enslaving subordination of the individual to the division of labour, and therewith also the antithesis between mental and physical labour, has vanished; after labour has become not only a means of life but life's prime want; after the productive forces have also increased with the all-round development of the individual, and all the springs of co-operative wealth flow more abundantly",[47] — only then, existing social distinctions can fully disappear.

Moreover, Lohia is wrong in supposing that any class or caste, including the so-called ironclad caste in India can really be immobile. Humanity is moving ahead towards the ultimate abolition of class and caste distinction, however devious the road it may have to traverse, in all societies, including, as we shall see below, the Indian.

On a number of occasions, Lohia brackets the Indian communist movement with the Congress and Nehru as forces upholding the *status quo* in the sphere of the caste. But he provides the most irrefutable argument against his own contention when he says about the pre-split Communist Party:

> It has indeed achieved remarkable success in acquiring for itself the loyalty of the agricultural labourers, who are by and large the Harijan castes. This phenomenon of Harijan loyalty to the Communist Party prevails over all of South India.[48]

Flying in the face of his own finding, Lohia characterised the (pre-split) CPI in Andhra Pradesh as an instrument of the Kamma caste. He said: The Kammas of Andhra "have almost as an entire caste sought to revenge themselves on the Reddys [another dominant caste in Andhra Pradesh] through the instrument of the Communist Party".[49] In this, he was only repeating the opinion of the American author Selig Harrison.[50] How jaundiced this view is may be seen from the following comments by another American academic:

> Because many of the Communist leaders [in Andhra Pradesh] were Kammas, the party has often been considered a Kamma party. This analysis must be qualified, however. The Communist movement did not represent a continuation of the sentiments which first emerged in the caste hostel movement and continued in the Justice Party and self-respect movements. Its demand for greater participation of deprived groups were generalised beyond the specific experience of Kammas and non-Brahmins. With this demand it was able to mobilise persons from many castes, including many Brahmins among the founders of the party.... There were also several Reddis, including the brother and the brother-in-law of the then young Congress leader [present President of India] N Sanjiva Reddy. To these persons, youth and a desire for reform were more important than caste. The Kamma support given to the Communist Party does not represent a caste-wide solidarity which consciously opted for communism in order to oppose the Brahmin-dominated Congress. It was more an explosion into politics by a group of persons who were doing the same things at the same time, and the first generation of Kammas to be educated joined this trend.[51]

His passionate commitment to the cause of eradicating caste divisions notwithstanding, his anti-Marxism and anti-communism prevented Lohia from arriving at a correct understanding of the caste problem and the solution thereof.

IV

In discussing the caste situation in India today, it is possible for a superficial viewer to miss the wood for the trees. The barbarous atrocities on the 'Harijan' masses in certain pockets of the country and the recent re-emergence of caste alignments as important and sometimes even apparently determining factor in the institutional politics tend to suggest that the so-called 'ironbound' caste dimensions of Indian social situation have not only continued to remain as strong as ever, but even become stronger. The reality, however, is entirely different. The whole course of socio-economic and political developments, particularly since Independence, has considerably weakened the caste element in all its dimensions. While in a vast country that India is, there are naturally wide differences between one region and another, there is no doubt about the logic of the overall development. The following empirical data and analytical comments are intended to give only same broad indications of these developments.

An American sociologist writes about the changes on the caste front in a small town (population 3,886) in the Nellore district in Andhra Pradesh, which he calls by a pseudonym, Peddur:

> [The] character and organisation of caste in Peddur is undergoing many changes today. All the people can remember when Madiga and Mala [Harijan] children had to sit separately in school, if they were allowed to attend at all; when high caste children returning from school had to leave their clothes at the doors of their homes and bathe before entering; when low caste teachers were not allowed to touch high caste children and higher caste teachers would never touch lower caste children, even in discipline. Children now sit together in the schools, some low caste teachers are even asked to lead certain high caste children to school by the hand and few children of any caste would think of bathing before entering their homes after a day of study.
>
> Some years ago, low caste people were seldom called by their proper names, being summoned by a desultory word or a shortened form of their names instead. Today they are often called politely. Whereas they were once not permitted to appear well-dressed or to smoke in the presence of others, they now can often do so without the fear of a rebuke. They can now legally enter temples, handle the cloth they wish to buy before purchasing it in certain stores and sometimes hand the cloth they want made into garments to tailors without wetting it first.
>
> ... After the first two panchayat elections of the 1950s the Madiga member was not allowed to speak at meetings and was offered neither chair nor mat to sit on. Now he is permitted a chair and is sometimes asked to comment on issues which concern him and the people he represents.[52]
>
> At the other pole of the society,
>
> Not long ago, Brahmins, Razus, and Komtis [all 'twice-born' castes] would take purificatory baths and say mantras before taking a meal. Now, many of them would enter a hotel in a

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larger town and eat without hesitation though they cannot be sure who cooks for and serves them.[53]

Among the middle order castes also, the restrictions on social relations are breaking down.

> Twentyfive years ago, only the Reddis, Kammas and Balijas would eat together. Now the Gollas Gaondlas and Begamas will also eat and drink with these castes and all of them are beginning to attend the ceremonies that occur in the different castes.[54]

It would, however, be entirely wrong to suppose that caste is disappearing at Peddur. The "system of caste", the report underlines, "though it is undergoing many changes, is still of basic significance in the social organisation of Peddur."[55]

Various studies about the role of caste in the alignments of forces in different states reveal that apart from the dynamics of socio-economic developments, the imperatives of political contests in representative institutions based on universal adult suffrage were promoting a devaluation of caste exclusiveness. For instance, an observer of the Andhra Pradesh scene comments about the electoral contest in a particular constituency in 1962 that "It is a rivalry which is not based on intrinsic or historic sub-caste rivalry, but on differing political interests..."[56]

About the state level politics in Andhra Pradesh, the same author says:

> Since 1962 both the Congress factions have been led by Reddis.. Each man has mobilised factional support in most of the state's twenty districts, cutting across caste and regional lines for political interests. Since the 1967 election each group has recruited members from the important castes in the state. The ministry contains several Reddis, two Kammas, two members of other minor landed castes, one member of a lesser status agricultural caste, two Brahmins, one Muslim, one weaver, and two Scheduled Caste persons. The dissident group has almost exactly the same composition, for it has recruited the rival to each of these persons, usually one of the same caste group. Similarly the two wings of the Communist Party have mobilised persons from both dominant castes, both under the leadership of Reddis. As in the villages, so in the State, political conflict in Andhra Pradesh takes place within both the dominant castes which have assumed state leadership. And as one goes higher, the term "caste conflict' begins to lose its usual meaning.[57]

Almost the same process has been discerned in Bihar state politics by another social scientist who says:

> The fact that the upper castes contended among themselves for political power required that each contending caste group go beyond its own power and seek support from other caste groups. This necessarily widened the scope of political involvement and the caste groups which stood on the periphery of political universe were inducted into it.... At the time of their entry into politics, most of these caste groups functioned as appendages of the main contenders in the upper castes; leaders from the upper castes co-opted men from the lower castes to leadership positions. The latter were for a time satisfied with their role as political apprentices of the former but slowly they succeeded in building their own autonomous support structure and emerged as leaders in their own right. Thus a slow process of induction of the underprivileged caste groups has been in operation in Bihar. This process has, however, led to the emergence of the underprivileged caste groups as crucial forces to be reckoned with in any political calculation.[58]
>
> It is true [he continues], that the underprivileged caste groups have, more or less, succeeded in breaking through the social barriers and effecting an entry into the political realm thus overcoming many difficulties in their path of social mobility, but this is attributable, by and large, to the levelling effect of democratic politics and the compulsions that such politics creates in its wake....[59]

While the political process, analysed above, has led to a weakening of the caste-exclusiveness, it is still subject to caste determination. As Rajni Kothari rightly points out:

> The process of factionalism within the entrenched castes, a similar structuring of the ascendant castes, the system of co-optations and caste coalitions — all of these, though they brought about a fragmentation of the caste system, were in reality very much caste-oriented and sought their bases in caste identities, in the process of course, also generating politicised values and impulses for personal power.[60]

Kothari, however, fails to identify correctly the real source of 'politicised values', which he locates only in

> the impact of education, technology, changing status symbols, and urbanisation. New and more expanded networks of relationship come into being, new criteria of self-fulfilment are created, the craving for material benefits becomes all-pervasive and family and migration systems undergo drastic change. With these, the structure of particularistic loyalties gets overlaid by a more sophisticated system of social and political participation, with cross-cutting allegiances, a greater awareness of individual self-interest, and forms of involvement and alienation that are pre-eminently the products of modern education and the system of modern communication.[61]

With all his academic perspicacity, Kothari misses the essential and growingly powerful dissolvent of the antiquated social ties — the advancing process of class differentiation — the that castes are getting split into opposing classes and that elements from diverse castes are getting unified into confronting classes.

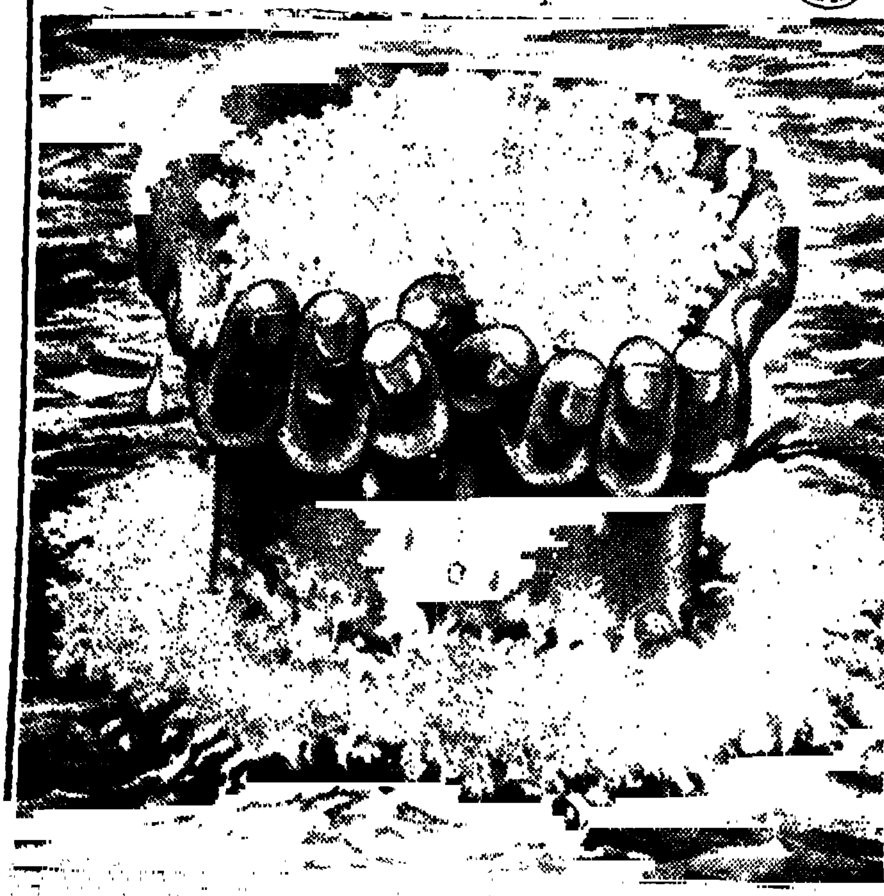
The volume, from which the above lines are quoted, itself gives some insight into this process of class differentiation. Relating to the developments within the Nadar community in Tamil Nadu, it is said:

> The very success of the Nadar community in its rise socially, economically and politically has eroded the unity of the community which had in fact made the uplift possible... The differences *within* the caste have become increasingly more significant than the differences between the individuals of different castes sharing similar social and economic backgrounds. The decline in the barriers of ritual purity have in the cities released the individual for the possibility of new interests and associations. The Nadar mill workers in Madurai are far more likely to vote communist along with the Thevar workers than they are to vote Congress despite the continuing charisma of Kamaraj... The increasing differentiation within the community and a concomitant decline in the elaboration of caste ranking has fundamentally affected the homogeneity of the caste community... they too provide the foundation for the emergence of a political culture characterised by the interests of economic class.[62]

To take another isolated and perhaps very much non-representative example today, in the village Thaiyur, 35 miles south of the Madras city, out of the 45 big farmer households, owning 9.75 acres or more each, 26 were 'Harijan' as against 19 non-'Harijan', while among the small farmer and landless labourer households, owning 0.00 to 1.49 acres each, there were 63 non-'Harijan' compared with 648 'Harijan'. The joint authors of the study conclude:

> The mainly Harijan rural proletariat continue to be exploited by the non-Harijan rich farmers, and we can predict that, as a result, the old caste ideology is likely to remain influential. But, in terms of absolute number, the class of big farmers consists of more Harijan households than non-Harijan ones. This implies that members of the same caste meet in relation of exploitation, and since this is at variance with caste ideology, we also expect changes in the ideological universe.[63]

Along with the economic stratification, social and cultural differentiations also are growing apace within the so-called scheduled caste communities. A study on the social background of the



Lok Sabha members shows that "The scheduled caste members with low levels of education were more in the third Lok Sabha and they were equally divided between high and low levels in the fourth Lok Sabha. In the fifth Lok Sabha, the highly, educated scheduled caste members formed a clear majority [among the scheduled caste members as a whole]".[64]

Since the educational level of the scheduled caste masses is significantly lower than the general educational level of the country, "The elite-mass gap in terms of levels of education was more among the scheduled castes than among general members". Between the third and the fifth Lok Sabhas, the representatives from business, industry and intellectual professions among the scheduled caste contingent registered a marked increase. The study also showed that the continuity in the membership of the Lok Sabha was higher among the scheduled caste MPs than among the other sections in the House.

The preferential opportunities offered to the scheduled castes since independence, however niggardly in terms of requirements for raising the vast masses of the historically deprived population, have nevertheless helped the emergence of a significant stratum of the scheduled caste elite. As a Bihar study shows, the differences between the privileged top of the scheduled castes and the basic masses thereof have become wide enough. It says:

> By and large, however, large numbers of the elite in both towns and villages have taken little interest in bettering the lot of their less fortunate brethren. They feel alienated from their own base and have betrayed an incapacity to apply themselves to the task of reshaping the larger society into egalitarian structures. Their major preoccupation is to satisfy the needs of their immediate family and kin.
>
> Some of the elite who have risen high in the social hierarchy have snapped their ties with their bleak past. They are largely out of tune with the mass of the community and seek a realignment with status and power groups in the wider society. This is more common with the public servants as social workers and legislators have to maintain a double face, one for the wider community with whom they interact in closest possible terms for furthering their own interest and the other for their own community whose support they have to seek at the time of the election.[65]

While the vast masses of the 'low caste' and 'outcaste' population continue to suffer in 'a twilight world of prejudice and persecution' under the double burden of economic and social deprivations,[66] one reinforcing the other, economic and social differentiations within these castes are progressively eroding the capacity of caste bonds to unify them into a militant force for resistance and social transformation. Besides, as stated earlier, the common denomination of the 'scheduled castes' conceals the multiplicity of sub-divisions encompassed within it, generally ranged against one another and often indulging in the same obnoxious practice of untouchability and discrimination among themselves as are practised against them collectively by the so-called high castes.

All this renders the choice of caste struggle, that is, choosing the concept of caste as the key instrument of revolutionary mobilisation totally unsuitable for bringing about such changes in the structure and superstructure of the Indian society as would lead to the emancipation of the most downtrodden and forcibly degraded masses of the so-called untouchables.

V

While the historically inherited prejudices still persist in shaping the psychology and conduct of the upper castes' relation with the 'untouchables', what has aggravated their aggressiveness in the recent years is the sharpening of the class contradictions in the countryside. The demand of the 'Harijans' for the implementation of the declared policy of giving preference to them in the distribution of land at the disposal of the states, their refusal to render *begar* (unpaid labour), and attempts to end the discriminatory lower wages, usually offered to 'Harijan' labourers, along with their growing assertion of human dignity and equality, have provoked the landowning classes, a great majority of whom belong to the higher castes, to launch on aggressive actions against the 'Harijans' on a mass scale.

The relatively recent growth of the kulak stratum and its emergence as a major political factor in certain parts of the country particularly following the Lok Sabha elections in March 1977 have contributed to an intensification of the kulak counter-offensive against the landless agricultural labourers and small peasants in the northern states. The fact that a majority of kulaks have sprung up from the intermediate landowning castes and the 'Harijan' small peasants and landless labourers have been chosen by them as the immediate target of attack because of the latter's vulnerability has lent this sharpening class struggle in the countryside an appearance of caste struggle. But revolutionary practice has to take cognisance of the essence of the phenomenon, instead of being guided by the appearance.

The above should not be construed to mean that class struggle *alone* can lead to the eradication of caste oppression. Caste discriminations have to be directly fought on their own grounds, but subordinated to the overall confrontation on the class lines. The point at issue is not the caste dimension of social struggles but its exact place and role in the overall revolutionary strategy.

Indeed, it should be the bounded duty and constant responsibility of the advanced elements among the toiling people in fields and factories, who belong to the so-called higher castes, to spearhead the attacks against caste prejudices and persecutions in social spheres; the advanced elements among the 'untouchables', while fighting against caste oppression and discrimination should generally emphasis among their community the class solidarity irrespective of castes. Out of this differentiated but co-ordinated attack only can emerge a real fighting front of struggle for human emancipation from both class and caste dimensions of oppression and exploitation.

A basic precondition of the emergence of this front is that advanced social thinkers and activists should learn to take a comprehensive and interlinked view of caste and class — a view that does not neglect the caste dimension of the class, or the class dimension of the caste. A lot of imprecise, unscientific and even confused thinking has emerged in this vital sector of contemporary politics which can seriously disorient the revolutionary practice, notwithstanding the honest and well-meaning intentions of the proponents of these views. It is therefore necessary that a wide discussion takes place among the exponents of the contending viewpoints as that a unity of will and action is forged for the resolution of the longstanding controversy within the Left in India.

Notes

1 G S Ghurye, "Caste and Classes in India", Popular Book Depot, Bombay, 1957, p 46., Many scholars cite this division between the Arya *varna* and Dasa *varna* as evidence of differentiation *within* the early Rigvedic, Aryan society. The above conclusion is unjustifiable. During the period under reference, according to many hymns of the Rigveda, the Dasa or Dasyu *varna* was regarded by the Aryans

as elements outside the pale of humanity, not to mention the Aryan social order. There are numerous invocations to Indra to kill and destroy the alien, despicable Dasas. Hence, these *varna* specifications refer to the division *between* the mutually exclusive and hostile Aryan and pre-Aryan populations, and not to any differentiation within the Aryan social order.

2 *Ibid*, p 44.

3 Bipan Chandra, "Karl Marx — His Theories of Societies and Colonial Rule", Centre for Historical Studies, JNU, (mimeographed copy), p 71.

4 Ghurye, *op cit*, p 50.

5 Karl Marx and Frederick Engels, "The German Ideology", Moscow, 1964, pp 43-4; emphasis in the original.

6 *Ibid*, p 61.

7 Chandra Chakravarty, "The Racial History of India", Calcutta, pp 200-01.

8 Antonio Gramsci, "Selections from Prison Notebook", International Publishers, New York, 1973, p 19.

9 Max Muller, "Heritage of India", Shushil Gupta (India) Ltd, Calcutta, 1951, pp 21-2, emphasis in the original.

10 *Ibid*, p 135, emphasis in the original.

11 Chandra Chakravarty, *op cit*, p 202.

12 Ananda K Coomaraswamy and I B Horner, "The Living Thoughts of Gotama the Buddha", Cassell and Co, London, 1948, p 125, Kosambi gives a somewhat different version of the above dialogue and comments on the basis of internal evidence in his citation that "this passage could not have been written before Alexander's conquest of the Persian empire. The Buddha does not refer to the Rigvedic two-*varna* system, for the Arya could not become a Dasa. ", but he also agrees that "it sufficed to refute the theory that the four castes were in some way a law of nature". (D D Kosambi, "Introduction to the Study of Indian History", Popular Prakashan, Bombay, 1975, p 169.)

Max Muller, *op cit*, p 17.

Ibid, p 21, emphasis added.

Ibid, p 26.

Ghurye, *op cit*, p 182.

Ibid, p 148.

Kosambi, however, rejects the view that the Iranians also had a rudimentary caste system. The division, [illegible] into "four classes. the [illegible] charioteer, the tiller and [illegible] has nothing to do [illegible] endogamy is no-[illegible] ... all four classes seem [illegible] ..." (*op cit*, pp 108-41). It is difficult to accept Kosambi's view that even after the division of mental and manual labour, all classes were in reality equally honoured. If not, then, whatever the formal [illegible], the union between priest and tiller

families would be quite unusual.

19 Chandra Chakravarty, *op cit*, p 201.

20 For instance, V T Rajshekar Shetty, "How Marx Failed in Hindu India", Karnataka Rationalist Association, Bangalore, 1978.

21 Karl Marx, "Contribution to the Critique of Hegel's Philosophy of Law", in K Marx and F Engels, "Collected Works", vol 3, Moscow, 1975, p 175, emphasis in the original.

22 Kurt B Mayer and Walter Bucklay, "Class and Society", Random House, New York, 1969, p 14.

23 *Ibid*, pp 34-5.

24 *Ibid*, p 35

25 *Ibid*, p 37

26 R H Tawney, "Religion and the Rise of Capitalism", Pelican Books, 1948, pp 37-8

27 Kosambi, *op cit*, p 391

28 Karl Marx "On the Jewish Question": "The state abolishes in its own way, distinctions of *birth*, *social rank*, *education*, *ocupation*, when it declares that birth, social rank, education, occupation, are *non-political* distinctions, when it proclaims, without regard to these distinctions, that every member of the nation is an equal participant in national sovereignty, when it treats all elements of the real life of the nation from the standpoint of the state Nevertheless, the state allows private property, education, occupation, to *act* in their way, i e, as private property, as education, as occupation, and to exert the influence of their *special* nature Far from abolishing these real distinctions, the state only exists on the presupposition of their existence " ("Collected Works", *op cit*, p 153 emphasis in the original.)

29 Rammonohar Lohia "The Caste System", Navahind, Hyderabad 1964 p 31

30 *Ibid*, p 33.

31 *Young India*, January 22, 1925 reprinted in "None High — None Low", Pocket Gandhi Series, Bharatiya Vidya Bhavan, Bombay 1965 p 37

32 M K Gandhi, "Collected Works", Government of India, Publication Division, vol 50, pp 226-27.

33 *Ibid*, p 223.

34 *Ibid*, vol 58, p 47.

35 *Harijan*, December 8, 1933, reprinted in "None High — None Low" *op cit*, p 21.

36 "Collected Works", vol 65, p 365.

37 *Ibid*, vol 58, p 80.

38 S Radhakrishnan (*ed*), "Mahatma Gandhi", Jaico, 1977.

39 Lohia, *op cit*, p 146.

40 *Ibid*, p 80.

41 *Ibid*, p 89-90.

42 See, for instance, *ibid*, p 98.

43 Ibid, p 114.

44 *Ibid*, p 145.

45 *Ibid*, p 134, emphasis added.

46 *Ibid*, p 104.

47 Karl Marx and Frederick Engels, "Selected Works" (two volume *ed*), vol II, Moscow, 1951, p 23.

48 Lohia, *op cit*, p 94.

49 *Ibid*, p 93.

50 Selig Harrison, "India: The Most Dangerous Decade", Princeton University Press, 1960, p 209.

51 Carolyn M Elliot, "Caste and Faction among the Dominant Caste The Reddis and Kammas of Andhra", in Rajni Kothari (*ed*) "Caste in Indian Politics", Orient Longman, 1970, p 156, emphasis added.

52 Paul C Wiebe, "Religious Change in South India: Perspective from a Small Town", in "Religion and Society", Bangalore, December 1975.

53 *Ibid*.

54. *Ibid*

55 *Ibid*

56 Carolyn M Elliot, *op cit*, p 143

57 *Ibid*, p 162.

58 Ramashray Roy, "Caste and Political Recruitment in Bihar", Rajni Kothari (*ed*) *op cit*, p 245.

59 *Ibid*.

60 *Ibid*, p 18.

61 *Ibid*, pp 18-9.

62 Robert L Hardgrave, "Political Participation and Primordial Solidarity", *ibid*, pp 125-26, emphasis in the original.

63 Goran Djurfeldt and Staffan Lindberg, "Behind Poverty", Scandinavian Institute of Asian Studies — Cruzon Press, p 216.

64 G Narayana, "Social Background of Scheduled Caste Lok Sabha Members", *EPW*, September 16, 1978.

65 Sachchidananda, "Emergent Scheduled Caste Elite in Bihar" in "Religion and Society", Bangalore September 1974, According to official information in 1975 there were 1197 Class I officers and 2689 Class II officers under the Union Government, belonging to the Scheduled Castes. Of them the IAS and IPS officers numbered 252 and 130 respectively (in 1974) Besides, there were 881 and 1649 officers belonging to the Scheduled Castes among the Class I and Class II cadres respectively in the Public Sector undertakings under the Union Government. The Class III officers in the Union Government and the Central Public Sector Undertakings in 1975 numbered 174, 025 and 104, 119 respectively (See Government of India, DAVP *Rightful Place for Harijans*, 1976 pp 22-3.)

66 For short discussions on the basic social frame in India today, see Ajit Roy, "Economic and Politics of Garibi Hatao" (1973) and "Political Power in India: Nature and Trends" (1975), Naya Prakash, Calcutta.

Caste in Class Politics

Georges Kristoffel Lieten

Despite progressive intentions and legal provisions, fortified by the socialistic rhetoric of the ruling class parties, Indian political, social and economic life by and large has not become more egalitarian or less fragmented. As elsewhere in the world, there is no dearth of contradictions. A correct evaluation of the nature of these contradictions is of utmost importance in the assessment of the political issues the country is confronted with.

It is necessary to separate class contradictions from non-class contradictions, to separate real contradictions from false contradictions, and to reduce various kinds of contradictions to the basic one.

The problem is highly complex. It is related to the nature of the socio-economic formation, to the dialectic relationship between base and superstructure, to the historic role caste associations have played and to the political perspective the left political parties have written down in their programmes.

The former two aspects should theoretically reveal the extent to which caste has been transcended by class, both economically and socially. The latter two aspects should throw some light on how caste and class organisations relate to each other in practice.

INDIAN SOCIETY, spread out over a large sub-continent, has been fragmented throughout its history. Even during the so-called golden age of the Guptas, no political unity had come about. Social and economic unity were totally absent. Marx's condemnation of the idyllic village community which restrained the human being within the smallest possible compass and enslaved it under traditional rules of superstition and distinctions of caste[1] is echoed descriptively by A R Desai:

> the caste system socially disintegrated the Hindus into an ever increasing number of groups and sub-groups. The caste system was undemocratic and authoritarian in the extreme, each caste being considered inferior to those above it and superior to those below it. It prevents the growth of a nationality and the development of a democratic state.[2]

The British conquest brought more than half the Indian territory under a united political rule and introduced new economic activities. It thereby created a working class, a new middle class and a national bourgeoisie which lauched the nationalist movement leading up to the establishment of an independent, multinational Indian state, including the princely states but excluding Pakistan.

Thirty years after the establishment of that state one can rightly ask the question whether the fragmentation, separation and obscurantism of the past have been overcome and what has been the actual role of caste and class organisations. We know that the political leaders of the young Indian nation introduced constitutional clauses forbidding any form of caste or religious discrimination and declaring India a secular state The new India moreover introduced a system of progressive discrimination in favour of the depressed castes and tribal population,[3] and established a parliamentary system with universal franchise.

Despite the progressive intentions and legal provisions, fortified by the socialistic rhetoric of the ruling class parties, Indian political, social and economic life by and large has not become more egalitarian or less fragmented As elsewhere in the world there is no dearth of contradictions A correct evaluation of the nature of these contradictions is of utmost importance in the assessment of the political issues the country is confronted with It is necessary to separate class contradictions from non-class contradictions to separate real contradictions from false contradictions, and to reduce various kinds of contradictions to the basic one. Against this background we want to analyse caste struggle and class struggle.

Among the various groups within Indian society that are in opposition to one another, the following opposites can be classified.

- Hindu-Muslim
- Hindi - non-Hindi
- Sunni-Shia
- tribal-non-tribal
- caste-harijan
- male-female
- urban-rural
- agricultural-industrial
- employed-unemployed
- Worker-capitalist
- landless labourer-rich peasant
- sharecropper-landlord

At a first glance it is obvious that some of these contradictions reflect an unequal relationship between two groups which actually originates from the far more relevant, antagonistic contradictions existing within the two unequal groups. It is clear for example that although there exists an "urban bias in Indian planning" in fact the tendency of capital to concentrate in certain pockets and extract surplus from agriculture), the contradiction between monopoly capital and industrial labour within the urban centres is more serious, in fact antagonistic, than the differences existing between monopoly capital and the capitalist-landlord nexus. As a matter of fact in the Indian socio-economic formation the latter groups represent an uneasy marriage, disturbed by conflicts, crises and unequal participation in profits and gains but kept alive because of class interests separate from the classes below them.

It is also clear for example that most women do suffer from a triple handicap: the exploitation by moneylenders, landlords, black marketeers, corrupt bureaucrats, traders, small-scale capitalists, multinationals, etc, their often inferior position compared to men in public and private life, and the sole responsibility for householdwork. At the same time, however, it follows from the fact that since families are the units of production, consumption and reproduction, the more important contradiction, that between exploited and exploiting classes, is taken up jointly by grandparents, parents and children of male and female gender. As a consequence, without jointly fighting the bourgeois-landlord state, neither men nor women nor their children will be able to create conditions for the liberation of themselves and of others.[4]

In the recent past there has been an ongoing process initiated by Western academicians and development-aid organisations to give more importance to some of these contradictions — women, rural areas, slum dwellers — in order to deflect the Indian people from their

struggle against the real sources of their repression and exploitation.

A far more probable deflection to take place, however, is caused by another set of contradictions which are deeply rooted in Indian consciousness and, unlike the former, do not have apparent economic roots. The conflicts seem to function within the realm of ideas and cultural patterns. Closer investigation, however, reveals that behind the apparent religious, regional and linguistic differences, economic causes are the determining factor.

The Sunni-Shia conflict is a clear example of this type of contradiction. While the Shia Muslims, who do not believe in the first three caliph successors to the prophet Mohammed and venerate only the fourth successor, Hazrat Ali, were the feudal lords dominating social life in the Oudh region, their Sunni counterparts, who accept all four caliphs as true successors, were poor peasants and artisans. A combination of the gradual decline of the Shia nawabs during the recent decades and ascent of a considerable number of Sunnis in trade and business with the continuing miserable existence of the great bulk of Sunnis and ruinous developments for a section of Shias, gave rise to a conflict situation: the richer Sunnis, long-suffering under the cultural and political subjugation by Shias, and helped by their downtrodden co-religionists, now take recourse to a doctrinal dispute in order to assert their newly won status.[5]

It is clear that in the Shia-Sunni example, upper class sections within a community make use of fanatic crowds, adhering for their safety and survival to their religious symbols, in order to settle intra-class scores and in order to divert the poor masses from their own political struggle against the common enemy.

As it happens, equally between Muslims and Hindus, Nirankaris and Akalis, Maharashtrians and South Indians and between the different linguistic communities (Tamil-Hindi, Assamese - Bengali Gujarati - Marathi, Hindi-Urdu, etc) it can be easily demonstrated that vested interests are fanning the flames of religious, communal, *linguistic*, regional susceptibilities *for their own partisan ends* and that the major task the democratic movement in India is confronted with is to quiet down the tension, restore harmony on these issues and to concentrate *the* attention on the burning economic and political demands.

A far more serious theoretical and particularly political problem emerges around the issue of caste conflicts, *especially when the depressed castes are involved.*

Throughout the history of independent India innumerable concerted attacks by caste Hindus on the lower castes have been recorded. The structural continuity of the Indian system which is not upset by changes in party dominance is also observable in the treatment of low caste Hindus. The last two years, since Janata came to power, have not been particularly awful. On the contrary, if one takes the trouble of aggregating the incidents in any year that Indira Gandhi was in power, one has to come to the conclusion that the performance under Janata has been quite normal.

Recent caste incidents, however, thanks to the hightened democratic consciousness in India, have received major publicity. After the upper caste rampages in Belchi, Pupri, Dharmapura, Kanjhawala, Agra, Villupuram, Marathwada, Kaila, etc, the question has been posed again as to whether the Indian left has been paying enough attention to "caste war" whether they have done enough to organise and come to the defence of the depressed castes.[6]

The problem is highly complex. It is related to the nature of the socio-economic formation, to the dialectic relationship between base and superstructure, to the historic role caste associations have played and to the political perspective the left political parties have written down in their programmes.

The former two aspects should theoretically reveal the extent to which caste has been transcended by class, both economically and socially. The *latter two aspects should throw some* light on how caste and class organisations relate to each other in practice.

Modes of Production and Ideology

The concept of modes of production with their internal contradictions, the discovery of levels in society, the basis and the superstructure, and the necessity to turn the class struggle into a political movement for the overthrow of the state are three of Karl Marx's most significant contributions to social sciences.

Unfortunately, these complex notions have been too often represented in a simplified form.[7] Part of the problematic of the co-existence of and contradiction between two modes of production in India is currently the target of discussion among historians and economists.[8] One part of the problematic, the analytical nature of caste and class in the past and present, remains somewhat left out from the investigations. The questions as to what was the class function of caste in the ancient mode of production and as to what extent changes in the economic structure have resulted in the disappearance of caste as an ideological and social institution have only been dealt with in a very generalised way.

Social stratification in India from presumably ten to five centuries BC onwards has been codified ideologically in the varna system as a rationalisation of the relations of productions prevalent at that time. Its major strength of resistence against change lay in the fact that the real structural unit of the system was not the varnas but the innumerable localised and proliferating jatis. Within the local limit social mobility of the jati groups provided the system with an answer to new production techniques and new economic activities:

> Its flexibility made it possible for it to adjust itself to the two revolutions which in Europe created slavery out of the ashes of primitive communism and feudalism out of the ashes of slavery.[9]

The Indian socio-economic formation in pre-colonial times was, moreover, characterised by a number of features which distinguish it from European feudalism, usually clubbed around the concept of Asiatic Mode of Production[10]: autarchic village economies with an integrated system of agriculture and industry, communal relations of production in the sense that the individuals through caste and jajmani system had an inseparable link with the community and an inalienable right to a share in the produce of the land and of the village industry. Although there was no real private property in land, it was the small ruling section of the community which co-shared the land and had it cultivated, commonly or privately, by clients, tenants, agricultural labourers or slaves.

Jati as the structural unit of the varna system functioned within this socio-economic system. Its eulogising protagonists described it as the most harmonious example of idyllic village republics in which the different jatis were juxtaposed to each other. According to the famous description of Wiser in 1936, each in turn was master, each in turn was slave.[11] This idealisation persists in the functionalist approach of

Western and Western-dominated anthropologists. Perhaps the most blatant apology for the system can be found in the writings of Ishwaran: "Practically no resentment is generated by the social system against itself, because it provides a rationalisation for all its structural and most of its detailed aspects."[12] Although each caste plays a vital role in political life "for the services they perform are practically indispensable", in the utopian village the "wishes of the people do not like the same rights for all individuals".[13]

Even the widely appreciated Srinivas toes this line. He complains that since many are speaking up for classless and casteless society, "most of us ... are bamboozled into agreeing with something merely because we are afraid to be mistaken for being 'reactionary'".[14] According to his view "caste is so tacitly and so completely accepted by all including those who are most vocal in condemning it, that it is everywhere the unit of social action".[15]

Louis Dumont, going one step further, described the caste system as "a relation of mutual and assymetrical dependence".[16] His opinion, however, that the reciprocity "assures subsistence to each caste proportionally to his status",[17] brings him back to Wiser's position of caste harmony and caste bargaining.

This structuralist-functionalist approach merely tries to analyse the visible structure of appearances without any attempt to come to terms with the deeper social structure, fails to go beyond the assumption that "hierarchy is rooted in religion", and remains within the premise that the ideational pattern constructed by the ruling classes is the only possible term of reference for research. As long as the tendency persists of assuming that the caste ideology of Indian society in the past was the expression of social harmony devoutly led by a divine Brahmanical caste,[18] no progress can be made in the direction of a discovery of inequality between classes, of exploitation and oppression and in the direction of the need for a progressive, class based alternative.

The historical treatment by Namboodiripad in his study on Kerala remains, nothwithstanding its briefness, a useful tool to work with. The division of society into the intellectual (Bhrahmana), soldier (Kshatriya), businessman (Vaisya) and finally all manual workers who owed their labour to the previous three categories (Sudra) was *in essence* a class division: "unlike in Europe where primitive communism was replaced by a system which divided society into two classes — masters and slaves — the primitive communist society of India was replaced by a system which divided society into castes".[19]

The exact nature of the class categorisation in Indian society in the past has recently been analysed by Claude Meillassoux. He distinguishes sharply between class relation and patron-client relations, and calls the latter type of relationship "offshoots from the class relations" since the group of clients who specialised in specific activities, far from necessarily being exploited, on the contrary profited, through mediation of the patron who maintained them, from the exploitation of the labouring classes (slaves, serfs, agricultural workers, etc). The client relationship, as his schematic view clearly illustrates, was only a derived, secondary relationship whose functioning depended on the class relations that fed them.[20]

Unfortunately the patron-client relationship represented by the jajmani system has too often been confused with the totality of social relations in medieval India, as a consequence of which the class relations became even more concealed than they already were due to the peculiarities of the caste system. Despite the lack of much detailed research in this regard, one can safely assume that in the past a considerable percentage of the Indian population was drawn into neat class relations.[21]

In pre-capitalist modes of production, however, the economic classes did not come to full ideological and political articulation. In this type of society infrastructure and superstructure cannot be dissimilated into two separate structures: "kinship relations function as relations of production, political relations and as current ideologies. Here, kinship is therefore both infrastructure and superstructure".[22]

Kinship tribes which according to Marx were present in their most rigid form in the institution of caste,[23] functioned as elements of the relations of production and as the elements of the political, ideological and legal reflection of this material basis. This integrated structure made the institution of caste so deeprooted that it could maintain itself throughout the various pre-capitalist economic formations in India. The original tribal kinship society gave way successively to slavery, feudalism and even the emerging capitalist mode of production in which the tribal kinship groupings, proliferating into castes and sub-castes, acted as pillars in the changing relations of production. Considered as such, traditional Indian society combined relations of production characteristic of the ancient classless society with the modes of production of a class society.

With the introduction, however, of commodity production under the impact of the colonial capitalist economy, the kinship based modes of production came under severe stress. The forces of production had outgrown the pre-capitalist mode of production, and could develop further only outside this structure, as happened in Europe. Within emerging capitalism the forces of production took such huge strides that it took hardly one century for the European mercantile companies to conquer India, which had been till that time at least equally developed, economically and politically.

Changes introduced by the British colonial power, both at its infrastructural and at its superstructural level, penetrated deep into the Indian system. The various characteristics of caste were considered logically to be broken down swiftly by the revolutionary changes. The new land system, which made land a freely marketable commodity available for purchase by persons of any caste and which discarded the hereditary rights in the produce of the client castes as no longer economically rational; the steady de-industrialisation of household industry and the gradual increase of factory production in industrial areas; a modern transport network and expanded trade which interconnected locally isolated villages and castes; a new political system with British administrative, juridical and educational institutions; a new land revenue system leading to rising indebtedness and pauperisation; and other changes undermined the vocational basis of caste, its economic rationality its interactional restrictions and its spatial and political isolation.[24]

In his famous journalistic article "The Future of British Rule in India", Karl Marx understood the British mission in India as both destructive and regenerative. He observed that the East Indian Company had already broken up the self sufficient inertia of the villages by uprooting the native industry, but that while the work of regeneration had hardly begun the dissolution of society in stagnant, disconnected units had survived their vitality. Marx, however, anticipated this to happen, and to sound the death knell of the caste system: "Modern Industry, resulting from the railway

system, will dissolve the hereditary division of Indian labour, upon which rests the Indian castes, those decisive impediments to Indian progress and Indian power".[26]

The prediction did not come about in the short run and only partially in the long run because of three factors Marx did not take sufficiently into account in his journalistic propositions: the sharply decreased transforming potential of capitalism, the peculiar articulation of basis and superstructure, and the reactionary use made of obsolete ideologies and institutions by the ruling classes. The structure of class formation in modern India is related to the impact of these three factors.

TABLE: OCCUPATIONAL LEVELS BY CASTE

(Per Cent)

Occupational Levels	Caste						
	Harijans	Low Castes	Lower-Middle	Middle	Other High Castes	Rajputs	Brahmins
Agricultural and other unskilled labourers	42	23	10	9	2	7	2
Farm tenants, semi-skilled workers, washermen, barbers, shoemakers, potters, construction workers, etc	14	10	15	6	7	5	8
Small independent occupations — small farm-owners, small retailers, etc	33	43	43	49	25	52	34
Skilled occupations — policeman, drivers, mechanics, low status *white collar*, etc	8	9	15	19	9	20	17
Big land-holders, top level professional and managerial occupations, big business-men, etc	3	15	17	17	57	16	39
Total	100	100	100	100	100	100	100

Source: Anil Batt, "Caste, Class and Politics", Delhi 1975, p 40.

STRUCTURAL RESTRAINTS ON CAPITALISM

The transforming potential of capitalism in the third world has turned out to be less than originally expected. Similar revolutionary developments as in Europe during the last three centuries would have led automatically to widespread industrialisation and to the concomitant remoulding of agriculture along capitalist lines. Experience has taught and recently more and more studies have come to the conclusion that the predicted development will be extremely tortuous, if it comes about at all, and that the only answer lies in the radical solution of the agrarian problem as a first step. Half a century ago, however during the period that the class party of the Indian working class was being formed, the theory of swift decolonisation, which implied the process of increasing industrialisation and the resulting solution of the agrarian problem by the mere pulling force of industrial capitalism, had taken hold of M N Roy and R P Dutt. Both had a foremost ideological influence on the early Communist Party of India. It followed from Dutt's premises that "if the future of India lies with large-scale industry, then the political future equally certainly lies with the industrial proletariat."[26]

Lenin's then already published study on imperialism, as the highest but moribund, decaying stage of capitalism implicitly questioned such a formational leap towards capitalist restructuring of the colonial world.

One of the reasons why capitalism in India could not transform the socio-economic formation more fundamentally has a clear bearing on the survival of caste practices as well. The revolution to be introduced by the colonial power, writes Namboodiripad, "had serious limitations in that it was carried out by a class which for its own survival as the ruling class in a foreign country had necessarily to seek political allies. Such allies they readily found in the representatives of those very classes and strata whose domination in society was to have been completely eliminated if the revolution was to be full and real."[27]

Other impediments created by the imperialist-feudalist combine are of course the drainage of potential capital accumulation, the strangling of small-scale industry and indegenous technology, the ruination of the home market, the immiseration and pauperisation of the great majority of the agricultural population, etc.

The phenomenon of class partnership between the most reactionary class of feudal (and capitalist) landlords and at the other extreme the monopoly bourgeoisie and imperialism, has continued *in independent India. Commodity* production and circulation have been introduced but pre-capitalist relations of production, the isolated position of villages and the extraction of surplus for mere consumptive purposes retain a structural dominance on agriculture.[28]

In this light one can see the evil practice of *caste oppression*, particularly untouchability and terrorisation of low castes and tribals, as the result of "the growth of feudal or semi-feudal landlordism and of the new rich on the same feudal, caste and social basis, and of their grip over the village economy and life".[29]

Nevertheless, despite this retarded development of capitalism and the integration of feudal and capitalist structures, caste barriers in economic life have been broken down and class differentiation within many jatis has developed sharply. While only a small percentage of people work in their own *caste profession*, members of many different castes are engaged in the same economic activity, whether it be in the agricultural, industrial, governmental or the so-called informal sector. This economic disintegration within the jati is not of recent origin, as is evidenced for example by the Census Reports around the turn of the century. Virtually all observers agree, moreover, that especially during the recent decades greater occupational mobility towards *caste-free professions* has taken place.[30]

In the early fifties Kathleen Gough observed the following, representative picture in a small village in Tanjore:

> Exactly half of Kumbapattai's adult Brahmins are now employed in town as government servants, school teachers or restaurant workers. Of the remainder some own up to 30 acres of land, others as little as three. One runs a grocery store and one a vegetarian restaurant. Among the non-Brahmins (most) have abandoned their traditional work. Today all the non-Brahmins except Potters, Village Temple Priests, Smiths, Washermen, and Barbers (who, in whole or in part, retain their traditional work) and the Koravas who are government



servants, are predominantly dependent on agriculture or horticulture. Irrespective of caste, however,[30] out of 56 men of these castes are now paddy traders, shop-keepers, or wage workers in a cigar factory in town. Among the 43 non-Brahmins who remain in agriculture, the mode of employment (owner-cultivator, contract labour, daily coolies, tenants) varies in a manner not determined by caste. The pallans have without exception remained in agricultural work.[31] The same class position is thus occupied by members of virtually all jatis. Anil Bhatt's data of caste-wide occupational level (see Table) show strikingly that caste status is not congruent with class status, although lower castes are naturally to be found mainly among the categories of agricultural labourers, unskilled labourers and tenants, and the higher caste groups are more concentrated in the occupational categories of landlords, entrepreneurs, professionals, etc. "Every caste, sub-caste and religious community contributed its own share (some more and some less) both to the bourgeois-landlord as well to the proletarian-semiproletarian peasant classes. Class society was thus emerging within the very framework of an essentially caste society."[32]

The role of caste has thus become a limiting rather than a determining factor. It remains limiting in the sense that it is very unusual to take up the traditional occupation of another caste, especially if it is ritually ranked lower, and in the sense that the entry into modern, caste-free occupations is predetermined as in all other class societies by the socio-economic status (wealth, education, connections, etc) of the individuals (not the jati) concerned. As everywhere else in the so-called free market economies, entrants into the so-called labour market are competitors; in economies with structural unemployment and ongoing immeseration, the competition within the class, stratified and divided by sectional interests, is bound to grow more vigorous. In India, therefore, certainly in the economically less expanding areas, a low class individual will be confronted with more serious resistance if he wants to take to land-ownership, teaching or entrepreneurship than if he decided to give up his traditional calling for coolie work. Similarly entrepreneurs are in a position to restrict employment opportunities for members of a specific group, for example their own caste or another caste, in exchange for political or pecuniary advantage.

The preceding picture indicates that although class position is not ascribed by caste and *individual* mobility along the class ladder in various occupational pursuits does occur as a rule, the restricted economic possibilities as a consequence of the stronghold of semi-feudal and imperialist elements on the economic structure help in confining the people within sectional, self-assuring ideological categories of the past. It is because of the enormous reserve army of unemployed people that the restrictive function of caste does not have a dysfunctional impact.[33]

Relative Autonomy of Superstructure

The second factor which has prevented a clear formation of classes of a capitalist society is the relative autonomy of the superstructure. In a previous section, it was pointed out that kinship systems, of which caste is a particular rigid example, are not actually ideological reflections thrown up in the superstructure but are the *units of the relations of production* themselves. This makes them extremely stubborn social institutions which, after their economic basis has been destroyed, may continue to persist in institutions and social consciousness.

In the analysis of classes and class consciousness one cannot but refer to the famous passage in the Preface to the "Critique of Political Economy", written in 1857: "In the social production of their life men enter into definite relations that are indispensable and independent of their will, relations of production that correspond to a definite stage of development of their material productive forces".[34]

The statement has often been interpreted as referring to unilateral economic determinism to the extent that classes are being determined at the economic level and reinforced at the superstructural level. This view arises out of an approach which substitutes "a one-sided, mechanical interpretation for Marx's complex dialectical model".[35]

The two founders of scientific socialism themselves were aware of this aberration. Since the social science discipline in those days was still almost exclusively of the idealistic variety, Marx and Engels in their half a century long argument with the idealist interpretation were bound to lay the main emphasis on the derivation of ideology and human behaviour from basic economic structures. Towards the end of his life in a letter to a German comrade, Engels wrote that this weakness had given adversaries

> a welcome opportunity for misunderstandings ... [It is not] that because we deny an independent historical development to the various ideological spheres which play a part in history we also deny them any *effect upon history*. The basis of this is the common undialectical conception of cause and effect as rigidly opposed poles, the total disregarding of interaction.[36]

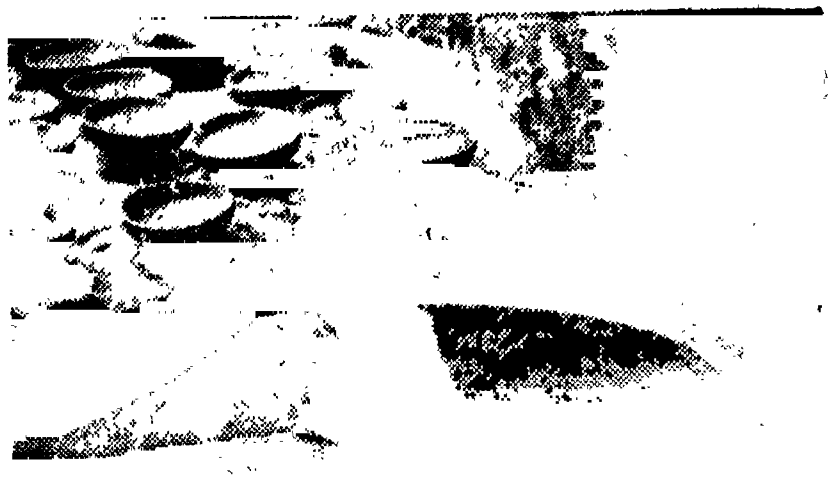
In another letter, written some years earlier, he made the interconnection and non-homogeneity of the two structures even more explicit:

> According to the materialist conception of history, the *ultimate* determining element in history is the production and reproduction of real life. More than this neither Marx nor I have ever asserted. Hence if somebody twists this into saying that the economic element is the *only* determining one, he transforms that proposition into a meaningless, abstract, senseless phrase ... We make our history ourselves, but in the first place, under very definite assumptions and conditions. Among these the economic ones are ultimately decisive. But the political ones, etc, and indeed even the traditions which haunt human minds and also play a part, although not the decisive one.[37]

A "non-reductionist materialist analysis of politics",[38] asserting the relative autonomy of class struggle from economic class structure, provides us with a tool to explain the emergence of modern classes and the resilience of old stratification systems and values in traditional societies.

A "class in itself" (the economically constituted class) does not lead automatically to the class "for itself" (a self-conscious class). Although Marx has never rigorously defined the concepts of class for itself and class in itself, he has repeatedly stressed that the formation of classes depends to a considerable extent on class struggle: "The separate individuals form a class only in so far as they have to carry on a common battle against another class; otherwise they are on hostile terms with each other as competitors."[39] In other writings also the political preconditions for class formations were made abundantly clear.[40] In other words, the question of political organisation is crucial in the task of transcending the interests and consciousness of sectional groups towards class consciousness. The ideal type class, subsuming all individuals of the economic class is a distant ideal, but with organisational forms adequate to the socio-economic structure more and more sections can be drawn into the antagonistic classes, can be imbued with class consciousness and can even be transformed into a revolutionary class.

Two major consequences of this insight are, first, that political organisations shoulder important tasks in



the actual class formation or deformation, and, second, that class in a particular country is not an integral concept, various fractions can remain outside their own class until they are touched by class struggle and mobilised by their class organisation.

In the endeavour to construct "schematics of class relations" in his work "Terms of Trade and Class Relations" Ashok Mitra was confronted with the same dilemma, and came, presumably on the authority of Georg Lukacs, to the same conclusions. He asserts that notwithstanding the heterogeneities within the analytical categories with more or less similar economic interests, "elements from within the partly-formed mass — either on their own, or assisted by elements from outside — may nonetheless try to spark off a prior consciousness of interests for the yet-to-be-class. Provided such a consciousness is fostered at different levels, and on a sustained basis, the actual formation of the class may turn out to be a direct function of this endeavour itself".[41]

The resilience of caste in social and political life in many areas can therefore best be explained in the following terms caste practices continue because class practices have not yet become dominant at the political level.

Political movements in India are not only a reflection of the extent to which class has transcended caste but, at the operational level, have at the same time a major impact on caste or class polarisation and consciousness. This proposition actually leads us to the last but one argument in the light of which the programmatic understanding of the Left in India will be assessed: the role played by caste based movements in the struggle for independence, progress and democracy.

Caste-Based Movements

It has generally been argued that at least in the struggle for independence caste consciousness was weakened considerably, and that "the presence of foreign rule was a permanent stimulus to the Indian people to unite on a national basis".[42] Narrow caste, parochial, provincial and communal consciousness were reportedly undermined by the growth of the national movement. This claim cannot be rejected outright but should not be exaggerated either, as is usually the case in the glorification of the nationalist movement. Although this movement under the control of the emerging Indian national bourgeoisie had to take more and more resort to mass actions after the first world war, and although some of its finest leaders were secular throughout, most of the top leaders in the organisation and the second rank leaders were steeped in casteist and religious worldviews which had pernicious effects on the masses. Gandhi for example utilised (Hindu) religious traditions dear to the (Hindu) people in order to enhance their participation in the national movement. This approach, however, also enhanced the hold of religion and of religious, socially reactionary organisations.[43]

Indeed, political movements during the independence struggle were rather too often based on such unreliable grounds as religious fanaticism and sectarian anti-Brahmanism, that tragic consequences were bound to erupt.

Propaganda against British colonialism along Hindu as well as Muslim religious lines aroused tremendous hostilities which could and ultimately were diverted into a holocaust. It directly played into the hands of the colonial administration. Propaganda against the caste system by caste based movements on the other hand were often directly instigated or at least supported by the colonial power, basically as a weapon to break the united national movement Organisations which undertook to fight the caste system (Brahmo Samaj) or to reform it (Arya Samaj) as well as to oppose British colonialism were rather the exceptions.

By and large caste movements in the past have tended to oppose the main struggle of the people and collaborate with the main enemy in order to scope personal material advantages for the already advanced sections within the jati.

Hardgrave,[44] and in a similar way Rudolph and Rudolph,[45] have distinguished three types of political mobilisation along caste lines. While in the vertically integrated structure (parochial culture) the traditional ruling caste (or endogamous sub-caste) marshalled political support and economic subservience from the dependent client groups (lower castes or caste factions). in the integrated structures political cleavages were established between entire castes through direct ideological appeals against the vertical structures of traditional society. Caste movements at this stage of "integrated political culture" were often able to organise cohesion and solidarity within the caste grouping over a wide geographic area, and intensify the caste cleavages in the process. However, as Hardgrave argues:

> With upward mobility, the range of diversity within the caste increases and in so far as society begins to differentiate interactionally between various levels of the caste, elaboration in caste ranking will decline and caste solidarity will decrease. At the integrated stage, political solidarity is minimal, yet the very success of the community in fulfilling its aspirations accelerates internal differentiation and the formation of distinct class segments within the group.[46]

Thus, even within the functionalist-behaviouralist approach it is conceded that, as the traditional correspondence of caste status-class position is overtaken by the upward class mobility of a section of the ascriptive caste group, segments of caste communities start to distinguish interactionally between class segments of the caste and political support will get diffused: in the "differentiated political culture" class divisions assume increasing importance.

This behaviouralist pattern, of course, is not only influenced by the internal differentiation and degree of success, but also, and probably most decisively by the development of the basic movements of the Indian people: the nationalist movement, the democratic movement and the struggle of the working class and the peasantry. Leaders of the caste movements were able to mobilise vertical attachment as long as the basic movements remained weak or non-existent, as long as they did not become social forces drawing people into action and providing them with a new consciousness.

The objective fact, however, of depressed sections of the people fighting against the supposed causes of social oppression and economic misery pointed to a new kind of politics. Although national and class exploitation and repression remained concealed behind caste oppression, objectively the caste movement, even if fighting within the varna stratification, were not caste movements in the traditional sense any longer. They were simultaneously the expression of the class interests of a collaborating rich minority jockeying for a higher political and social status under the protective patronage of the colonial state power, and of the awakening discontent of the oppressed sections The natural social order as well as class organisation of the strata closest to the spoils of the colonial state were the endogamous caste groupings at the top of such widely ramified major castes as the Reddys, Nayars, Vokkaligas, Nadars, Vellalas, Jats, Ahirs, Kayasthas, Kurmis, etc. They provided the necessary ideological (casteist) and organisational leadership to the

endogamous lower class groupings of their own caste when it became necessary to involve these sections in action for the removal of social disabilities

Removal of the disabilities according to the Srinivas-ian upward mobility model in the form of sanskritisation was bound to fail in the case of low class-depressed caste category because of their economic dependence "their caste position allows the [upper caste] to command the ideological apparatus of the caste system"[47] Experience showed that this ideological apparatus was also used against the upper class-depressed caste category Even though the ritually defiled landlords and wealthy traders sanskritised their ways, they were frustrated in their attempts to win interactional recognition by the allied opposition of the high castes They had to turn from the "sacred" to the "secular", and create an instrument of the entire caste as an instrument of social and political mobilisation[48]

Examples of such fairly similar movements are the Satyashodhak Movement in Maharashtra, which recently was the subject of debate between B T Ranadive and Gail Omvedt[49] the caste associations in Kerala, and the non-Brahmin movement in Tamil Nadu

Evolution of Non Brahminism

During the latter half of the nineteenth century sections of the sudra castes in Madras Presidency (Vellalas, Kammas, Reddis, Nayars Balija Naidus, Chettis, Nadars etc) were clearly on the rise. Their further advance was partially blocked by the strong positions of authority small groups of Brahmins occupied in public life Brahmins tended to be quite strong also in the leadership of the nationalist movement in Madras, not as a corollary to their Brahminical status, but because their caste group included strata which objectified the contradiction of the Indian national bourgeoisie with the colonial order. At the same time, many of them were imbued with religious and obscurantist ideas. The latter character became extremely pronounced with the revivalism of Annie Besant and the Home Rule League.

[illegible]ve ample justification to non-[illegible] sections who started the Justice [illegible]916, in order to "oppose any [illegible]t would undermine British [illegible] in India who alone are able to hold the scales even between creed and class and develop a sense of unity between warring groups".[50]

Such declarations of loyalty to the government were the rule rather than the exception in the non-Brahmin movement, in the colonial as well as in the post-colonial time In return for its support, the elite expected to find its way into government services "to supplant the Brahmins while keeping the untouchables at a good economic, educational and political distance" [1]

Initially the caste association was a useful tool in the hands of the aspiring civil servants, traders and landowners Its function was not only to establish the respectability of their caste section but at the same time to convince the government that they had the backing of the whole community, and were therefore formidable political allies who should be rewarded The caste community whose needs were largely at variance with that of the self styled leaders, however, before long came under the spell of the nationalist movement By the end of the thirties the scales of support within many Tamilian non Brahmin castes had shifted to Congress, partially under the impact of Kamaraj and as a result the old Justice Party had become practically defunct

While the elitist anti/Brahmin associations were rendered obsolete in the era of mass politics, the Indian National Congress allied itself with the old feudal order, obscurantist ideas and Brahminical institutions and hence called forth a new reaction by Dravidian leaders who perceived the reactionary ideological structures and institutions and not the colonial yoke as the cause of poverty and injustice

"Periyar" Ramaswami Naicker, alienated from the conservative Congress leadership in the twenties therefore decided to leave the MPCC and start the Self Respect Movement, an anti-religious, pro British movement aimed at overthrowing the caste system altogether It insisted on equality between men and women, attracted the lower castes and classes, spread rationalist egalitarian thinking based on the idea that religion and caste institutions are the core of all evil For a brief spell he donned the cap of socialism He organised some meetings against the feudalist zamindari system but abandoned it definitely before long.[5-]

The leadership of the movement, which just before independence turned into the separatist Dravida Kazhagam and after independence into (Annadurai's) DMK, came largely from lower middle classes Gradually DMK and ADMK made their peace with God and gave up the fight against caste Since both parties were integrated into the dominant class structure (national bourgeoisie and landlordism), they were not interested in either realising or propagandising their original programme since it would necessarily entail an uncompromising attack on the economic structures According to B T Ranadive, the earlier form of anti-Brahminist opposition becomes its real content, resulting in compromises both with feudal relations and imperialism The new intelligentsia, the product of Western education nurtured among the non Brahmins, act as a bourgeois intelligentsia, give up the uncompromising principles of their heroes, merge in the ruling party to head its ministries, suppress the people and keep the castes intact[51]

As a matter of fact, the discrepancy between earlier ideology of the non Brahmin movement and the actual practice today is the expression of the iron laws of history while the vast majority of their kinsmen remained socially and economically oppressed, their further mobilisation by the advanced classes would only be along the lines of religious and particularistic sedatives This recourse to illusions in order to mobilise vertically stratified sub-groups of the horizontal classes reveals the potentially reactionary character of caste organisations

Caste Associations

Not all scholars take this view though, and some are even positively enthused by the contributions caste associations have played in the furtherance of democratic and egalitarian ideals in the country Since the Indian masses were politically illiterate write the Rudolphs, the caste associations have played a great role in the success of political democracy by helping India's mass electorate to participate meaningfully and effectively "Rather than providing the base for reaction, caste has absorbed and synthesised some of the new democratic values" According to this view, caste has not only survived but has also transformed and transvalued itself in the sense that it contributes to undermining the inequalities of the old order by helping to level its values and privileges

> By initiating, managing and encouraging the efforts of lower castes to become twice-born, to don the sacred thread symbolising high ritual rank and culture it in effect if not in intention drains the caste hierarchy of meaning by homogenising and democratising it When most men can wear the sacred thread or achieve power and status without it, it will have lost its capacity to divide and distance them from each other. And

by providing a structure for the pursuit of political power, social status, and economic interest, the paracommunity based in caste sentiment and interest makes secular concerns and representative democracy comprehensible and manageable to ordinary Indiains.[54]

Caste sentiment, not class sentiment, should thus provide the structure in which "ordinary Indians" would be marshalled into a position in which they could comprehend representative democracy. The members of the caste associations tend in the early phases to retain the more intense loyalties characteristic of ascriptive associations and to be, as a consequence "less subject to the crosscutting pressures that affect members of more strictly voluntary associations", while in the later phases "its rewards serves to sustain caste loyalty and identification".[55]

Indian politicians seem to have learnt a number of things from the advice by the respectable American political scientists. Many political parties taking part in "democratic politics" in their bid for securing a mass basis have turned to the existing jati structures and sentiments. In conditions of blocked economic development and the crying need for economic reforms it is of major importance for the bourgeois-landlord classes to prevent class consciousness from coming to clear formation. Caste consciousness helps the ruling classes both in diverting sections of the working classes towards a fight against each other and towards a fight for sectional demands, which in turn would consolidate the positions of power of corrupt politicians.

Howsoever casteist, communalist, parochialist, political parties behave for purposes of mobilisation and electioneering, it evolves under the domination of the ruling class forces. The contending ruling groups in general have to resort to group politics in their scramble for political power and economic survival in a crisis-ridden economy. At one time the UP ministry counted as many as 50 ministers. All of them, in their claim for a stake in office and corruption, had to bid for the support of a sizeable social base. The formal identification with specific casteist layers provided itself as a short-cut.

A propagandistic concern for democratic and socialist values seems to determine the interest the so-called backward caste politicians have developed in the machinery of caste reservation. One would have expected the gradual elimination of reservation as the difference between "forward" and "backward" castes narrows down and as the disparities between and within backward communities do not make for a unitary approach on caste lines only. The struggle between reservationists and anti-reservationists, by strengthening caste consciousness, by splitting the ranks of all the suffering people and by tying the masses to communal and corrupt leaders who, at the same time are staunchly entrenched and interested in the continuation of the present socio-economic structures, reinforces the reactionary character of caste politics.

However, the potentially reactionary character of caste politics has not always been able to manifest itself. Caste communities that are economically differentiated between a small wealthy layer at the top and a vast majority of working class, peasants and poor middle classes lose their capacity for independent mobilisation along caste lines, especially if, at the stage that the major civil rights have been attained, secular party politics has managed to come up as a powerful alternative.

For example, the caste associations of Nadars and Ezhavas in the South, embodying considerable educational, commercial and social interests, had to turn away from political organisations to purely social reform movements. Both the Nadar Mahajana Sangam (NMS) and the Ezhava SNDP Yogam as voluntary organisations claiming to represent all members of the ascriptive caste reservoir, could do so only if they withdraw from political involvement, lest the association split.

The NMS, once ardently compaigning for Justice Party and Dravida Kazhegam, in the 1952 elections could do no more than call for the election of a Nadar and from the 1957 elections onwards it had to refrain from issuing any electoral advice at all.[56] In the same way the SNDP was unable to influence the party affiliation of their members and was not in a position to join the communal forces in the struggle which led to the overthrow of the first communist ministry in the state.[57]

Some church organisations which till recently had pontificated among their harijan converts against communism were equally confronted with the dilemma of breaking up the church community altogether or abandoning their political role considerably. The sharp class cleavage in Kerala, for example, between Syrian Catholics, who have shown themselves by and large to be on the side of landlords, plantation owners, rich peasants, merchants, industrialists, etc, and the class interests of non-Syrian Christians and Catholics resulted in political desintegration.[58] A similar development occurred within the Nayar community led by the Nayar Service Society and within the Muslim community. The presence within these ethnic groups, of a large layer of middle classes, however, makes it still possible for the upper classes to maintain their grip over a section of the community along communal and casteist, conservative lines. Even radicalised leaders, like father Vadakkan of the Karshaka Tozhilali Party in Kerala and Shibu Shoren of the Jharkhand Morcha in Bihar under the force of events may, with their sectional-based following, move towards collaboration with leftist class parties but will, with all or part of their following, return to the fold of the ruling class party, as happened during the Emergency.

This experience poses for the leftist movement the problem of whether co-operation with caste or tribe organisations contributes to the undermining or consolidation of the grip of separatism on the peasantry, whether caste organisations can be diverted to class organisations.

In areas where the economic and political class formation has progressed not so far this dilemma does not exist. The reciprocal support of caste and class organisations in the struggle for structural reforms is absent here. Many harijan organisations have become a useful tool in the hands of the landlords to serve their interests under conditions of the desintegration of the jajmani system of contract labour and the rising agricultural tension when the agricultural labourers and small peasants are verging towards independent mobilisation. Although they are often officially patronised, financed and provided with an educated leadership from within the caste with the official aim of uplifting and emancipating the caste community, observers have rightly asked the question, whether the aim is not accommodation rather than emancipation. In a revealing description of one such (Gandhian) movement, the Halpati Seva Sangh, Jan Breman concludes: "The HSS is an organisation for the Halpatis, but not of them. The leadership is solidly in the hands of members of high castes... For [the Halpatis] it is an obscure body, affiliated with the government and representing external interests. It is therefore doubtful whether the HSS may be called an emancipation movement at all. Its aims and methods rather seem to prevent

mobilisation."[59]

LEFT AND DEMOCRATIC MOVEMENT

The most common allegation one hears about the communist movement in India is that it has not paid sufficient attention to caste oppression and that it was only concerned with class struggle, that it mistook the caste society for a class society and hence was bound to remain a foreign body within the Indian context. Catchy assessments of a theoretically bankrupt policy alternate with self-complacent observations about the nearly total impotence of the left.

Such an assessment seems difficult to maintain especially in view of the geo-political differences in India. If there are areas in India which are virtually untouched by communist influence, then this certainly is not due to a theoretically wrong interpretation of the caste factor, since this interpretation is common for the all-India level and has made possible the dominant position of left politics in a number of states and districts. As a matter of fact, it is solely the communist movement which has so profoundly understood the Indian context that in the areas where it is strong caste has lost its strength. It is possibly the greatest achievement of the communist parties that in these areas the caste system has been undermined to a considerable extent, both in its operational and functional aspects. It is by now common knowledge that Bengal and even more Kerala, which till recently represented the most rigid and extreme caste system, have made incomparable progress in this respect.[60]

This development has not been accidental. It has always been part and parcel of the aim of the movement towards social justice and strengthening of democracy. The programme of National Democracy of the Communist Party of India, for example, mentioned specifically:

> It will abolish social and economic oppression of one caste by another, as also all social and personal bans and prohibitions imposed by the so-called upper castes on lower castes, especially the scheduled castes, in the name of custom, tradition or religion. Such oppression shall be made punishable by law. It will pursue a policy of giving financial and other assistance for the educational and cultural advancement of the people belonging to scheduled and socially oppressed castes, to eradicate these inequalities.[61]

The realisation of this aim, according to the communist parties, can only come about as a consequence of the unremitting effort to organise the common fight of all oppressed people against the economic structures which are the direct cause of the continuing caste separatism. This common struggle, moreover, has to be fought within a particularly dangerous context:

> We are familiar in our country with the use of communal appeal to divide the people.... Thus the crisis-ridden bourgeois landlord classes are resorting to the whipping up of diverse divisive and reactionary agitations and movements.[62]

This point is worth bearing in mind when one evaluates the communist reticence towards caste movements. The cautionary approach is reinforced by two other factors. In the first place, it has been the experience that the communist movement on the micro-level has often been identified as a caste party as a result of the massive support it received from the agricultural labourers belonging to a particular caste. The CPI(M) in Thanjavur for example has been pigeon-holed by its enemies as a party of the pallans.[63]

In the second place, the struggle for status amelioration of a particular caste community is a potential danger for the status of the equivalent as well as the higher castes belonging to the same class spectrum. This is the case with the neo-Buddhist movement which shows a growing distance between the Mahar Buddhas and the non-converted Mahars and other harijans, who are making less progress and are hence antagonised. By a voluntary act on a mass scale, it has brought isolation upon itself:

> This isolation has created antagonism and tension and has made the problem of consolidation difficult. There is an alienation from the other Harijan communities. The Nav-Bouddhas have no involvement with the larger Harijan community or even with the problem of untouchability. Having made considerable progress, politically and educationally, they are now concerned with a breakthrough at the level of higher education, and with political alignments with other parties which would be advantageous to themselves. There is no evidence of any desire to take up leadership for the Harijan scheduled castes of the region, let alone the Harijans all over the country.[64]

In view of the three foregoing factors, the communist parties in India keep stressing the need to rescue the masses from the pernicious influence of caste movements. Another, possibly the most decisive factor which makes co-operation with caste agitation totally impossible, is the unwillingness on the side of the caste movements to co-operate with the leftist movement in a common anti-caste fight for democracy. Whether the different democratic movements can be drawn into a broad-based offensive depends not merely on whether the communist parties have attained the stage of absolute theoretical and practical clarity, but ultimately on whether the non-communist democratic currents allow themselves to be drawn into the alliance. Although it is a process of mutual approach,[65] one notices again and again, that all the blame is put on the organised left parties, even if in the particular area they are virtually absent.

The Marathwada riots are very illustrative of this tendency. Although the progressive movement supported the Dalits in their demand for renaming of the University after Ambedkar, the symbol of the pro-British, later pro-Congress, anti-communist revivalism of one of the harijan jatis, the dalit leadership at no time was prepared to look for alliances with the left and thereby fortify its positions against the provoked attack: "The catch is that caste gives them an identity today. They will have to risk losing that in order to work on a broader basis."[66]

Gail Omvedt obstinately refuses to take this into account in a recent article "Class Struggle or Caste War?". Although she mentions that the Dalit Panthers had a traditional suspicion of the left, focused on cultural and religious issues, provoked a split with the other sections and diverted the radical issues to continue their leadership, she puts all the blame on the non-dalits, and particularly on the various shades of communists who are alleged to be "theoretically disarmed [by] the Marxist denial of caste ... Having denied the reality of caste except as an illusory part of the superstructure, it is no wonder that communists have never initiated and led a democratic movement aimed specifically at abolition of caste discrimination".[67]

This, of course is totally at variance with the facts not only in areas where the communists are strong, but even in Marathwada itself. According to the observations of Omvedt herself:

> The left has not neglected Dalits. Communists in fact have stood by them under attack, defied social customs, broken down social barriers in their own lives and in the lives of others. Whether Dalit agricultural labourers have been organised on a village level in a way to give them the strength to really defy the economic and social oppression of the

village rulers, it has been by Communists ...[illegible]

Omvedt fully condones the anti-communist Dhale group which took full control of the movement and provoked a split within the Panthers who had a broadly class revolutionary vision and who wanted to form some kind of unity with all the oppressed. In her explanation of why the split occurred she lines up with the reactionary ideology that it was the "outsiders" who were the ource of Dalit alienation:

> The splits in the Panthers that did occur were stimulated at least to some degree by the intervention of outside political parties and by the heavy-handed way in which the Communists inside the Panthers pushed "class" — *for it became very easy for those still suspicious of Marxism* to believe that this theme was coming from "outside" and represented just another form by which upper caste leftists were *trying to* "use" them.[49]

The familiar story of outsiders, common to Rudolph-Omvedt and the ruling class circles, has been used again and again in order to prevent the more class conscious activists from penetrating into sections which were still imbued with sectional, corporatist consciousness. It overlooks the fact that for harijan labourers harijan entrepreneurs are also outsiders, who, if they start organising all the harijans, definitely have ulterior motives.

The spontaneist emergence of class consciousness has been refuted by history itself. The alleged pernicious influence exercised by 'outsiders' on the anti-caste movement in India has equally been refuted. The first push to the organisation of adivasis, girijans, paraiahs and sudras has been given by 'outside' elements. The crux of the matter, however, is that the 'outsiders' were successful in their anti-caste efforts to the extent that they were able to combine the anti-imperialist and anti-feudalist struggle with the struggle for day-to-day economic demands. The formation of class-conscious classes in the process is a direct function of class-based parties, and has, moreover, continuously been hampered by organisations who want to restrain the consciousness of the Indian people within the framework of caste. Economic development towards full-fledged capitalism alone will not cause the emergence of classes free from caste consciousness. The continuing hold of Christian Democratic Parties on the electorate in Europe shows that the social and political structure in India is not very different from that in Europe.

Notes

1 Karl Marx, "The British Rule in India", in Marx and Engels, "On Colonialism", Moscow, nd, p 38.

2 A R Desai, "Social Background of Indian Nationalism", Bombay 1959, p 224.

3 For a description of the different official views on the definition of backward castes, see: Marc Galantar, "Who Are the Other Backward Classes", in *EPW*, October 28, 1978, pp 1812-28.

4 Possibly the best article so far is Mythily Shivaraman's "Towards Emancipation", in *Social Scientist*, Special Issue on Women, 1975, pp 76-103.

5 Arun Sinha, "Sunni-Shia Conflict", in *EPW*, November 11, 1978, pp 1841-42.

6 In Maharashtra it has even led to the breaking away from the CPI(M) by Sharad Patil.

7 Presumably 'non-vulgar' marxists have preferred to call the simplified analysis 'vulgar marxism', but as Hobsbawn has pointed out, the initial impact of Marxism necessarily had to take such a simplified form which nevertheless had an immense liberating force. As a matter of fact, "the diminishing returns on the application of vulgar marxist models, have in recent decades led to a substantial sophistication of Marxist historiography". Hobsbawn, "Karl Marx's Contribution to Historiography", in Blackburn (*ed*), "Ideology in Social Sciences", London 1972, p 282.

8 See the articles, replies and overviews in *EPW*, *Social Scientist*, *Journal of Contemporary Asia*, and others.

9 E M S Namboodiripad, "Castes, Classes and Parties in Modern Political Development", in *Social Scientist*, November 1977, p 8.

10 The concept of a separate Asiatic Mode of Production is very much under discussion. It is probably useful to follow the line of argument of Godelier, who, in reviving the concept, wants to "remove the dead parts and change it into a new concept", dropping particularly the inclusion of oriental despotism and the alleged stagnation. See Godelier, "Perspectives in Marxist *Anthropology*", Cambridge 1977, pp 119 ff.

11 W and C Wisher, "Behind Mud Walls", 1963 edition Berkeley. The recorded empirical evidence does not tally with the organic ideal, for in the researched village. Brahmins combine the right of high birth and economic power, and "if anyone fails to recognise the existence of this authority, he is reminded of it so effectively that he does not err again" (p 15).

12 K Ishwaran, "Shivapur: A South Indian Village", London 1968, p 174.

13 *Ibid*, p 182.

14 M N Srinivas "Caste in Modern India", Bombay 1962, p 71.

15 *Ibid*, p 41.

16 Louis Dumont, "Religion, Politics and History in India", The Hague *1970, p 67*.

17 Louis Dumont, "Homo Hierarchicus", London 1966, p 32.

18 C Bougle, "Essais sur le regime des castes", Paris 1927, was one of the first researchers to attack the illusion of a metaphysical nation and to talk sarcastically about the cash-minded Brahmin (*pretre-speculateur*).

19 E M S Namboodiripad, "Kerala: Yesterday, Today and Tomorrow", Calcutta 1967, p 26.

20 Claude Meillassoux, "Are there Castes in India?" in *Economy and Society*, February 1973, pp 89-111.

21 Dharma Kumar, "Land and Caste in South India", Cambridge 1965; Hirokazu Tada, "Disintegration of the Peasantry in India", in *Developing Economics*, Tokyo, March 1975, pp 94-106; Komarov and Kotovski, in Walter Ruben (*ed*) "Die Okonomische and Soziale Entwicklung Indians", Berlin 1961; Kathleen Gough, "Colonial Economics in South India", in *EPW*, March 26, 1977, pp 541-554.

22 Godelier, "Perspectives in Marxist Anthropology", Cambridge 1977, p 123.

23 Karl Marx, "Pre-Capitalist Economic Formations", London 1964, p 76.

24 Economic and infrastructural developments have been described profusely but only in very few studies has the impact on the caste structure been included. See Jan Breman, "Patronage and Exploitation", Berkeley 1974, and Kathleen Gough in E Leach, "Aspects of Caste in South India, Ceylon and North West Pakistan", Cambridge 1960.

25 Karl Marx, "The Future Results of British Rule In India", in Marx and Engels, "On Colonialism", *op cit*, pp 87-88.

26 R P Dutt, "Modern India", London 1927, p 60.

27 E M S Namboodiripad in *Social Scientist*, *op cit*, p 9.

28 The integration of feudalism and capitalism has been analysed in a forceful way by Pavlov, Rastyanikov and Shirokov, "India: Social and Economic Development", Moscow 1975.

28 CPI(M), Note submitted to the *National Integration Council, 1966*.

30 G S Ghurye, "Caste, Class and Occupation", Bombay 1961; Anil Bhatt, "Caste, Class and Politics", Delhi 1975; Andre Beteille, "Caste, Class and Power", Berkeley 1965; M N Srinivas, "Caste in Modern India", Bombay 1962; Joan Mencher, "Caste Upside Down", in *Current Anthropology*, 1974, etc.

31 Kathleen Gough, "Caste in a Tanjore Village", in E Leach, *op cit*, pp 11-60.

32 E M S Namboodiripad in *Social Scientist*, *op cit*, p 16.

33 Gerhard Hauck, Klassengesellschaft

und Kastenwesen, in Sigrist and Maria, Indien, Bauernkampfe, Berlin 1971, p 143.

34 Marx and Engels, "Selected works", Moscow 1969, volume I, p 503

35 Meszaros, in Istvan Meszaros, "Aspects of History and Class Consciousness", London 1971, p 86

36 Marx and Engels, "Selected Correspondence", Moscow, nd pp 541-2.

37 *Ibid*, p 498.

38 Stuart Hall, in Alan Hunt (*ed*) "Class and Class Structure", London 1977, p 59.

39 Karl Marx, "Pre-capitalist Economic Formations", London 1964, p 132

40 See the articles of Stuart Hall and Alan Hunt in Hunt, *op cit*

41 Ashok Mitra, "Terms of Trade and Class Relations", London 1977, p 94.

42 A R Desai, *op cit*, p 232.

43 M N Roy, "India in Transition" 1922, reprinted Bombay 1971, p 109.

44 R Hardgrave, "The Nadars of Tamil Nadu", Berkeley 1969.

45 Rudolph and Rudolph, "The Modernity of Tradition", Chicago 1967.

46 Hardgrave, *op cit*, p 203.

47 Djurfeldt and Lindberg, "Behind Poverty. The Social Formation in a Tamil Village", London 1975, p 222.

48 Hardgrave, *op cit*, p 129

49 *Social Scientist*, March 1978 and June 1978.

50 E F Irschick, "Politics and Social Conflict in Southern India", Berkeley 1969, p 48

51 Irschick, *op cit*, p 183

52 Arulalan, "The Relevance of Periyar: Caste or Class Struggle", in *Radical Review*, Madras May 1971, pp 15-24.

53 B T Ranadive, "Towards an Understanding of the Non-Brahmin Movement" in *Social Scientist*, March 1978, p 88.

54 Rudolph and Rudolph, *op cit*, p 36.

55 *Ibid*, p 33.

56 Hardgrave, *op cit*, pp 197-201.

57 Kathleen Gough, "Kerala Politics and the 1965 Elections", in *International Journal of Comparative Sociology*, 1966, pp 69ff; G K Lieten, "Education, Ideology and Politics", *Social Scientist*, September 1977, pp 3-20.

58 M Turlach, "Kerala", Wiesbaden, 1969; J Vadakkan, "A Priest's Encounter with Revolution", Bangalore 1974; F Houtart and G Lemercinier, "Socio-religious Movements in Kerala", in *Social Scientist*, June and July 1978.

59 Jan Breman, "Mobilisation of Landless Labourers", in *EPW*, March 23, 1974, p 495.

60 For Kerala, I refer to the last section in G K Lieten, "Progressive State Governments", in *EPW*, January 6, 1979, pp 29-38.

61 CPI, Programme of the Communist Party of India, adopted by the eigth congress, New Delhi 1968, p 51.

62 CPI(M), Work Report (Political) of the Central Committee, 1972, pp 79-81.

63 M Shivaraman, in Gough and Sharma, "Imperialism and Revolution in South Asia", New York 1973, pp 246-266.

64 Sunanda Patwardhan, "Change among India's Harijans", New Delhi 1973, p 157.

65 The breakdown of the century-long antagonism between communists and christians, particularly in Latin America, has become possible by the emergence of radical groups within the church, and is a clear example of this dual approach

66 Amrita Abraham, "A Report from Marathwada", in *EPW*, September 9, 1978, 1540.

67 Gail Omvedt, "Caste Struggle or Caste War?" in *Frontier*, September 30, 1978, p 40.

68 *Ibid*, p 35

69 *Ibid*, p 37

Caste Conflicts *vs* Growing Unity of Popular Democratic Forces

E M S Namboodiripad

Unlike in Europe where Slave Society succeeded barbarism, in India the ruin and disruption of pre-historic tribal society led to the creation of a society consisting of a large number of social groups or castes, each with its own sense of solidarity. In other words, the factor of class was covered by caste society, which in theory existed in 'age-old' idyllic and self-sufficient village communities.

The destruction of this 'age-old' village system and the development of new capitalist relations in all walks of life — begun by the British and continued since Independence in the midst of surviving pre-capitalist social formations — has led to two apparently contradictory features in Indian society and politics: the emergence of a working class and a growing unity among them as a class; and a disruption of the unity of the working class and the toiling people as evidenced in the increasing conflicts between 'backward' and 'forward' castes, in the intensified attacks on Harijans and other minorities, etc.

These divisions and tensions cannot be simply attributed to the 'casteism' and 'communalism': such divisions and tensions were built into the national movement itself whose leaders were primarily moved -- even when being, for all appearances, thoroughly scientific, modern and secular — by an unhistorical desire to revive the 'age-old' Indian civilisation and culture, based on the idyllic village communities at whose centre was the unalterable division of society into a hierarchy of castes. It is the refusal of millions of Indian people to be bound by the ideology of Varnashrama Dharma, and whose social and political activities, in howsoever distorted a manner, represent a revolt against the open and covert attempts to re-establish the 'age-old' village society that has contributed most to the present continuing 'caste' and 'communal' tensions in Indian society.

THE year 1978 which has just closed was characterised by two contradictory features in the development of Indian politics. On the one hand was the growing unity of the working class, symbolised by the coming together of the Central Trade Union organisations against the Bhoothalingam Report and against the Industrial Relations Bill. On the other hand was the disruption of popular unity, as seen in the conflicts between 'backward' and 'forward' castes; increasing attacks on Harijans in various parts of the country, communal riots, etc.

Indications are available that both these features are likely to continue not only in the present year, but also in the years to come. For, Indian society is going through a phase of its development in which the economy and polity of the capitalist system that has been making rapid progress in India have entered a deep and serious crisis, even while the crisis of the pre-capitalist social organisations has in fact been continuing, rather than getting resolved. The two crises have combined to give a peculiarly tragic character to the socio-cultural and political setup in the country.

For a proper understanding of the nature and depth of such an inter-penetration of the two crises, we should go into the historical roots of India's 'age-old' society. It should be recalled that the break-up of the pre-historic tribal society — what the founders of the Historical Materialism called 'Primitive Communist' society — ending in the formation of class society, took a form in India different from that in countries which developed capitalist society. We should be wary in appying to Indian conditions the formulation with which Marx and Engels opened the first Chapter of their Communist Manifesto: "The history of all hitherto existing society [i e, all written history] is the history of class struggles". What is meant in the above formulation was made clear in the following para:

> Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary re-constitution of society at large, or in the common ruin of the contending classes.

In place of such an open and clearly demarcated division of "the oppressor and the oppressed in constant opposition to one another" and carrying on an uninterrupted fight, etc emerged in India a society in which the division of and conflict between the oppressor and the oppressed was covered up by an apparent unity in the common organisation of the caste-based village community. Marx himself in his subsequent studies of the social organisation in India on the eve of the consolidation of British power had drawn attention to the "so-called *village system* which gave to each of these small units their independent organisation and distinct life". Quoting an old official report of the British House of Commons on Indian affairs, Marx went on:

> Under this simple form of municipal government, the inhabitants of the country have lived from time immemorial. The boundaries of the villages have been but seldom altered; and though the villages themselves have been sometimes injured, and even desolated by war, famine or disease, the same name, the same limits, the same interests, and even the same families, have continued for ages. The inhabitants gave themselves no trouble about the breaking up and divisions of Kingdoms; while the village remains entire, they care not to what power it is transferred, or to what sovereign it devolves; its internal economy remains unchanged. The potail [Patel] is still the head inhabitant, and still acts as the petty judge or magistrate and collector or rentier of the village.

To these quotations from official sources, Marx adds his own comment:

> These small stereotype forms of social organism have been to the

[illegible] part dissolved, and are dis[appe]aring, not so much through [the b]rutal interference of the British [tax-gathere]r and the British soldier, [as to] the working of English steam and English free trade. Those family-communities were based on domestic industry, in that peculiar combination of hand-weaving, hand-spinning and hand-tilling agriculture which gave them self-supporting power. English interference having placed the spinner and weaver, dissolved these small semi-barbarian, semi-civilised communities, by blowing up their economic basis, and thus produced the greatest, and to speak the truth, the only social revolution ever heard of in Asia.

Studies and researches by a host of scholars have subsequently shown that Marx's remarkable insight into the nature of Indian society and the change brought into it by the new British rulers had many gaps to be filled, many lags and short-comings in the picture that he painted. For, a literally "unchanging Indian society" was not entirely true. Changes, in fact, were imperceptibly creeping into the society — changes into whose details Marx was not then going or did not intend to go.

What Marx was trying to point out was — and here he was absolutely correct — that the type of "uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary re-constitution of the society at large, or in the common ruin of the contending classes", which was characteristic of European countries, did not take place in India. The result is that, instead of a vigorous dynamic society that grew up in Europe through the open slave revolts in ancient times, serf uprisings in the medieval age, etc, India with its caste-based village system had inherited an apparently 'stable' (which means stagnant) society. It was this 'stability', or rather stagnation, [th]at the heaviest blow was struck by [the] British rulers. It is impossible to [disagr]ee with this basic analysis of the [evolu]tion of Indian society through [the] ages, without necessarily dotting [all] the 'i's and crossing all the 't's of [what] Marx wrote on pre-British Indian [society].

[It w]ill in this context be instructive to [recall] the profound analysis made by [Marx's] brilliant collaborator, Frederick [Enge]ls, of the role played by Slavery [in] the development of human civilisa[tion]. Slavery did, according to Engels, [become] the dominant form of produc[tion] among all the peoples who were developing beyond the old community but in the end was also one of the chief causes of their decay".

The "decay" of the Slave Society referred to by Engels however led to bitter conflicts which culminated in the replacement of Slave society by the Feudal society. In this latter too, bitter conflicts developed ending in the substitution of Feudal society by Bourgeois society.

> It was slavery that made first possible the division of labour between agriculture and industry on a larger scale and thereby also Hellenism, the flowering of the ancient world. Without slavery no Greek State, no Greek art and science; without slavery, no Roman empire. But without the basis laid by Grecian culture and the Roman empire, also no modern Europe. We should never forget that *our whole economic, political and intellectual development presupposes a state of things in which slavery was as necessary as it was universally recognised. In this sense we are entitled to say: Without Slavery of antiquity no modern socialism* (emphasis added).

The brilliant collaborator of Marx was careful to add:

> We are compelled to say — however contradictory and heretical it may sound — that the introduction of slavery under the conditions prevailing at that time was a great step forward. For, it is a fact that man sprang from the beasts, and had consequently used barbaric and almost bestial means to extricate himself from barbarism. *Where the ancient communities have continued to exist, they have for thousands of years formed the basis of the cruelest form of state, oriental despotism from India to Russia* (emphasis added).

In India too, it can be seen, pre-historic barbarian society was broken up. Here too man used "almost bestial means to extricate himself from barbarism". But as distinct from Europe where the "bestial means" took the form of Slavery, in India we witness the emergence of caste society.

The caste society of historical times was different from the pre-historic tribal society in that the technique and mode of production had become advanced. Enough was produced for a narrow upper stratum of society to be able to live at the expense of the overwhelming majority of the toiling people. The division of society into the three Varnas — the Kshatriya, the Brahmana, and the Vysia — and the rest consisting of the Sudras, was the first division of society into classes in India. But everyone of the four Varnas and the innumerable castes that took shape in the subsequent periods retained, at the level of the particular caste, the same consciousness and organisation which had kept the previous tribes together. The ruin and disruption of the pre-historic tribes, in other words, led to the creation of a society consisting of a large number of social groups or castes, each with its own sense of solidarity. The factor of class was thus covered up by caste society.

The great merit of Slave Society as analysed by Engels was that (a) it led to the flourishing of culture and civilisation; and (b) when the system gradually declined and decayed, the internal conflict within society — between the owners and the slaves, between lords and serfs and so on — led to the further development of culture and civilisation. The epoch of modern capitalism which gave birth to the bourgeois renaissance was the logical culmination of this never-ending process.

In India too, the establishment of Varnashrama society did lead to a flourishing of culture and civilisation. Ancient India could successfully compete with any civilised nation of that time, including Greece and Rome, in the richness of its contribution in the field of philosophy, sciences, arts, literature, etc. Unlike Greece and Rome, however, India did not witness the vigorous social conflicts out of which ancient Greece and Rome paved the way for the emergence of Modern Europe.

In other words, the decay of Slave Society in Europe did not lead to the decay of society as such; it was rather the decay of slavery against which there were powerful forces, and whose struggle ended in the reconstitution of society. In India, on the other hand, the decay of Varnashrama society led to the decay of society. The flourishing of culture and civilisation, which was the characteristic feature of the early Varna society, came to be disrupted and stagnated. The scientific spirit, the materialist outlook, the closeness to the working people — these were the characteristic features of the philosophers, scientists, technologists, etc, in ancient India. These however were forced into subjugation by the dominant classes or castes who came to occupy positions of power.

Reference may in this context be made to the conclusions arrived at by the eminent Marxist philosopher, Debi-

prasad Chhatopadhyaya, in his well-known works such as "The Lokayata", "What is Living and what is dead in Indian Philosophy", "Science and Society in Ancient India", and so on. We can see in these works not only ancient India's valuable contribution to world culture but also the impediments put in the way of its further development by the formation and consolidation of the caste-based society that took shape here. No other part of the world perhaps has had such a great promise for the future in ancient times, but such a miserable development in its subsequent days, as India, thanks to the formation and consolidation of the caste-based village community in India.

It is to this past that the bourgeois-led national movement has always appealed in its attempt to rally the masses. It may be noted that the most powerful and dynamic ideology with which the Indian bourgeoisie rallied the masses, the peasants in particular, was the revival of the 'age-old' Indian society based on the caste-based village system. Mahatma Gandhi who made the most significant contribution to the mobilisation of the Indian people (peasants in particular) against the British rulers worked out a complete scheme of rejecting the machine age and going back to the Charkha and other village industries. The anti-imperialist movement took this ideology of revivalism to its logical end — that of reviving the 'glories' of ancient (which means Hindu) civilisation.

How tight is the grip of this revivalist ideology on the people even in this last quarter of the present century, is seen in the fact that the Janata Prime Minister and the leaders of the two Congresses, along with such venerable leaders as Vinoba Bhave, Jayaprakash Narain and Acharya Kripalani, are united in giving top priority, among the social problems facing the country, to the implementation of two Hindu revivalist slogans — ban on cow slaughter and prohibition. To cap it all is the Prime Minister with his preaching of urine therapy!

Continuing his analysis of pre-British Indian society and its destructon at the hands of the British rulers, Marx goes on:

> Now, sickening as it must be to human feeling to witness those myriads of industrious patriarchal and inoffensive social organisations disorganised and dissolved into their units, thrown into a sea of woes, and their individual members losing at the same time their ancient form of civilisation, and their hereditary means of subsistence, we must not forget that these idyllic village communities, inoffensive though they may appear, had always been the solid foundation of Oriental despotism, that they restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rulers, depriving it of all grandeur and historical energies. We must not forget the barbarian egotism which, concentrating on some miserable patch of land, had quietly witnessed the ruin of empires, the perpetration of unspeakable cruelties, the massacre of the population of large towns, with no other consideration bestowed upon them than on natural events, itself the helpless prey of any aggressor who deigned to notice it at all. We must not forget that this undignified, stagnatory, and vegetative life, that this passive sort of existence evoked on the other part, in contradistinction, wild, aimless, unbounded forces of destruction and rendered murder itself a religious rite in Hindostan. We must not forget that these little communities were contaminated by distinctions of caste and by slavery, that they subjugated man to external circumstances, that they transformed a self-developing social state into never-changing natural destiny, and thus brought about a brutalising worship of nature, exhibiting its degradation in the fact that man, the sovereign of nature, fell down on his knees in adoration of Hanuman, the monkey, and Sabala, the cow.

Marx the revolutionary thus did not shed a single drop of tear for the destruction of the 'age-old' civilisation of India, while Marx the humanist had full sympathy for and sense of solidarity with the millions who lost their all at the hands of the British. Marx the revolutionary thinker had the perception to see that all the destruction, all the miseries, all the sufferings, all that myriads of men and women were the signals of a new civilisation which was to be ushered in. At the same time, he had the revolutionary vision to see that "the Indians will not reap the fruits of the new elements of society scattered among them by the British bourgeoisie, till in Great Britain itself the now ruling classes shall have been supplanted by the industrial proletariat, or till the Hindoos themselves shall have grown strong enough to throw off the English yoke altogether". He was thus waiting for the day when either a proletarian revolution in England itself, or the freedom struggle launched by the Indian people would create an entirely new socio-cultural, political and economic realignment in India, so that the 'age-old' Indian society would be replaced by a sovereign democratic modern India on par with any other civilised country.

The first of the two eventualities envisaged by Marx, a proletarian revolution in England, has not taken place. But the second eventuality — the Indian people themselves throwing the British yoke off their shoulders — has been realised. It is more than 31 years since India became an independent and sovereign nation, ruled by the elected representatives of the Indian people themselves. Nevertheless, the desirable outcome of such a change over in the political-administrative setup is not visible.

The process begun by the British rulers — the destruction of the 'age-old' village system and the development of new capitalist relations in all walks of social life — has of course been further accelerated. But the consciousness and organisational structure of society leading to conflicts, arising out of the caste-based village system, are still a major factor in the day-to-day life of millions of our people. The very political-administrative system which is apparently based on secularism and democracy is penetrated by the consciousness and loyalties of the caste-based village system. The caste-conflicts, the communal riots, etc, of recent years provide irrefutable proof of this fundamental reality.

It is necessary in this context to be cautious about the idea that is very common among political pundits and leaders – the idea that the influence of caste in socio-cultural life is increasing. On the other hand, caste is today far weaker in the day-to-day life of our people even in remote villages than, say, a generation ago. Inter-dining has become common, even inter-marriages are not so rare as they were a generation ago. 'Lower' castes are today much better off than a generation ago, though the majority of the scheduled castes, scheduled tribes and several other backward communities continue to suffer from their inferior status in society. They have in general acquired power to organise resistance and to stand up for their rights.

As a matter of fact, it is this capacity of the scheduled castes, scheduled tribes and other backward communities to resist oppression that acts as one of the

contributory factors giving rise to tensions and conflicts between 'higher' and 'lower' castes in the villages. The rural gentry, belonging mostly to the 'higher' castes, find that their writ runs no more unchallenged. This 'arrogance' on the part of the 'lower' castes so infuriate them that they decide to organise themselves, even to arm themselves, in order to protest their rapidly-losing grip over village society. The 'lower' castes for their part, either by themselves or in alliance with the poorer sections in the 'higher' castes, and with the assistance of secular democratic and left-minded parties and organisations, defend themselves and assert their rights This defence of the 'lower' castes becomes effective wherever they fight not merely as particular castes, but as part of a common mass movement embracing within its fold the radically-oriented sections belonging to all castes, communities, organisations and parties. On the other hand, wherever they are isolated from the common left and democratic movement, they fall and get crushed by the ruling gentry working in collaboration with the officialdom.

What is therefore significant from the long-range perspective is that the development of capitalism and its inevitable reflection in political life — the development of democratic political institutions — are uniting the mass of the Indian people regardless of the caste to which they belong, whether they belong to the 'high' or 'low' castes, the poor and down-trodden are coming together fighting for democracy and defending their class interests. Common organisations such as Trade Unions and Kisan Sabhas on the one hand and political parties fighting for democracy and national advance in a radical direction on the other are bringing the people together in joint struggles on economic, political as well as social-cultural issues cutting across all differences of castes, religious communities and other sectarian groups. Unity of the working class in action referred to earlier in this article is only one, though a very significant instance of this growing trend.

This however does not mean that the differences based on castes, religious communities, etc, have ceased to exist. On the other hand, while their role in socio-cultural life is gradually declining, their role in politics and administration is growing. Caste and other sectarian considerations are percolating into such secular organisations and movements as the Trade Unions and other mass organisations of the fighting people, as well as political parties which are considered to be above these sectarian considerations. It will not be too much of an exaggeration if one were to state that the role of the castes, religious communities and other sectarian factors in present-day social life is in inverse proportion to their role in political-administrative life of the country.

This is not surprising, considering the circumstances in which the secular democratic institutions and movements had their origin and development in our country. The various streams of the movement for modernising Indian society, beginning with the socio-cultural reform movement launched in the first half of the last century in Bengal, through its variants in other parts of the country, were all so many attempts at grafting the modern bourgeois culture on to the living plant of the 'age-old' Indian civilisation and culture. Even the most radical of these social reform movements made serious compromises with the essential elements of what they were supposed to destroy. They were not based on the recognition that 'age-old' Indian culture in which every Indian patriot is supposed to take pride was a culture of stagnation and decay; that no amount of mending it will lead the country towards genuine modernisation. The whole attempt therefore was to preserve as much of the old as could be preserved, while imbibing all those that appeared 'good' in the new.

This however was not confined to socio-cultural life but extended to politics and economy as well. The movements for modernising the polity and economy of the country initiated by the early nationalists, and carried forward by the subsequent generations headed by such outstanding leaders as Ranade, Naoroji, Tilak, Gandhi and Nehru were, in the final analysis, attempts to compromise with the national enemy — foreign rule — and with the outmoded pre-industrial economy. Nowhere was this more visible than in the philosophy and practice of Mahatma Gandhi based on non-violent, non-cooperation, restoration of the Charkha and the village industries, scrupulous adherence to moral values and loyalty to such moral principles as banning cow slaughter and prohibition. What Jawaharlal Nehru — the apparent rebel against but in reality the disciple of Mahatma Gandhi — did was to give a 'modernist', 'leftist' covering to his perceptor's programme of compromise with the alien rulers outside and with the outmoded socio-cultural institutions inside. The Gandhi-Nehru epoch, which is considered to be the most significant from the point of view of national mobilisation for all-round modernisation, was in short an epoch of compromise with those very forces against which the people were supposed to be fighting.

The natural consequence of this compromise made by the bourgeois leadership with the ideologies and institutions of pre-capitalist society was that, by the time the bourgeoisie took shape and organised itself as a class and proceeded to rally the nation behind it, found its own class unity broken. What are now known as the "fissiparous" tendencies such as casteism, communalism, etc, are the twin brothers and sisters of nationalism as it took shape in India. It is worth noting that within less than half a century of the birth of the Indian National Congress which aspired to become the representative of the entire nation, it had to face challenges from such rival organisations as the Muslim League; the Justice Party and other organisations of the non-Brahmins in the then composite provinces of Madras and Bombay; the organisations of the scheduled castes and other oppressed sections of Hindu society; etc.

The challenge thrown to the Indian nationalists by Lord Birkenhead, the then Secretary of State for India, in the mid 1920s to produce a united draft constitution for free India; the response to it by way of the all-Parties Committee which produced the Nehru report (of 1930); the bitter quarrels among those represented at the Round Table Conference and between most of them and the Indian National Congress culminating in the fiasco of the Conference; these are the most eloquent facts showing the basic weakness of the national freedom movement headed by the Indian bourgeoisie.

All this was conveniently blamed on the 'wily manouvres' of the British rulers and the 'lack of patriotism' on the part of the caste and communal leaders. Mahatma Gandhi made the heroic statement that, if only the British rulers left India to her fate, all the caste and communal problems would be solved immediately and automatically. The total unreality of this assertion was proved not only by the large-scale massacres that accompanied

the partition of India — massacres which are perhaps the most inhuman in the history of mankind — but by the fact that, after full 31 years of independence, India today is as politically divided as it was in the pre-independence days on caste and communal lines. Those nationalists who even today blame caste and communal organisations for all the evils that are overtaking our country should ponder over the question of why they (the caste and communal leaders) are able to release the worst kind of sentiments among the people for inciting the most inhuman atrocities on the scheduled castes, scheduled tribes and backward communities.

Lest it should be thought that this is an attempt to justify all that the British rulers did, let it be made clear that all the British statesmen, from Morley and Minto to Wavel and Mountbatten, deserve the most unreserved condemnation for resorting to the worst kind of manouvres against Indian's freedom movement. 'Divide and rule' was the classical strategy of the British rulers, as it has been the strategy of earlier imperialist rulers They did their utmost to set the various castes and communities against the growing aspirations of the Indian people for freedom, to disrupt the growing unity of the Indian people. Even in the immediate post-independence years, Governor-General Mountbatten and Commander-in-chief Auckinluck, as has now been revealed, made the utmost efforts to set India and Pakistan against each other. The question however remains: why were they able to do so? No genuine nationalist can evade this question.

The answer is implicit in what is stated in the early paras of this article. The national movement, as was sought to be built up by its bourgeois leaders, was primarily a movement for the 'revival' of the 'age-old' Indian civilisation and culture. This civilisation and culture, let us remind ourselves again, is based on the village community at whose centre is the division of society into a hierarchy of castes. Millions of people who had, out of sheer helplessness, borne the burden of this caste-based society, were for the first time able to see that they need no more be bound by the ideology of Varnashrama Dharma They started imbibing a part of the modern bourgeois ideology — freedom, equality and fraternity. They were not prepared to tolerate a movement which would culminate in the replacement of the then ruling British imperialism by the old Varnashrama society.

At the same time, the driving out of the British rulers was understood by the leaders of the Muslim community as the revival of the 'glorious Moghul empire'. Everyone — the Muslims, the Christians, the depressed classes, non-caste Hindus — raised the question: "What will happen to us when the British are thrown out and a democratic political system is set up?"

The demand for safeguards for the religious minorities, non-caste Hindus, etc, became part of the general political environment. Separate electorates for the minorities, reservation for backward communities and minorities in services — these became the slogans with which every caste and communal organisation challenged the right of the Indian National Congress to represent the whole nation Mahatma Gandhi, the idol of millions, came to be completely isolated in the Second Round Table Conference from where he had to return empty-handed, to land himself and his colleagues into prison.

Did the bourgeoisie learn any lesson from this? Did it not, on the other hand, persist in the same policy? Has

it not become a matter of practice for the most popular leaders of bourgeois political parties to pay obeisance to all that is outmoded and obscurantist in Indian society and culture — Sadhus, Babas, and so on? Have we not witnessed the shameful sight of naked Sadhus — naked not figuratively but literally — making a demonstration in the capital city of the country and one of them being invited to and attending a conference presided over by the then lady Prime Minister? Is it not against the background of such a general obeisance to obscurantism that the slogan of Hindu Rashtra has arisen and been made the rallying cry of a para-military organisation?

There are of course several bourgeois leaders who try to be secular, make honest attempts to act in a secular way It is not the intention of the present writer to underestimate the contribution made by such leaders to the development of the secular democratic movement. But it is one thing to attack some of the anti-secular practices of particular parties, organisations and individuals, *it is quite another to make* an all-sided attack on the very basis of anti-secularism. If one is to adopt the latter position, one has to abandon all ideas of paying tributes to the 'age-old' civilisation and culture of India. One has to realise that the rebuilding of India on modern democratic and secular lines requires an uncompromising struggle against the caste-based Hindu society and its culture. There is no question of secular democracy, not to speak of socialism, unless the very citadel of India's 'age-old' civilisation and culture — the division of society into a hierarchy of castes — is broken. In other words, the struggle for radical democracy and socialism cannot be separated from the struggle against caste society.

Radical nationalists should in other words have a second look at what they contemptuously call 'caste and communal organisations' and the slogans they raise. Like the Indian National Congress and other secular democratic movements led by the bourgeoisie, these caste and communal organisations too have played a positive as well as a negative role in the development of Indian politics. Their negative role is obvious in the fact that all of them objectively — and many of them even subjectively — sided with the British rulers against the Indian peoples' demand for freedom and democracy.

It would however be onesidedness to see this to the exclusion of the fact that they were (though in a distorted form) raising the banner of revolt against the Establishment in the 'age-old' Indian society. They were demanding that the holy of holies in society, politics and administration, should not continue to be the monopoly of the 'high caste' Hindus. They were in fact staking a claim for a share in the power which the 'high caste' Hindus were preserving for centuries.

However distorted in form, this was a demand for democracy. It became so irresistible that the very nationalist leaders who claimed to oppose all forms of casteism and communalism had to agree to reservation for the Scheduled castes and Scheduled tribes not only in Parliament and state Legislatures but also in government services and educational institutions. In some parts of the country where the non-Brahmin movements had come to be well organised and become strong — such as the present-day states of Kerala, Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra — reservation even for other *backward communities both in government* services and in educational institutions has been built into the political administrative system. The agitation that is now going on in Bihar, and to a lesser extent in UP, for reservation is in fact a demand for the extension to the northern states of what has been continuing in the above-mentioned southern states for almost half a century.

Mention should also be made of the fact that from the ranks of the caste organisations of the non-Brahmins has arisen what is known as the rationalist movement. The emergence of Ramaswamy Naicker, the leader of the left wing in the Justice Party, was the signal for similar movements in other parts of the country, particularly in South India Once they took shape however, they were not confined to particular castes. They embraced radical elements from all castes and communities. Many of them found it quite natural to join the Socialist and Communist movement.

It would thus be erroneous and unhistorical to divide the social and political organisations in the country as 'caste and communal' on the one hand and 'national' on the other — the former being 'black' and the latter 'white'. It would however be equally erroneous and unhistorical to look upon these caste and communal organisations as 'revolutionary'. They in fact are as compromising as the more 'national' organisations of the bourgeoisie, such as the Congress. Their compromising attitude towards British imperialism is obvious from the fact that they were used by the British rulers against the national demand for freedom raised by the Congress.

But their compromising trend is seen also in their attitude to the basic structure of Indian society. While fulminating against the caste system — some of them even against religion in the abstract — they failed to see the connection between the struggle against the Establishment (which they were supposedly waging) and the growing organisations of the working people. As a matter of fact, at the very time when they were raising the banner of revolt against the caste-based Establishment and even religion, the fighting organisations of the working people were rapidly growing and getting consolidated through class struggle. The significance of this for the final victory of their own *anti-Establishment struggle was not* seen by them. Hence the wide gulf between them and the left democratic political parties and mass organisations in the country.

The political implications of this may be seen in the fact that most of the present-day caste and communal organisations have put themselves outside the pale of the growing left and democratic movement They use the political leverage they have, the support of the particular caste and communities to which they cater, for making political bargains with this or that bourgeois political party. The leaders of the latter, in their turn, are making opportunist use of such caste and communal organisations, raising or opposing the particular slogans raised by these organisations not on the basis of any principle but for purely temporary political and electoral gains.

In such a situation where the bourgeoisie has failed to unite the nation and has landed the people into the utmost political chaos, it is necessary for the working class, as well as all forward-looking radical secular democratic forces, to make a completely objective assessment of the caste and communal situation as part of the overall national situation. They should realise that, in spite of all the distortion that are taking place and may repeat themselves in the future too, the

unity of all sections of the working people, all the forward-looking democratic forces in the country, for the total modernisation of the country in its socio-cultural, political and economic aspects is growing and is bound to grow. It should be the effort of every honest radical democrat to see that this unity is strengthened day by day.

It is at the same time necessary for them to realise that the struggle waged by the millions belonging to the hitherto-oppressed castes and communities is an integral part of the struggle for secular democracy. Unity of the radical and democratic forces within the 'forward' castes and communities with the 'backward' communities is an essential element both for safeguarding the interests of the 'backward' communities as well as for the advance of democracy in general.

Looked at from this point of view, the demand for reservation made by the backward communities will be found a just demand. It should however be noted that this just demand is being raised and pushed forward in a manner in which the working people belonging to the 'forward' communities are pitted against the 'backward' communities. Class unity on the basis of common slogans and demands for democracy is sacrificed for the sake of 'unity' between the exploiters and the exploited in particular 'backward' as well as 'forward' communities. This is a trend which can endanger democracy.

Before concluding, it may be useful to relate the personal experience of the present writer in dealing with the question of reservation for backward communities in his home state of Kerala.

As was noted above, the demand for reservation of backward communities had become part of the democratic movement in South India. In all the three parts of the present-day Kerala State — Malabar, Cochin and Travancore — this principle had thus come to be accepted both in the political programme of the radical nationalists and in the practices of the governments. The new state of Kerala which was formed in 1956 and of which the present writer happened to be the first Chief Minister therefore had the system of reservation for 'backward' communities' written into the administrative system.

However, there were [illegible] 'backward' communities (other than Scheduled castes and Scheduled tribes) from whose ranks had arisen small groups of well-to-do elements — landlords, business-men, upper layers of the professionals, top government officials, etc — though the bulk of the community suffered not only from poverty but also from the hang-over of the centuries-old caste oppression. At the same time, increasingly larger and larger sections from the 'forward' communities were becoming impoverished and forced to seek jobs and work under bosses many of whom belonged to 'backward' communities. It was not an uncommon sight to see that a driver, a peon or a domestic servant belonged to the 'forward' community and therefore did not enjoy the benefits of reservation, while their bosses belonged to the 'backward' communities and were therefore the beneficiaries of the benefits accruing from the reservation system.

It was under these circumstances that the first ministry in Kerala formed an Administrative Reforms Committee one of whose terms of reference was the question of reservation. The committee recommended that:

(a) Reservation for the Scheduled castes and Scheduled tribes should continue unchanged;

(b) In the case of other "backward" communities reservation should continue but its benefit should be denied to those who were above a particular limit of family income.

Ever since then, the question was hotly debated whether reservation should continue, and if it did, whether the reservation should be based on caste or economic status. The leaders of 'backward' communities naturally demanded that it should be based purely on castes; that the provision proposed by the Administrative Reforms Committee for exempting those having an income above a particular limit from the benefits of reservation should be abandoned. The leaders of the 'forward' communities, on the other hand, demanded that reservation should be purely on economic status. What is today being witnessed in Bihar was witnessed in Kerala almost two decades ago.

The proposal made originally by the Administrative Reforms Committee was not accepted by any political party and had therefore to be abandoned. It however was taken over by another committee appointed a decade later which submitted its report in the early 1970s. By this time the political temper in the state had changed so much that every political party — ruling and opposition — accepted it. The Achutha Menon government declared its acceptance and announced that steps were being taken to implement them.

Both the 'forward' and 'backward' communities however launched a tirade against it. And the present Ministry headed by Vasudevan Nair has, under political pressures exerted by the caste and communal leaders, announced its decision to reject the proposal and constitute a new committee to go into the whole question afresh. It is thus obvious that Kerala is going to witness once again what it has been witnessing for nearly quarter of a century and what the Northern states like Bihar are witnessing today.

MSFC

MAHARASHTRA STATE FINANCIAL CORPORATION (MSFC) has greatly increased its assistance for educated unemployed technicians — qualified and experienced, qualified but without experience and experienced but without qualifications. All these schemes were started in the last few years, the Young Technicians Assistance Scheme being less than one year old. According to Homi J H Taleyarkhan, chairman, 2,794 persons under this category have benefited from MSFC loans to the value of Rs 14.10 crores. In the first nine months of 1978-79, 405 persons have been assisted with loans aggregating Rs 2.44 crores. As many as 24 cases for seed capital have also been sanctioned for an aggregate of Rs 14.33 lakhs. In developmental finance for encouraging inventions or prototypes and in schemes for modernisation of machinery also, one dozen small units have been assisted with nearly Rs 10 lakhs in the first nine months of the current year. World Bank loans for import of machinery not available in India have been given to 285 units with aggregate sanctions of about Rs 20 crores. The number of units assisted in the first nine months of 1978-79 is 30 with sanctions of Rs 2.84 crores. Loans of Rs 18.44 crores for commercial vehicles on road and on water have been given to 4,193 units, including sanctions of Rs. 1.31 crores during April-December last.

Caste, Class and Property Relations

B T Ranadive

Nationalist tradition in India looked upon the struggle of the lower castes against the domination of the upper castes as a diversion from the general anti-imperialist struggle. The caste question was considered to be an internal affair of the Indians who, in spite of all the differences and inequalities among them, were expected to first fight for the freedom of the country, under the leadership of the bourgeoisie.

At the same time, there was another current which held that India was unfit for freedom till the people first overcame the inequalities of the caste system. This current was represented by certain social reformers coming from upper castes whose bourgeois democratic consciousness was appalled by the monstrous iniquities of the caste system and other obscenities of Hinduism.

In essence, both these traditions sought to de-link the anti-caste struggles from the contemporary democratic and class struggles; they sought to circumscribe the anti-caste struggle within the framework of the existing political and economic system.

The present article makes a broad survey of both these traditions and argues that while anti-caste struggles, even when they apparently take on the form of a demand for reservation of jobs, etc, should be supported, what is called for is a deeper struggle, embracing the oppressed of all castes, against the present socio-economic system which is based on certain property and production relations which sustain both caste and class oppression.

THE survival of the caste-system and prejudices today as well as the fight against it cannot be understood unless viewed in relation to the major political and economic developments in the country during the 19th and 20th centuries

The major political development was the rise of nationalist anti-imperialist consciousness and the rising anti-imperialist struggle accompanied by the struggles of workers and peasants which forced the British to withdraw from India.

Single Process

The anti-imperialist struggle, the growing sense of national unity, the anti-caste agitations and revolts, were all parts of a single process — the formation of a modern nation, with its different sections demanding equality and common status in a new polity. The process was gradual and slow with different castes and sub-castes expressing the urge in different ways in the beginning. Some directly addressed themselves to the fight against imperialist rule, others started awakening to their unequal status in Hindu society and embarked upon a struggle against caste inequality. At a later stage these various struggles merged to a great extent in the common struggle against imperialism, though some continued their separate existence till the end. In reality this was a process of the dissolution or, rather, undermining of the old Hindu order with its hereditary caste system. Marx underlined this process of undermining and dissolution. He said "All the civil wars, invasions, revolutions, conquests, famines, strangely complex, rapid and destructive as their successive action in Hindustan may appear, did not go deeper than its surface. England has broken down the whole framework of Indian society, without any symptoms of reconstruction yet appearing. This loss of his old world, with no gain of a new one imparts a particular kind of melancholy to the present misery of the Hindoo, and separates Hindustan, ruled by Britain from all its ancient traditions and from the whole of its past history". Marx was not sorry that this old world of the Hindoo was crumbling. He knew it was based on monstrous caste distinctions and slavery. "We must not forget that these little communities were contaminated by distinction of caste and by slavery, that they subjugated man of external circumstances instead of elevating man the sovereign of circumstances, that they transferred a self-developed social state into a natural destiny, and thus brought about a brutalising worship of nature exhibiting its degradation in the fact that man the sovereign of nature fell down on his knees in adoration before Hanuman, the monkey, and Sabala, the cow".[1]

It was not in the interests of the colonial rule to transform the Indian society. The process of changing the old society, its stratification and economic basis was slow and painful. The result was superimposition of minimum modern capitalist relations on the old feudal land relations which sustained the caste system. The exploitation interests of British colonialism required that a powerful indigenous bourgeoisie should not arise. It was interested in exploiting the Indian people on the basis of their backwardness, i e, keeping the rural land relations intact as far as possible, modifying them only to advance its own interests.

Two contradictory processes were therefore in action. The introduction of modern relations — railways, communication, telegraph, workshops and a few factories, growing commodity exchange, exports and imports — accentuated the tendency towards undermining the old structure, and with it the caste relations. Secondly, the vital interests of the colonial powers in maintaining the old land relations, in seeking political and economic support from the feudals, meant support to the fabric of caste institution.

Revivalism and Compromise

The leaders of the national movement, the new bourgeois intelligentsia coming from Hindu upper castes, were also interested in compromising with the caste system. One can imagine the backward economic conditions prevailing a hundred years ago. The intelligentsia just learning the alphabet of anti-imperialist struggle, without yet a solid foundation of support of the indigenous industrial bourgeoisie, stood in isolation from the downtrodden masses and was extremely afraid of hurting the religious susceptibilities of its immediate followers. Besides, the Indian nationalists, in their struggle against the British, harked back to India's past to draw sustenance for its claim to democracy and freedom. It led to revivalist thinking and ideology.

...se from the existing foul welter of decaying and corrupt meta-... from the broken relics of the ... village system, from the dead remains of court splendours of a vanished civilisation, they sought to fabricate and build up and reconstitute a golden dream of Hindu culture — a 'purified' Hindu culture — which they could hold up as an ideal and a guiding light. Against the overwhelming flood of British bourgeois culture and ideology, which they saw completely conquering the Indian bourgeisie and intelligentsia, they sought to hold forward the feeble shield of a reconstructed Hindu ideology which had no longer any natural basis for its existence in actual life conditions. All social and scientific development was condemned by the more extreme devotees of this gospel as the conquerors' culture; every form of antiquated tradition, even abuse, privilege and obscurantism, was treated with respect and veneration.[2]

The opposition to Western ways was of course combined with demands for democracy and industrial advance. The revivalist bases meant defence of the caste system, its maintenance and failure to fight it. Tilak expressed his opposition to any kind of social reform including the proposal to raise the age of marriage. Tilak believed in the caste-system and defended it. Even Gandhi who represented a different stage of the national movement equally relied on revivalism. During the first non-co-operation movement he carried on an open campaign against everything Western, including Western medicine, Western education and the railways. Gandhi once declared: "God limited man's locomotion power when he gave him two legs. But man became ambitious and built the railways". In these days he repeatedly harped upon bringing back Ram Raj to India. No doubt in subsequent years his appeal became less modern, more 'bourgeoisfied'; but notwithstanding his onslaught against untouchability, he remained a prisoner of revivalist outlook. As early as 1921 he declared himself to be a Sanatanic Hindu: "I call myself a Sanatanic Hindu, because (1) I believe in the Vedas, the Upanishads, the Puranas and all that goes by the name Hindu scriptures, and therefore in Avatars and rebirth. (2) I believe in Varnashrama Dharma, in a sense in my opinion strictly Vedic, but not in its present popular and crude sense. (3) I believe in the protection of the cow in its much larger sense than the popular. (4) I do not disbelieve in idol-worship".[3]

This was the ideology of the father of the nation who headed the Congress during the days of the national anti-imperialist struggle. In spite of this ideology he could move lakhs for the national struggle and make them momentarily forget their caste distinctions. It was he again who was able to bring lakhs of Muslims into the common struggle in 1920-21. But it was clear that with this revivalist outlook, with this delinking of the anti-caste struggle from the anti-imperialist struggle, caste distinctions would continue to survive. With this outlook of course it was not possible to eliminate the barriers between Hindus and Muslims.

Notwithstanding the advanced and secular views of Jawaharlal Nehru, the Gandhian outlook dominated the nationalist movement. Critics have wrongly understood this obscurantist outlook as only surrender to caste-pressures and considered it as being due only to the casteism of the upper caste national leaders. It was basically the surrender of the modern intelligentsia before the indigenous feudal land relations which sustained the caste system. Not that subjectively there was no caste-consciousness, for it was inevitable if you accepted the basically unjust agrarian structure.

Fear of Agrarian Revolution

Such was the double faced intelligentsia of the earlier years. Espousing the aims and interests of the rising bourgeoisie, proclaiming new democratic values, it attacked the imperialists but at the same time allied itself with the old feudal order and institutions and explained such alliance as concentrating fire on the foreign enemy first. In Maharashtra and elsewhere its opposition to anti-money-lender Bills was part of the class alliance and not just caste alliance. It defended the peasant only against government exactions and attacked land-tax and other measures, but till very late in the day it refused to maintain agrarian relations in its programme. Though subsequent generations of national leaders could not maintain exactly the same position and had to manoeuvre both against caste discontent and land-relations, their position essentially remained the same.

In 1920 the Congress expressed its partiality for the big landlords openly and chided the peasants for withholding the oppressive rent of the landlords. The February 12, 1922 Bardoli decision calling off the national campaign against British imperialism contained the following clauses. "The Working Committee advises Congress workers and organisations to inform the ryots that withholding of rent payments to zamindars is contrary to the Congress resolutions and injurious to the best interests of the country. The Working Committee assures the zamindars that the Congress movement is in no way interested to attack their legal rights, and that even when the ryots have grievances, the Committee decides that redress be sought by mutual consultation and arbitration". This was said at a time when huge peasant masses had started moving against the landlords in the United Provinces and elsewhere.

This crude defence of landlords was not repealed in the succeeding years when the peasant masses had to be appealed to by the leaders of the Congress. The Congress began to talk about doing justice to the tenants, etc, but the opposition to agrarian resolution, continued and the alliance with landlords remained. It was not for nothing that Gandhi once described the Princely States as "Indian India' and paid tributes to them and for years the Congress opposed widespread struggles in the Princely States.

This fear of agrarian revolution and alliance with indigenous obscurantist forces was not fortuitous. The weak industrial bourgeoisie without the confidence of meeting the challenge of imperialism had to rely on the established propertied classes from which also came a section of the intelligentsia. Besides in the twentieth century, in the decline of capitalism the bourgeoisie was unable to play a resolutely anti-feudal role. This was noted by Marxists. In fact Lenin, noting this development, declared that the democratic revolution in Russia could be led only by the working class and working class hegemony was essential for its success. Succeeding revolutions have shown that only under the leadership of the working class anti-imperialist revolutions including the agrarian revolution has been carried out, opening the way to socialism. China, Korea, Viet Nam are the recent instances. When the agrarian revolution could not be carried out, the anti-imperialist revolution got aborted, leading in some countries to fascism as in Indonesia. In the majority of underdeveloped countries where the bourgeois retained the hegemony, and sabotaged the agrarian revolution, pre-capitalist ideologies and

relations continued, leading to the overthrow of democracy. Pan Islamism, Islamic Republic, 'Guided Democracy' and many other reactionary feudal ideologies continue to dominate the minds of the people today because the soil from which they spring — the pre-capitalist or tribal relations — continues to remain fertile. Social reformers have not understood this link between the agrarian revolution in India and the retention of caste and communal inequalities, outlook and prejudices. For them casteism and communalism were just injustices unlinked with any production relation system, a prejudice to be removed by denouncing it, by asking those who practise it to reject it, and nothing more. The struggle was not to be linked with the present day social system — its pre-capitalist and capitalist basis, its source of class exploitation. It was not to be conducted as part of the general democratic movement or modern class struggle.

The Communist Party

The Communist Party was the only party which linked the struggle against untouchability and caste-system with agrarian revolution and end to imperialist domination. It alone saw in agrarian revolution and class struggle the key to overcome Hindu-Muslim separateness in practice The Platform of Action of the CPI, 1930, said:

> As a result of the rule of British imperialism in our country, there are still in existence millions of slaves, and tens of millions of socially outcaste working pariahs, who are deprived of all rights. British rule, the system of landlordism, the reactionary caste system, religious deception and all the slave and serf traditions of the past throttle the Indian people and stand in the way of its emancipation. They have led to the result that in India, in the twentieth century, there are still pariahs who have no right to meet with their fellowmen, drink from common wells, study in common schools, etc.
>
> Instead of putting an end once for all to this shameful blot on the Indian people, Gandhi and other Congress leaders call for the maintenance of the caste system which is the basis of and justification for the existence of that socially outcaste pariahs. Only the ruthless abolition of the caste system in its reformed, Gandhist variety, only the agrarian revolution and violent overthrow of British rule, will lead to the social, economic, cultural and legal emancipation of the working pariahs and slaves. The CP of India calls upon all the pariahs to join in the united revolutionary front — with all the workers of the country against British rule and landlordism.
>
> The CP of India calls on all the pariahs not to give in to the tricks of British and reactionary agents who try to split and set one against the other the toilers of our country.
>
> The CP of India fights for the complete abolition of slavery, the caste system and the caste inequality in all its forms (social, cultural etc). The CP of India fights for the complete and absolute equality of the working pariahs and all the toilers of our country.

The Communists knew that in a colonial country the slow process of industrial development does not lead so much to the proletarianisation of the peasantry as to its pauperisation. Even those driven into the urban factories do not lose their rural stamp easily — as in the earlier years they retained their connection with the land and retired to the village two months in a year. Besides their ranks being daily increased with arrivals from rural areas the formation of a firm class ideology was being repeatedly distorted. It was obvious that the blow had to be given in the rural areas to the pre-capitalist land relations.

> Owing to the interference of imperialism ... the drawing of the village into the sphere of monetary and trading economy is accompanied here by a process of pauperisation of the peasantry... On the other hand the delayed industrial development in the colonies has put sharp limits to the process of proletarianisation Capitalism, which has included that colonial village into its system of taxation and trade apparatus and which has converted pre-capitalist relations (for instance the destruction of the village commonness) does not thereby liberate the peasants from the yoke of pre-capitalist forces of bondage and exploitation, but only gives the latter motenary expression ... to the 'assistance' of the peasants in their miserable positions (e.g, in some localities of India and China) even creating a hereditary slavery based on their indebtedness.[4]

The CPI(M)'s memorandum on National Integration submitted in 1968 stated:

> Recently, Parliament and the whole country were rightly indignant with the ghastly burning alive of a Harijan farm-servant in open daylight in Kanchikacharla village in Andhra Pradesh. The press has been giving numerous incidents of atrocities that are being perpetrated on Scheduled Castes and Scheduled Tribes and on other backward communities. This phenomenon is not just some stray incidents confined to some particular areas or to particular states. It is a common practice, throughout the country — the legacy of the practice of untouchability and social oppression and brutality that persists in our rural areas, even after 20 years of indepenence and in spite of our laws and commissions for Scheduled Castes and Tribes! It is the result of the growth of feudal and semi-feudal landlordism and of the 'new rich' on the same feudal caste and social basis, and of their grip over the village economy and life! It is a reflection of the failure of the government to liquidate the medieval feudal economic base, of its failure to abolish landlordism, give land to the tiller and assure him land and employment, fair wages, and decent living conditions (house sites, education and medical services). It is a reflection of the growing domination of the village landlord vested interests, through the policies pursued by the Congress government in the name of community development, Panchayat Raj, Co-operatives, etc, all with the laudable objective of amelioration of rural masses, but which are designed to strengthen the old feudal and semi-feudal landlords developing into a new rich and their domination over the village life. The whole state machinery, and especially the police and courts, are turned to serve this purpose. Hence no wonder these *atrocities are increasing and a terrible* brutalisation of village life, negating all human values and decencies, is taking place. We need not be taken by surprise if these unfortunates, their patience exhausted, resort to desperate methods and caste riots break out on a large scale in the rural areas, which are already looming on the distant horizon. We will be having caste or race riots along with the present communal and language riots. It is only if the minimum economic living conditions are guaranteed, land and employment and social equality assured by eliminating the domination of the old-feudal and semi-feudal as well as of the new rich, this danger can be avoided. The democratic opinion and forces must assert and force the government to give up its present policy of using the state machinery in support of the village oppressor against the rural poor, against the Harijans and backward communities but use it, use its full strength, against the vested interests and bring about radical economic and social transformation in the rural side of our country.[5]

It will be seen that the Communists did not say that caste, untouchability or communal outlook would disappear without a revolutionary struggle against the antiquated land system and British rule; or that the struggle to eradicate the caste system can be fought in isola-

tion from the class struggle in the villages and the cities, by mere denunciation of the system. They knew that this class struggle was of a people who were not yet free from caste prejudices and who therefore had to be united in the course of the struggle to discover their common identity as exploited. Real and abiding unity was to be achieved during the course of the revolutionary struggle which is fought with no holds barred.

The Communists also saw that caste disintegration was taking place rapidly; in each caste differentiation was taking place between the haves and have-nots and that the process of pauperisation was affecting all castes. Almost all peasant castes have been the victims of this process. Thus a new common bond was being created between the lower sections of all castes — a bond which had to be stressed and consolidated during the course of the common struggle. It was therefore necessary to stress this common bond while fighting against caste inequalities. Here there is no question of replacing caste by class, refusing to recognise the caste distinctions and recognising only the class distinctions. It is a question of addressing yourself to the concrete reality which combined the growing formation of an exploited class with the existence of caste distinctions — the formation process of the class. Those who did not understand this double process landed themselves into reformism.

National Unity and Caste

The expansion of the national movement inevitably led to certain changes regarding the approach to caste and communal problems. In order to forge the minimum necessary unity behind it the national bourgeois leadership had to give up its former no-change outlook in regard to caste and inequality. The necessity of appealing to the peasantry and the rural masses composed of diverse castes of the lower order faced the bourgeois intelligentsia to take a more flexible outlook towards this question, and make it consistent with the democratic claims they were putting on behalf of the people. Equality of castes was preached without its abolition. Both the problems of caste in general and untouchability in particular had to be tackled by the national leadership. In consonance with its outlook of compromise with feudal land relations the bourgeois leadership adopted a policy, which though differing in words from the earlier policy, in content remained the same. Untouchability was declared a sin by Gandhi.

> To remove untouchability is a penance that caste Hindus owe to Hinduism and to themselves. The purification required is not of 'untouchables' but of the so-called superior castes. There is no vice that is special to the untouchables, not even dirt and insanitation. It is our arrogance which blinds us, superior Hindus, to our own blemishes and which magnifies those of our downtrodden brethren whom we have suppressed and keep under suppression. And I would be content to be torn to pieces rather than disown the suppressed classes. Hindus will certainly never deserve freedom, not get it if they allow their noble religion to be disfigured by the retention of the taint of untouchability. As I love Hinduism dearer than life itself the taint has become for me an intolerable burden. Let us not deny God by denying to a fifth of our race, the right of association on an equal footing.[6]

This passionate protest leaves nothing unsaid. But the equally passionate desire to keep the landlords and Hindu religion intact reduces the protest to a formal declaration only.

Unable to think of a basic liquidation of land relations the national bourgeoisie adopted social reforms as their watchword in the struggle for national unity. Education, social mixing, intercaste dinners, statement in public meetings that 'We are Indians first and last — beyond this the class alliance of the bourgeois leaders did not permit the national movement to go.

It will be seen here that the interests of the bourgeois class operated against the unleashing of a struggle against casteism. The outlook and compromise was strengthened because almost all leaders came from the better-off castes How is it, that despite these limitations, this blatantly reactionary class policy the Congress succeeded in getting the masses and forcing the British to retreat? How is it that the vast numbers from the peasantry, consisting of diverse lower castes, joined the Congress? The appeal of nationalism and anti-imperialism attracted the peasant who found no difficulty in identifying his misery with foreign rule. This was the new class reality — the unity forged by imperialist exploitation — which the Congress fully utilised, and those who pitted themselves against it were inevitably routed. The grafting of modern imperialist exploitation on the old feudal relations led to the emergence of a sense of national unity in the midst of a hierarchical caste structure.

The Imperialists

The British imperialists were not keeping quiet when the Congress leaders were making a bid to unite the diverse castes and communities under the national umbrella. The British countered the plan of the national bourgeoisie by offering separate electorates, reservation of jobs in government services, and educational facilities to the Muslims, backward classes and untouchables. Their aim was to raise hopes of advance in backward communities, to wean them away from the common struggle, split popular resistance and perpetuate separate caste and communal consciousness. The prevalent caste inequality, the monstrous oppression of the untouchables at the hands of the Hindus, and the communal barriers between Hindus and Muslims enabled them to play this game.

But the imperialists could not play this game for ever. They themselves firmly stood by the existing land relations, and therefore were unable to bring about any real change in the status of the untouchables or other downtrodden castes. Ambedkar himself had to warn:

> I am afraid that the British chose to advocate unfortunate conditions not with the object of removing them, but only because such a concern serves well as an excuse for retarding the political progress of India. So far as you are concerned, the British government has accepted the arrangement as it found them and has preserved them faithfully in the manner of the Chinese tailor who, when given an old coat as a pattern, produced with pride an exact replica, rents, patches and all... Nobody can remove your grievances as well as you can and you cannot remove them unless you get political power in your hands. No share of this political power can come to you so long as the British government remains as it is. It is only in a Swaraj Constitution that you stand of getting any political power into your own hands without which you cannot bring salvation to your people.[7]

It will be seen that three powerful class interests, the imperialists, the landlords and the bourgeois leadership, were acting as the defenders of the caste-system by protecting the landlords and pre-capitalist land relations.

Post-Independence Compromise

The story continues after independence. The use of the administrative

apparatus to offer a few concessions to the untouchables and others to raise illusory hopes is now continued by the new ruling classes. The Constitution has declared equality of all before the law, irrespective of caste; Parliament has declared untouchability a penal offence. But the basic structure of land relations overhauling of which would have given a blow to untouchability and caste-system, has not been changed. The new rulers therefore resort to the same subterfuges which the British had resorted to — reservation of jobs, reservation of seats in colleges, reservation of higher posts in government services, etc.

The land reforms Acts of the bourgeois landlord governments were intended only to adjust old relations to their immediate needs. Statutory landlordism was abolished but the basic structure and inequality has remained. And the Acts that were passed have also not been implemented with the surplus land legislation ending in a huge farce and land concentration increasing after the Congress enactments.

Once again the full weight of the administration and class rule supports the economic structure which keeps the castes and untouchability in being. The bourgeois landlord alliance which dominates the State is incapable of doing anything else, whatever may be its pretentious claims. The miserable results of the much advertised 20–Points Programme again prove the same truth.

In this situation it is but inevitable that the masses themselves should be victims of customs, the toilers should get divided on caste-basis and forget their common bond which is being daily created. It only means that the formation of a new class of proletarians is being delayed by the retention of land system and therefore the hold of earlier hierachical ideology continues. The dominant class interests have after independence worked for the retention of caste inequality, untouchability and communal outlook.

The Anti-Caste Current

What happened to the other current which launched a direct attack on the equality of the caste system, in some places even before the advent of the Congress? Why did all these protest movements which courageously condemned the monstrous caste system produce such pitiful results? The non-Brahmin movement which at one time appeared to sweep certain parts of the country has hardly succeeded anywhere in giving quietus to the caste system. The great struggles of the untouchables notwithstanding the fact that they were led by such an outstanding leader like Ambedkar, have failed to produce the desired result of abolition of untouchability. Atrocities against the untouchables continue. Neither these struggles nor the short cut of conversion to Buddhism have solved the problem. It is a great irony that the leaders of the neo-Buddhists have had to again demand that they should be treated as Scheduled Castes in the matter of reservation of seats, etc.

The so-called lower orders or castes of Hindu society actually form the majority; then why has not the majority succeeded in removing the stigma of caste-inequality and defeat the conspiracy of a few Brahmins or upper castes? The reality is that the poison of caste division has deeply infected its victims — the masses and the lower order who further are divided into several castes and sub-castes. Each recognises the injustice done to it but is not ready to remedy the injustice done to others by its own superior status. In Maharashtra you find that though the non-Brahmin movement was supposed to include all the lower orders and castes, in reality the untouchables were left to themselves. At one time Ambedkar had to say that the Marathas were bigger oppressors of the untouchables than the Brahmins.

In fact the National bourgeois leadership of the Congress could get away with its compromising policy on caste and revivalist appeal just because it could go down well among the masses.

The anti-caste leaders of the earlier days were totally different from the Congress leaders in this respect. It was inevitable that along with the rise of anti-imperialist national consciousness there should rise the democratic current attacking caste system and untouchability. The two were parts of the same process — the process of formation of a new nation in the midst of an ocean of pre-capitalist relations.

In attacking the inequalities of the caste system and caste consciousness the anti-caste non–Brahmin leaders were attacking the ideology and the superstrutcure of the earlier feudal age. The ideology and consciousness had to be attacked and the superstructure had to be exposed and undermined, if society were to change. It can be nobody's argument — let the economic situation gradually change, let new economic realities and new classes emerge and the caste-system and caste-consciousness will automatically be eliminated.

A reactionary ideology if not fought becomes an obstacle in the way of democratic and social advance, in the way of changing the economic reality. It acts as a brake on change. In India caste domination and caste-consciousness was acting as a brake and preventing the revolutionary unity of the masses. The earlier anti-caste leaders therefore did a splendid job in launching an attack against the caste system. This was all the more so because their nationalist contemporaries, coming from the upper castes, representing another section of the bourgeois intelligentsia, had not yet freed themselves from upper caste consciousness, and some of them, like Tilak, were strong defenders of the system. Tilak, it must be remembered, not only opposed the age of Consent Bill but a proposal for compulsory primary education also. It has already been pointed out that at the basis of this defence and, later on, compromise with the caste system lay the intelligentsia's compromise and alliance with the feudal relations. It will not be amiss in this context to treat in brief the evolution of the anti-caste movement in Maharashtra to understand the limitations and results produced by it.

Jyotiba's Movement

The origin of anti-caste movement in Maharashtra is associated with the giant figure of Jyotiba Phule: Jyotiba the great secular democrat, the friend of the poor and oppressed castes never wavered in his loyalty to the downtrodden in giving priority to their interests. Whether it was widow remarriage, education, liquor shops, caste exploitation, bureaucratic oppression or usury and land alienation, the economic loot of India, the building of a new market or decorations to greet a Viceroy at the expense of the people, or a dinner to a royal visitor, he defended the interests of the masses without prevarication and fears. His passion for the untouchables was unheard of and his sense of justice included every oppressed caste and he had absolutely no caste bias. He also demanded equal treatment for Muslims and Christians. No wonder the movement was originally named only as the *satyashadhak* movement — a movement against the untruth, injustice and hypocrisy of the Hindu social order dominated by Brahmin supremacy. He

carried on a crusade against the Brahmins and their ideology

A movement for equality, against caste-domination, was bound to have an anti-Brahmin edge at the time, the Brahmins being the supreme caste in the Hindu hierachy Certain other factors added to the situation Jyotiba's generation could not forget the nightmare of Peshwa rule under Bajirao II Keer, the biographer of Jyotiba, quotes *Loukahitwadi* on the conditions under Bajirao II as follows "If the farmers failed to pay him the desired amount even during a drought or famine he poured over their children boiling oil from the frying pan, flogging was perfected on their stooping backs, and then heads were bent over suffocating smoke Gunpowder was blown on their naval and ears". *Loukahitwadi* is again quoted as saying that when Bajirao was deposed by the British, women rejoiced and said "We are happy that there is now no more the rule of Bajirao The scoundrel has met the fate he deserved" The second factor was that despite the loss of political power, the Brahmins continued to dominate Hindu society treating the non-Brahmins as inferior beings Finally, the new intelligentsia under the British came mostly from the advanced Brahmin community, occupying strategic positions as officials professors, lower bureaucrats, writers and editors, creating the fear of the return of the old nightmare

Though Jyotiba inevitably directed the fire of his righteous indignation at the Brahmins, his vision was not a narrow sectarian one, but consistently democratic That is why he was the most uncompromising opponent of Brahminism. There could be no compromise between him and his opponents for he did not seek a place for any particular community in the Hindu hierarchy.

Jyotiba was part of the new intelligentsia. The intelligentsia and democratic trends were not arising only among the upper castes Down below also there was ferment Jyotiba represented the plebeian current — plebeian because he came straight from the lower order of Hindu society to which the peasant belonged. His political understanding was the same as that of the other sections of the intelligentsia. Where he sharply differed from the other sections was his uncompromising war on the Hindu social structure. *His championship of untouchables, his ruthless attack on Brahman domination, his exposure of the origin of castes, the Aryan doctrine, his demand for complete equality, his demand that Muslims and Chris- his demand for complete equality, his demand for education for the lowest, and his insistence on equality between men and women, constituted a thorough declaration of war on the old hierarchical order* This was a far more radical programme for equality and unity than the Lucknow Hindu Muslim Pact or the Gandhian National Unity Programme *Although the originator of the programme did not realise it, it could be achieved only by a revolutionary liquidation of the feudal land relations in India and colonial rule* He considered that the main instruments of realising the programme were the spread of education and enlightenment, the anti-caste consciousness and the fight against Brahmin domination and against the upper caste monopoly of advance under the British rule It was not accidental that the later day non-Brahmin leaders lost their fervour for the programme because further advance was possible only by attacking the land monopoly of the dominant castes and classes in the villages which included non-Brahmins also

Ideologically Jyotiba's programme was a consistent application of democratic values to Hindu society In other words, it was an uncompromising attack on the ancient and feudal superstructure based on feudal land relations Here was the big contrast between the upper-caste intelligentsia and Jyotiba — the former allied itself with indigenous reaction and its feudal base and superstructure while attacking the British the latter took an uncompromising stand against the superstructure and demanded its demolition In somewhat more favourable circumstances this would have led the latter to challenge the basic agrarian relations

Opportunism in Anti-Caste Movement

With the passing away of Jyotiba the movement lost its all-embracing character which was highlighted by the fact that it was now headed by the Maharaja of Kolhapur, a feudal prince His demand that he should be treated as a Kshatriya marked a new compromising stage of the movement Jyotiba died in 1896, and within ten years of his passing away the new leader started fighting for Vedokta rights (to be recognised as Kshatriya) for the Marathas and in another two decades the movement had turned full circle — only the Brahmins were to be replaced by the Kshatriyas. A new opportunism to seek a favourable place for his own community, especially the Maratha community, in the Hindu hierarchy and later on in the struggle for office and patronage under the British rule, now overwhelmed the movement [8]

With this change in outlook anti-Brahmin oratory became merely anti-Brahmin and did not represent anti-Brahminism It represented more an effort to secure positions in the new society for the new intelligentsia rising from the lower order This led to relying on the British for the anti-Brahmin struggle In reality this led to the non Brahmin leadership ranging itself against the first wave of anti-imperialist resistance of the 1920s The result was that when huge numbers in cities and villages were boiling with indignation over the Jallianwalla Bagh massacre, when the working class of Bombay was engaged in angry demonstrations against the visit of the Prince of Wales, the Maharaja of Kolhapur succeeded in drawing a large number of peasants to Poona to greet the British Prince of Wales, who was given the honour of laying the foundation stone of the Shivaji Memorial

But, obviously, this divorcement from the anti-imperialist struggle could not last long There was enough vitality in the movement to overcome this degradation, the more so that it was linked with the peasant mass and the peasant mass of India after 1920 was a different one from that in the previous years By 1930, when the new Congress movement began to reach the peasantry, the radical and fighting elements in the non Brahmin movement overcame their separation from the national movement, joined it, and the movement merged in the Congress

But though this was far better than waiting on the British, or remaining in opposition to the national movement led by the Congress, this was certainly not a fitting sequel to the all-round rebellion which Jyotiba tried to unleash His programme of a total annihilation of the Hindu hierarchical system could have been carried out only by combining it with a programme for the destruction of feudal and semi-feudal relations and for political power in the hands of the democratic masses, in short, a programme for the completion of the democratic revolution. Neither

the compromising leadership of the Congress, nor the new patriotic leadership of the non-Brahmin movement was capable of this, because both belonged to the same class. The result was a retreat on all fronts, helping the bourgeois leaders to gather the masses behind them. The hope of an independent revolutionary mobilisation of the people raised by the pioneer disappeared. A movement which could have independently mobilised the peasantry for a revolutionary onslaught went under the leadership of the bourgeoisie.

Landed Interests Again

What were the reasons for the non-Brahmin movement merging with the Congress? There were two reasons. One, the leadership connected with the peasantry felt the anti-imperialist national urge. It had to give up its earlier isolation from the national struggle with the peasant masses participating in it. Secondly, the movement could have struck on independent path only if it had dared attack the basic pre-capitalist land relations, the source of peasant exploitation and caste inequality. Like the Congress intelligentsia the non-Brahmin intelligentsia was not prepared to do it.

Here, the caste-distinction disappears The intelligentsia nurtured among the non-Brahmins, the product of Western education and bourgeois conditions, gives exact weight, acts as a compromising bourgeois intelligentsia, gives up the pioneer's uncompromising principles, merges inside the Congress later on to head its ministries, suppresses the people and keeps the castes in existence. Once again we see that whatever may be one's anti-caste pretensions, the bourgeois class outlook with its compromise with land interests vetoes any radical reform or eliminations. Post-independence experience shows that the ministries composed of mostly of non-Brahmin intelligentsia with a sprinking of untouchable leaders have kept the earlier Congress traditions and hardly done anything in the way of eradication of the caste system. The oppression, especially of the untouchables, is not less in Maharashtra and elsewhere.

When the anti-caste movement gets divorced from agrarian revolution, when it further gets divorced from the anti-imperialist movement, what happens to it can be seen from the life of the great anti-caste warrior, Periyar E V Ramaswamy.

Ramaswamy was first connected with the Congress and campaigned for independence. But he turned with revulsion against the Congress because of the caste prejudices of the leadership. Having lost his contact with the anti-imperialist struggle, he strayed far away from it, only momentarily coming to the fight against the agrarian relations and again relapsing into alliances and ways which were not to lead to the desired goal. In his review of Marguerite Ross Barnett's "The Politics of Cultural Nationalism in South India", N Ram sums up Periyar's quest for caste abolition as follows :

> As a youth boldly violating caste-based rules of social behaviour; as a young man who sought and failed to find the personal and social answers he was looking for in sanyasihood and religion; as an ardent Congressman who campaigned wholeheartedly for independence and social reform and spent a personal fortune as part of his commitment to the freedom movement and to social reform; as a Congressman alienated by the high-caste prejudice and social obscurantism of the Congress upholding the banner of social reform and, following a visit to the Soviet Union, Campaigning with short-lived enthusiasm in support of communism and organising conference against landlordism; as a leader of the Self-Respect League falling, tragically, into the trap of collaboration with the anti-national Justice Party; as the leader and publicist of a separatist movement demanding Dravida Nadu and campaigning against northern domination and the imposition of Hindi; as the leader of a Justice Party completely discredited among the people; as the founder leader of the Dravida Kazhagam collaborating with British imperialism against the freedom movement; as a tragic figure railing against the transfer of power, characterising Independence Day as a 'Day of Mourning' and demanding 'freedom from Brahamin Raj'; as a supporter of the newly formed Dravida Munnetra Kazhagam and an enemy of the Congress Ministry headed by C Rajagopalachari; as a supporter of the 'Kamaraj Congress' seen as representing the interests of 'real Tamilians'; as a supporter of the DMK in power; as an idol-breaker who, towards the end of his long life, polemicised against and rejected the Tamil language and Tamil culture set up as idols; as a militant propagandist of social reform divorced from class analysis and from a scientific theory of economic and political change...[9]

Periyar did succeed in creating a great feeling against caste, and did raise his voice to overcome untouchability. But for obvious reasons the task could not be achieved. The latest evidence has been the cruel Villupuram riots in which several untouchables have been killed. It may be mentioned here that it was under the DMK government that the rapacious Thanjavoor landlords' agents set fire to Harijan agricultural workers' houses and burnt alive more than 70 women and children. Those charged with this gruesome mass murder were acquitted.

Ambedkar

The monstrous atrocities against the untouchables under the present and the previous regimes reveal how the old tyrannies and injustices operated after three decades of freedom. In the earlier years Ambedkar, the most outstanding and tireless fighter on behalf of the untouchables exposed the upper caste hypocricies, lambasted the Congress and later on demanded land and separate colonies for the untouchables. This of course could not have been achieved without an agrarian revolution. But the idea of land distribution to all the untouchables to escape serf dependence on other castes was a very correct idea. It at the same time could have been achieved only through the common struggle of all the landless.

Later on he asked his followers to embrace Buddhism to escape the injustices of the Hindu society. But the grim social reality based on iniquitous land relations did not change because of change over to Buddhism. The quest for love and samata has not succeeded as recent atrocities have shown. The tragedy of the situation has been that the intelligentsia springing from the most oppressed communities also could not ideologically look beyond formal declaration of equality, more jobs, reservation of seats, education facilities, etc. Smashing the present socio-economic system was not part of its consciousness. The fight against land relations which also meant common fight along with others, escaped them. The intelligentsia from these communities sooner or later accepted the framework of bourgeois democracy and satisfied itself with a general declaration of democratic rights without touching the present property relations in land and industry.

No one directed more concentrated fire against the Congress leaders and their hypocrisy than Ambedkar. And yet he was one of the main architects of the Indian Constitution hailed by the Congress till recently as the last word in democracy, and under which the untouchables' houses are burnt, their houses are pillaged, their wives raped and they are murdered. No wonder Ambedkar felt himself cheated.

The rise of [illegible] trade union movement and the Communist propaganda against caste and communalism had minimal effect under the circumstances. The kisan movement headed by the Communists has been weak and is weak today compared with the requirements of an agrarian revolution. The basis for smashing caste distinctions, for developing caste equality can arise only in the course of widest and intense struggles against the common oppressor. Such unity was achieved on a wide scale during the armed Telangana struggle when the Harijan agricultural workers and caste peasants fought together. The Communist insistence on agrarian revolution is at the same time directed to storm the basis and fortress of casteism.

The working class which was still largely connected with land could not completely act as a modern class. It has been in the stage of formation. Nevertheless it showed great capacity to organise itself as a class in its daily struggles with all castes and communities, participating in strike. The class instinct has repeatedly foiled attempts to organise trade unions on caste or communal lines. The Communist propaganda both against caste and communalism since the earlier years has helped in this class solidarity.

Reformist Influence

Nonetheless caste and communal distinctions remain and are capable of being exploited for reactionary purposes.

Apart from this the slow progress in cities and among the workers has other reasons. A substantial, even a major part of the working class has been under the ideological influence of national bourgeoisie and their supporters. In carrying out strikes and struggles they take particular care to conceal the class relations in society, the class character of the State and the government and reduce the joint struggles to sheer economism. This together with total absence of all reference to the conditions of the peasants and the downtrodden castes obstructs the release of the working class from caste influence.

However it has to be admitted that there has been a certain neglect in the ideological *struggles against caste* and communalism and the CPI(M) for its part has decided in its recent Plenum to resume a widespread struggle against feudal and semi-feudal ideologies. The common consciousness generated through the economic struggle cannot be pushed forward without such strug- [illegible] the ideological struggle is not only to be linked with the necessity of changing the present social order *in toto* including the land relations; it cannot be successful unless the socio-economic role of Hindu religion, and religion in general, is properly put before the working class. The question of eliminating the caste system can no longer be presented as a question of Hindu social reform and in isolation from the main struggle of our times — the struggle for agrarian revolution, the struggle for ending the domination of monopolies and imperialist exploitation, the struggle for a state of People's Democracy leading to socialism.

All variants which sought to fight the anti-caste struggle in isolation from the main class struggles of our times have failed and produced pitiful results. It has been again proved that the anti-*caste struggle* cannot be fought in isolation, that it must be fought as part of the contemporary democratic and class struggle. The caste inequality and injustice have become an integral part of all modern class injustices. To remove them requires the common struggle of all the exploited strata to whichever caste they belong.

Initially this may appear difficult because the untouchable who is supposed to join hands with the non-untouchable poor peasant often faces him as an attacker on behalf of the landlord or his caste. Herein comes the vital role of the kisan movement which must put together the untouchable, the agricultural worker, the poor peasant against the common exploiters, the landlords, etc. The caste barriers have to be broken in the course of the struggle aided by anti-caste propaganda and education of the peasantry.

New Situation

The three decades of independence and Congress rule have created a new situation which openly announces the intensification of class struggle in the countryside which the landlords and their henchmen, and the bourgeois-landlord government seek to convert into struggle between the castes.

The three decades of independence *have, under the capitalist* path, seen an extreme deepening of poverty and unemployment in rural and urban areas alike. Irrespective of their caste-status millions are being pauperised while land and capital gets concentrated in a few hands. After 30 years of Congress land reforms and mass evictions there the untouchables. "According to Reserve Bank Data the concentration ratio assets (mainly agricultural land) owned by rural households was 0.65 in 1960-61 and increased to 0.66 in 1971-72. The poorest 10 per cent of the rural households owned only 0.1 per cent and the richest 10 per cent owned more than half of total assets in 1971-72 as well as in 1961-62".[10] This concentration has meant mass evictions of peasants of all castes apart from the loss of land to the tribals and untouchables wherever they had land.

The process of robbing the small people of their means of production which is the hallmark of capitalist path is again throwing thousands on the streets. "Less than full employment of the rural labour force is attributable to the progressive displacement of craftsmen and artisans by competitive modern industry. Urban unemployment, likewise, concerns not only workers laid off by declining industries, new entrants to the labour force and migrant workers from the surrounding rural areas, but a whole mass of self-employed persons and casual workers in the 'informal sector' eking out a precarious livelihood.... Attempts have been made to measure the extent of poverty in India, and depending on the terms used, the 40-60 per cent of the population is below the minimum acceptable standard. According to recent estimates using norms of caloric consumption, the percentage of population below the poverty line in 1977-78 may be projected at 48 per cent in rural areas and 41 per cent in urban areas. The total number of the poor, so defined would be about 290 million."[11]

In reality the total number of poor is much above the estimated figure, as the estimate is based on an arbitrary definition of poverty line. And finally unemployment in cities and rural areas has already reached staggering dimensions. The registered unemployment in cities has exceeded 10 million while the total unemployment is estimated to have reached more than 40 million. (Official figures try to underplay the extent of unemployment, and the Planning document estimates it as 4 million of wholly unemployed persons *in 1973. Taking into consideration those* who find casual employment it estimates the figure at 18.6 million.)

The concentration of land and capital is taking at one end; the concentration of economic poverty and unemployment is taking place at another end. This is the class reality that has deve-

[illegible] rapidly during the last three decades.

Notwithstanding the existence of social discrimination etc the problem of castes and sub-castes of untouchables and toilers is now inextricably connected with the problem of general landlessness and joblessness — the problem of growing expropriation of all sections under the capitalist path. This reality could not be understood in the earlier years. It is now becoming too palpable to be ignored.

The redistribution of land, the break up of the land monopoly of the landlords — most of them from the upper castes — is the common need of all landless and jobless.

Lagging Consciousness

The consciousness of the sufferers is however lagging behind this reality. Instead of a common struggle it appears as if the caste-struggles are reaching a new crescendo, castes appear to be pitted against each other as never before, and civil strife seems to be the order of the day. Witness the agitations leading to sabotage, burning of vehicles, uprooting of railway lines following reservation of jobs for backward class in Bihar and UP. These protests from certain upper castes reached their climax during the Samastipur election when the bureaucracy almost exclusively recruited from the upper caste not only helped the Congress (I) candidate (upper caste) but threatened to arrest a minister of the Janata government.

Official policies are definitely contributing towards diverting the common struggle into caste conflicts — the bourgeois landlord way of serving its class rule. The competition for land, for job, for official concessions, for loans and educational opportunities has immensely intensified leading to easy diversion into casteist channels. The problems of backward castes, of reservation of jobs for untouchables and tribals, of reservation of promotions and eliminating the backlog in promotions, are leading to inner conflicts among the toilers, enabling the vested interests to split their unity as an oppressed class.

[illegible] the landed and monopolist [illegible] the bourgeois-landlord government [illegible] seeks to divert the challenge of [illegible] and poverty by offering [illegible] measures of relief to sections of [illegible] castes — reservation of [illegible] government services, seats in [illegible], facilities for education, talk of reservation of promotion.

In the very nature of things these palliatives will neither solve the problem of poverty and unemployment, nor change the condition of untouchables and other downtrodden castes. They will certainly offer some relief, to individuals from these communities, enhance their confidence in their advance, but not change their status. For the ruling classes these concessions play an important role. In the first place in the general competition for jobs etc, they pit one section of toilers against another. Secondly they create an impression among some sections that government is their real friend and they should confine the struggle within the framework of the bourgeois system. Thus a basic challenge to the present socio-economic system from the most downtrodden sections is prevented.

Fight the Socio-Economic System

It is obvious that in the present situation when untouchables and certain other sections are openly discriminated against, the democratic and working class movement cannot object to reservations of jobs and other concessions. They have to be supported to cement the unity of the toilers.

At the same time all sections of toilers from all castes have to be educated that these palliatives do not solve a single problem, they neither alleviate the conditions of the downtrodden sections nor solve their job problem. They only serve to divert attention from the main enemy — the landlord and monopolists. The common class struggle in the present favourable situation can be waged only if the working class, the democratic movement and the kisan sabhas carry on an incessant ideological propaganda against caste domination and actively intervene on the question of caste oppression.

The class struggle is already unleashing itself in the rural areas. A large number of the attacks on untouchables originate because they refuse to work as former serfs, want to work as modern labourers on settled conditions about their work. The mobility of labour, higher wages, freedom to move and cultivate the land — these form the content of a number of disputes leading to atrocities against the untouchables. They reveal the real economic basis behind untouchability. These struggles constitute and integral part of the peasants struggle and have to be fought unitedly.

The advanced trade union movement will have to discharge its responsibility in overcoming its weakness on this question. It is being faced with a new problem regarding promotions and arrears of promotion. [illegible] it keeping the spirit of class solidarity intact.

The new situation calls for giving up the tradition of fighting caste battles in isolation from other toilers. It was inevitable that in the earlier years the movement of the downtrodden castes should be conducted on the basis of caste vs caste. It was all the more inevitable in the case of the untouchables who were denied human existence. This tradition has led to an exclusiveness which refuses to consider that there are toiling sections in the other castes who have to be detached from their caste leadership and to be brought face to face with the common oppressor. The vested and opportunist interests in some downtrodden castes seek to keep their followers away from the common struggle so that they can continue to have their hold on them. All this must change, and without lowering the banner against caste oppression, every effort should be made by them to join the common struggle for democracy and social advance.

For it has to be realised that the present socio-economic system is based on property relations which sustain both caste and class oppression. It is sheer deception to think of abolishing untouchability or caste with the landlords and monopolists dominating the economy and bourgeois landlord government in power. The caste problem is inevitably merged with the problem of ending the rule of bourgeois landlord class and moving forward to socialism.

Notes

1. Karl Marx, "The British Rule in India" *New York Daily Tribune*. June 1883
2. R Palme Dutt, "India Today" Manisha, Calcutta, 1970, p 327
3. M K Gandhi *Young India*, October 1921
4. 'Colonial Theses', Sixth Congress of the *Communist International* 1928
5. Community Party of India (Marxist), 'Memorandum on National Integration', 1968.
6. M K Gandhi "The Story of My Experiments with Truth."
7. B R Ambedkar, 'Address to All India Depressed Classes Congress', 1930.
8. See Gail Omvedt, "Cultural Revolt in a Colonial Society. The Non-Brahman Movement in Western India", Bombay, 1976
9. N Ram, 'Pre-History and History of the DMK', *Social Scientist*, December 1977.
10. Draft Five-Year Plan, 1978–83, p 11.
11. Ibid, p2-3.

The Emerging Situation

A Socio-Structural Analysis

A R Kamat

This paper attempts to examine the emerging situation in India in its social-structural context and to relate it to the structural changes that have taken place in the post-Independence period as a whole and in its latter half in particular.

First, we take a sort of an historical overview of the situation in 1947, and then outline the shifts that have occurred since then in the relative positions and strengths of the various economic and socio-political forces.

Later, we analyse the manner in which they are now operating in the developing situation and discuss the important issues involved.

I

Introduction

IT is now a well-recognised fact of recent history that by the mid-sixties India entered a period of socio-economic and political crisis. The ruling classes tried to stave off the crisis by adopting populist slogans like *garibi hatao*, on the one hand, and by unleashing a ferocious offensive, on the other, against its immediate opponents, the communists in West Bengal, and the Naxalite leadership of the incipient agrarian revolt in North Bengal and elsewhere. With the accentuation of crisis conditions, the repressive regime culminated into a total authoritarian rule of the nineteen-month Emergency against all opposition

The post-Emergency rule of the Janata combination which assumed power in March 1977 removed some of the glaring political trappings of authoritarianism; but the 'permanent' emergency, the crisis situation in the country, continues. The developments of the last two years, well-documented in the columns of the *EPW*, show that in many respects we are again back in the uncertain period 1974-75; in other respects the situation has worsened and thrown up altogether new features with serious forebodings.

This is clear, first, from the large number of atrocities the dominant sections of society have perpetrated during this period. It looks as though various vested interests, emboldened by the presence of their supporters in the motley combination which goes by the name of Janata party, are having it out against the weaker sections of population, *viz*, the scheduled castes, tribals, landless labour, unorganised labour, and the religious minority. Very often this is done with the connivance of the state apparatus. The Marathwada holocaust and the Aligharh riots are some of the worst instances, and not only in terms of the calculated brutalities. They, together with the Kanjawala affair, have added an altogether new dimension, in that, the dominant sections of society are now putting forward demands to annul the special privileges and other concessions granted to the relatively deprived sections — such as scholarships, reservations of seats and grants of common fallow lands. The organised workers too are experiencing similar attacks — as in Kanpur last year — and the black Bill is already on the legislative anvil to deal a crippling blow to the entire trade union movement.

Portentous developments are taking place in the political field as well. Ambitious politicians are conjuring up, under the cover of organising the kisans in general, a solid phalange of rich peasants to buttress their political claims. And, overwhelmed by the massive turn-out, other leaders both in the ruling party and the opposition are looking askance or paying obeisance to the emerging oracle of the so-called peasant power. This has added to the already manifest political uncertainties where possibilities of destabilisation and re-alignment existed all along — not only within the ruling conglomerate and the major opposition parties, but also between them. Thus the ensuing period is pregnant with sharp conflicts and confrontations, and it portends widespread political turmoil and upheavals.

This paper attempts to examine the emerging situation in its social structural context and to relate it to the structural changes that have taken place in the post-Independence period as a whole and in its latter half in particular. First, we take a sort of an historical overview of the situation in 1947, and then outline the shifts that have occurred since then in the relative positions and strengths of the various economic and socio-political forces. Later, we analyse the manner in which they are now operating in the developing situation and discuss the important issues involved.

II

Structural Situation in 1947

This section starts by mentioning the broad structural profile at the time of the transfer of power in 1947 and its salient characteristics. The urban segment consisted of the industrial capitalists, merchants and traders, the educated upper and middle classes in services (mainly in the bureaucracy but also in the private sector) and professions, the industrial working class, the lower middle classes in services and small trade, artisans and other self-employed, and the urban poor (unorganised workers and others). The rural segment comprised the feudal interests (the princes, zamindars and big landlords), the peasantry (rich, medium and small), the traders, the money-lenders (very often the same persons combining trade and money-lending with feudal interests in land), the tenantry, the landless agricultural and other labour, and artisans. The princes, the big landowners, the zamindars, and their hangers-on often lived in cities but lived mainly on the surplus extracted from the largely pre-capitalist (feudal) economy.

It is not necessary to spell out obvious economic and social linkages expressed through economic relationships (exploitative or otherwise) and also through the caste hierarchy, between these various sections of the population in the town and countryside, and also within them. But it is helpful to remember some important aspects of this colonial social structure, a legacy of the British imperial rule.

First, Indian capital had acquired

[illegible] strength before and during the Second World War, and had already thrown up its leading section of big bourgeoisie. Second, trading capital, because of its close link- [illegible] with industrial capital on the one [illegible] and money-lending business on the other, was a power to reckon with among the capitalist interests. Third, for historical (dating both to pre-British and British period) reasons, the educated upper and middle classes had come to exercise a disproportionately large influence on the socio-economic, and particularly the socio-political situation. Fourth, because of the spread of irrigation and cash-crop economy, there had arisen a sizeable nucleus of rich peasants in the countryside which was beginning to contend for economic power and influence with the feudal interests, and for social status and political power with the upper stratum of the caste hierarchy in the rural areas. Finally, the industrial working class which was small but fairly organised could not be ignored in the urban set-up

It is also necessary to have a look at the social structure proper. In the pre-capitalist society of the pre-British period, the economic structure — with its stipulated division of labour (production relationships) and the hierarchical social structure (the caste structure) — had inextricably combined into a composite whole. It was only the mighty impact of British colonial capitalism which began the process of shaking it up, of extricating its two components. The socio-economic structure in 1947, described above, was a product of the impact of colonial capitalist rule on this pre-capitalist structure of Indian society. It is true that, by the middle of the nineteenth century, and particularly after the 1857 revolt, British capital in India had entered the imperialist phase and had shed whatever vestiges it had of progressive bourgeois liberalism in the earlier period. Thenceforward their avowed policy was to preserve the feudal interests as far as possible making them subservient to the interests [illegible] British capital. This also meant a [illegible] of neutrality and non-interven- [illegible] the religious and social re- [illegible]. The idea was to create [illegible] a strong social bulwark [illegible] continued rule and aggrandisement.

Even so, the growth of industry and trade, and the spread of English education, introduced far-reaching changes. They created many new occupational and job opportunities and induced considerable horizontal and vertical mobility in Indian society. These, together with the bourgeois rule of law (which at least in theory conceded *equality and freedom of the individual*), and the corresponding legal, political and administrative institutions which were planted here, appreciably eroded the rigidity and rigour of the old social structure — the hierarchical structure of caste society. A new social stratification based on education, income, and occupation, was gradually taking shape, *not so much in complete replacement of as in superposition on the old stratification, that is, within and across the caste structure.* By 1947, this change was clearly visible in the urban sector and had started to make its incipient impact on the rural areas.

Social elite groups, which came to the fore to share the modern economic advance and political power and thus to acquire a new status at the intermediate and lower levels under the new dispensation, belonged mostly to the upper strata of the old society, to the advanced caste groups. Naturally, the same groups were also the leading sections in the formation and maturation of the rival centre of allegiance, in opposition to British rule. They were the leading sections in the powerful movement for national freedom. But due to the factors and developments mentioned in the last para, during the thirties and forties of this century, there also emerged a small but sizeable educated section from the middle castes, the rural land-based castes, and a still smaller section from the lower strata of the lower castes including the scheduled castes. The former had not only started entering the services and professions, but with the militant sweep of the national movement they had become an important detachment in its fold. In short, the middle and lower strata in society were already knocking at the doors of the citadels of power to claim their rightful share in the shape of things to come (after Independence).

This was the situation at the time of the transfer of power in 1947, about which two more things need to be mentioned. First, because the transfer of power (along with the widespread riots, anarchy, displacements and untold human misery due to the partitioning of the country) had taken place in a non-revolutionary manner the new ruling elite, inherited the imperial state machine intact, including its powerful coercive apparatus and imperialist tradition of repressive rule. Second, the ruling elite which came to power and [illegible] [illegible]ected essentially the [illegible] of class forces and their relative strengths at the time. Those who shared power and wielded it represented the vested interests in the Indian socio-economic and political power structure: the Indian bourgeoisie (led by the monopolists), other upper and middle classes including its influential educated complement from the urban sector, and the feudal landed interests and the emerging class of rich peasantry from the rural sector. The stage was thus set for the developments of the post-1947 period.

III

Structural Changes since 1947

Let us now briefly review the structural developments of the post-1947 period. The economic programme which the independent Indian State adopted was the programme for the advancement of capitalism, controlled to serve its own interests, but interspersed with a few welfarish features going under the name of socialism or socialistic pattern, to propitiate the Left-oriented intelligentsia and the working class. This was in a sense a recognition of the powerful mass character of the freedom movement. In order to realise this objective of rapid capitalist development, two things were imperative. First, it was necessary to curb the feudal interests which was accomplished by abolishing the princely states, the big zamindars, and a section of intermediary (absentee) landlords. The anti-feudal policies were never meant to destroy feudal interests (for the fear of unleashing radical agrarian forces), but were meant to enfeeble them, and so help the advance of capitalism in industry and agriculture. Secondly, it needed massive State support and developmental planning to create the necessary infrastructure: a public sector of basic and heavy industries, large irrigation projects, rapid development of transport and communications, large-scale industrial finance facilities and co-operative and other government-financed institutions at the state, district, and lower levels.

The rapid industrial growth deepened and widened the basis of industrial capital, strengthened the trading capital, promoted small-scale ancillary industries, and resulted in a further concentration of capital. Big business in industry and trade have come to exercise a powerful hold over the economic and political life of the country. Such is their continued prosperity

throughout this period that, while on the one hand they have become vociferous demanding more and more concessions from the government, some of them even started to parade themselves as 'democratic socialists', (their only abhorrence being for the Marxian variety!)

In the rural areas, the state policies helped the capitalist advance in agriculture and the rise and consolidation of the rich peasants as a powerful class of rural vested interests. They combine with the (still quite powerful) feudal interests on the one hand, and the trading, moneylending, and agro-industrial interests (e g, sugar factories, etc) on the other — often the same set of persons participating in all these economic activities. They have thus emerged as a powerful small-town and rural lobby. The democratisation of politics, following the adoption of adult franchise and representative institutions at various levels, had already brought them by the mid-fifties to the seats of power at the state and lower levels in several states. By the sixties they acquired an effective political leverage at the Centre.

It is useful at this stage to note some consequences of the economic advance in post-1947 India which have socio-structural significance. First, the development of a modern industrial and business sector and its accompanying appurtenances has resulted in the creation of a class of highly qualified scientists, technologists, and management personnel and others, which we have elsewhere called the 'super elite' of the educated upper middle class. Second, the growth of industries, the expansion of business and trade, the multifarious developmental activities of the government, etc, resulted in a considerable rise in the tertiary or service sector, many and varied kinds of job opportunities for the new educated. Thus, along with the chief beneficiaries of the rapid economic advance (*viz*, industrial, finance and trading capital, their technical and managerial personnel, and the combination of semi-feudal interests and rich peasantry), the educated middle class could also have a share in the spoil. This blunted the edge of their erstwhile Leftward political orientation; even the Left political parties began to have illusions of a gradual advent of the 'socialist' millenium! Finally, the late fifties also witnessed the emergence of powerful organisation of the white-collar employed on the one hand, and an incipient labour aristocracy in the highly modernised industrial sector on the other.

This illusion of prosperity was, however, only superficial and, as we shall see, also short-lived. Already, by the beginning of the sixties, it was clear that all this economic advance had failed to meet the twin chronic problems of poverty and unemployment among the mass of common people. It was discovered that the distribution of income had in fact become even more skewed which meant that the benefits of the advance were largely appropriated by the thin stratum at the top of the pyramid.

By the mid-sixties, all pretensions to steady economic advance and well-being had to be given up because industrial advance had slowed down considerably. The advance in agriculture continued for some more years and, in fact, the so-called 'green revolution' in wheat occurred in the late sixties. This rural prosperity, however, benefited only a few at the top. Moreover, it resulted in polarisation of poverty and unemployment at the other extreme. Soon, the green revolution too tapered off. Thus began a period of stagnation and crisis, of rapidly rising prices, of increasing incidence of poverty and unemployment. For the first time since Independence, the spectre of unemployment began to seriously affect even the educated upper and lower middle classes By the 1967 general elections, it was clear that the Indian economy and polity had entered a critical phase. Indeed, that phase continues for all these years with or without Emergency. The 'permanent' emergency has become a fact of life with the large majority of common people.

Before concluding this section, it is useful to recapitulate the structural situation emerging from the developments of the post-1947 period. The basic framework had not altered in its essence from what it was in 1947 (described in Section II), but certain significant shifts had occurred in relative strengths and positions. The feudal intrests are enfeebled, but not destroyed and are still a powerful economic and political force particularly in backward states and regions. There has emerged a powerful class of rich peasants dominating the economic, political and social life of the countryside in close linkage and collaboration with the feudal interests on the one hand and industrial and trading bourgeoisie on the other. Political democratisation has enabled them to establish a decisive hold and control over the power structure at the state and lower levels and they can exercise enormous influence at the Centre. The Indian capitalists (industry and trade) are strengthened enormously; big business has further consolidated its monopolist position and is pursuing the dual policy of building its own independent strength as well as that of active collaboration with foreign capital for widening its domain of exploitation. Capitalism has deeply penetrated the rural areas, in agriculture, trade, and agro and other industries. This capitalist advance has also brought about the corresponding expansion and differentiation of the educated middle classes, among whom has crystallised a new super elite of highly qualified technocrats, management personnel, and top echelons of bureaucracy and defence services. The working class has also grown but is divided and has partly lost its organisational solidarity and militancy. The white-collar employees have strengthened their bargaining position and an incipient labour aristocracy appears to have emerged in the modern sector of industry.

In terms of the old social structure — the caste structure — the upper castes have lost much of their direct political leverage Yet, because of their entrenched positions, they wield considerable influence in the economy and administration and therefore indirectly in the political sphere The rise of rich peasantry has brought the middle social strata of society, the middle land-based castes, to leading positions in the rural economy and in state politics. Their leadership used its newly acquired political power and prestige to spread education in small towns and rural areas so that the middle social strata have now been enabled to enter the educated middle classes at various levels in considerable numbers. The spread of education has thrown up an educated class of a small but sizeable number also among the socially lower and even the lowest strata, the scheduled castes, tribes and other backward communities. They are as a result trying to assert their identity and claims for a rightful place in economy, polity and society.

To these must be added the increased polarisation in income distribution, the increased incidence of poverty and unemployment, and the consequent degradation in the quality of life of the overwhelmingly large population in many of the lower deciles. Thus the basic contradiction of the present period is, as before, and even more so

between the economically affluent and politically and socially powerful classes in the towns and the countryside and their henchmen on the one hand and the deprived and exploited sections on the other — *viz*, the large majority of working population, the industrial proletariat and the urban poor, the poor peasants, the agricultural proletariat and other rural poor, with the rest of the middle segments hovering between these two main contending formations.

IV

Towards an Understanding of Emerging Situation

Before we attempt an understanding of the emerging situation, let us examine the political developments of the latter half of the post 1947 period in the light of the shifts described above. As already mentioned, the economic crisis of the mid-sixties and the consequent popular discontent and agitations form a clear watershed in our recent history and has affected the political fortunes of various structural formations. By this time, Indian big business with its vast accumulated strength under government patronage had started throwing its weight about, demanding freer rein for itself at the expense of the public sector as well as for unfettered collaboration with foreign capital. The rich peasants had acquired enough economic and political strength to secure more favourable terms of trade in the form of guaranteed higher purchase prices for farm products and substantial subsidies on farm inputs. They also consolidated their political positions in the states and started behaving like *subedars* in the ruling Congress party and, where necessary, outside its fold.

The escalation in prices and increasing unemployment, which had now extended to even the higher educated youth, resulted in widespread discontent. This manifested itself in campus riots and language agitations, and chauvinistic regional movements such as the Shiv Sena. It is well known that the latter had a strong clandestine support of the big business and the ruling Congress in Bombay and was aimed at attacking the Leftist forces among the working class and middle classes. In spite of these divisive manoeuvres, there were massive working class struggles, culminating in the all-India railway strike of 1974. However, politically, the Left forces remained largely disunited and — except in two peripheral regions, West Bengal and Kerala — they were not in a position to give a head and lead to the popular discontent.

The happenings of the early seventies including widespread anti-Congress agitation led by Jaya Prakash Narain and the clamping of the Emergency rule are so fresh in memory that they need no elaboration here. What is necessary to mention is that, under cover of heady populist slogans, Indira Gandhi had actually appeased the Indian bourgeoisie by conceding their anti-labour and pro-foreign monopoly demands during the Emergency. In their own words, Indian big business had never had it so good. So good in fact that one of their great stalwarts, who had earlier sworn by democratic socialism, praised the authoritarian Emergency rule in most fulsome phrases (that, too, almost on the eve of the declaration of elections in January 1977!). The rich peasants' interests were also not touched by the Emergency rule except that the state satraps were disciplined to a certain extent to the Centre's policies and had to 'tolerate some minor irritants of the 20-point programme (e g, the sloganised abolition of bonded labour and distribution of surplus land).

This brings us to the present period and the emerging situation under the post-Emergency Janata rule at the Centre and in all the states (except West Bengal and Tripura under the CPI(M) rule, and Kerala under the CPI-led coalition rule). The economic (and also the political) crisis has assumed more serious proportions (in spite of the very comfortable position in food stocks and foreign exchange). In terms of poverty and unemployment, the present is an aggravated continuation of the past situation prior to and during the Emergency rule.

Due to changed correlation of forces, however, it is manifesting some altogether new features. These are examined in the following paragraphs.

The industrial and trading bourgeoisie have reasons to be satisfied with the policies of the Janata government: liberalisation of controls and imports as well as greater opportunities for multinational link-ups — of course, under the usual noise to the contrary, together with the proposed industrial relations bill with its clear anti-labour thrust. But capital needs something more for its unhindered industrial and business activities, *viz*, a unified stable government and administration, a minimum 'law and order' throughout the country which are becoming more and more scarce under the present dispensation. If and when it comes to the crunch they will not hesitate to back the authoritarian forces, as they did before, within or without the ruling conglomeration.

The rural vested interests, the feudal landlords, the rich peasantry, traders and others, are also happy because of the removal of controls and guaranteed ever-rising purchase prices of foodgrains and other farm products; the latest such rise, and quite substantial, was announced only a few months back, despite the government's own declaration that they had succeeded in holding the general price line including farm inputs. They are not only happy but are on the offensive as is clear from their aggressive postures in different parts of the country, the Kisan Sammelan of December last being its latest and strongest manifestation. Raising slogans of decentralised economy, greater concern for the rural economy, resistance to urban exploitation of the rural population, etc, the rich peasant leadership has spread its umbrella wide enough to cover all peasant and other rural elements. The idea is clearly to build a strong mass base which will enable it to contend for power in Central politics. In the nature of things, however, it cannot become a viable rival power centre unless it makes peace with the big bourgeoisie and continue to remain its junior partner. But it can certainly throw its weight about both in Central and state politics and mount offensives against its real or assumed opponents in small towns and the countryside and occasionally even in the metropolitan cities (e g, Kanjawala agitation and the Kisan Sammelan). They can certainly try and intimidate the poor and the deprived in the rural areas in order to keep them in a subservient position. In short, the rich peasant as a class has become fully conscious of his strength and is prepared to demonstrate and wield it in pursuance of the politics of power. However, this class cannot act as an all-India force for any continuous stretch of time.

The economic situation in general and the rural situation in particular needs a further and closer look. It has been mentioned above that, during the last decade, poverty and unemployment have become even more widespread. The number of unemployed are now more than two crores. A large number of them are landless agricultural labourers — many of them so due to the pauperisation of poor farmers. Moreover, a significant part of the unemployed are secondary educated, a few even college educated, who had

[illegible] to get lower-rank salaried employment in the non-farm secondary or tertiary sector.

In fact, the spread of education in small towns and rural areas bears further scrutiny; it has simultaneously resulted in several significant consequences. First, it has helped the middle castes, the landowning castes, to consolidate their economic and political power, and enabled their educated youth to enter the ranks of advanced-caste educated elite as well as of the middle and lower middle class literate jobs. Because of the slowing down of economic advance the further spread of education very often means further addition to the unemployed youth in small towns and the countryside. These late comers belong mainly to the lower middle castes, that is, backward but *savarna* castes. The spread of education has also produced a sizeable educated class among the scheduled castes and tribal youth with a new awareness and even militancy about their economic and social rights. The reservation of seats, scholarships and other educational privileges and also reservations in government jobs for the SC and the ST have consequently become an eyesore for the educating and educated youth from the middle and lower middle castes.

On the other hand, the spread of capitalism in rural areas has not only strengthened the rich peasantry belonging mostly to the middle social strata but has also meant further pauperisation and economic dependence of the landless, many of whom belong to the scheduled castes. The latter in their new political and social awareness, are trying to assert and organise themselves for a minimum wage and for the removal or at least mitigation of the grossest of social discrimination on the part of the caste Hindus. The rich peasantry not only regards this new awareness and assertiveness on the part of the SC and ST as a menace to their social position in society but more importantly as a menace to their exploitative interests. They had regarded them till now as a [illegible] source of cheap labour, ab[illegible] dependent on their favours both [illegible]cally and socially. Many of the [illegible] on the SC and ST during the last two years, including the recent Marathwada burnings, reflect this developing conflict between the land[illegible] interests on the one hand and the SC or tribal rural proletariat on the other. In its recent manifestations, the former can use economic, caste, educational and job-reservation factors to mobilise the middle and lower caste peasantry and even agricultural labour, as well as the active connivance of the sword arm of the State (*viz.* the police and other constabulary), to suppress the newly awakened scheduled caste toilers. The idea is 'to show them their traditional place' and to keep them there. And, in this, as mentioned in the beginning, they are emboldened by the presence of their rabid supporters in strategic positions in the political leadership which has assumed the reins of powers at the Centre and the states. The widespread Bihar conflicts between the 'middle' and 'backward' castes mobilisations over the last six months and more are bizarre manifestations of similar social structural factors.

Before we end this longish review of the structural shifts and the roles they play in the recent conflicts and confrontations it may be in order to mention briefly a few relevant issues. First, caste is a specific of pre-capitalist Indian (Hindu) society, which largely governed its total ethos during a historical period, and has carried itself through the colonial stage to the present. It has at all times served the dominant social strata in society as an instrument of economic exploitation, social discrimination and cultural oppression.

The Left intellectuals and political and social activists have, however, mostly avoided coming to grips with the problem, taking it into serious account both in social analysis and social action. (It is not our intention to discuss it further here.) But there is no doubt that in the recent conflicts caste is being used by the upper and middle strata of society not merely as an instrument of social discrimination but as a weapon of economic aggrandisement.

It should be remembered that the *rural rich and the elite themselves who* are using it against the scheduled castes (and other lower or backward castes) are no longer steeped in traditional obscurantism. They have embraced considerable modernisation for their economic advance. The double-edged use of caste has therefore lessons both for those who are devoting their efforts mainly to social reform movement and social enlightenment (*Prabodhan*) as well as for those who are participating in actions for a radical socio-economic transformation or both.

Secondly, the progressive movement will have to take a firm stand that the present special privileges to the SC and ST must not be discontinued or whittled down. The concessions to economically backward sections in order to cover other backward [illegible] may be introduced in addition to, and not in replacement of, the existing facilities for the SC and ST. Moreover, they should also guard themselves against advocating additional privileges on purely caste basis as that in Bihar. The latter will only open a Pandora's box and divide rather than unite the poor and deprived.

Finally, it will be facile and foolish to entertain the illusion that the fast-spreading economic crisis will automatically usher in a corresponding strength to the progressive democratic forces desiring to mobilise the common people for revolutionary restructuring of society. There are instances of societies writhing under stagnation, chaos, internecine conflicts among the working people, and overt or covert authoritarian rule for several decades together, without achieving a breakthrough.

In India, at the present stage the Left and progressive forces are weak and divided except in certain geographical pockets. They have not been able to establish a rival all-India centre of political allegiance. This can only be accomplished by building and strengthening in the first instance the economic and political organisations of the industrial working class and other proletariat in the cities and the poor peasantry and the agricultural and other rural proletariat. The experience of the last few years in the rural areas shows convincingly that it is relatively less difficult to mobilise the scheduled caste and tribal working people due to their social homogeneity. At the same time, the Left progressive movement has also to acquire further strength and influence, and succeed in creating a politically conscious base among the middle sections: economically speaking, the middle and lower middle classes in the cities, the middle peasantry in the countryside, and socially speaking, the bulk of the middle and the lower middle sections of caste society.

This latter will, however, depend much on the success in the primary mobilisation mentioned earlier. If the progressive Left fails to unite on these issues, fails to carry out these historical tasks, *the only alternative before* the country is that of a long barren period of large-scale economic, political and social turmoil and upheavals of which the happenings of the last two years are initial symptoms.

[Footnotes are dispensed with for the reason that the option was between a very large number of them or none. The author has opted for the latter at the risk of making the paper lack a learned appearance.]

The Emergence of the Poor as a Class

P C Joshi

The revolutionary potential of poverty would be obscured if the question of rich vs poor is misrepresented as a question of town vs the village or of caste vs caste. It is idle to think that poverty in the rural areas can be fought without the support of the urban poor and that rural development can be achieved without the support of urban industrial development. Posing the question of poverty as one of town vs village, or of caste vs caste, therefore, ultimately helps in perpetuating system-generated poverty; and 'ruralism' and 'casteism' in the Indian context perform the ideological function of a mystifying force, keeping the poor in darkness about the social genesis of poverty and thus thwarting their emergence as a socially conscious force.

THE social situation in many Asian countries including India is marked by a great paradox. While the question of poverty has acquired political importance and legitimacy, the poor themselves are still far from becoming fully articulate and from emerging as a social force, i e, as an agent of social change. There is still a vast hiatus between politicisation of the issue of poverty and the politicisation of the poor The issue of mass poverty is frequently used by one section of the ruling class for the indictment of the other sections without the poor themselves being mobilised to protest or revolt against their own deprivation.

I

What explains this lag between the vast mobilising potential of poverty and the lack of realisation of this potential for social and political change? What explains the emergence of the politics of poverty as an issue of power struggle within the ruling elite without the involvement of the poor themselves in the struggle against the forces perpetuating the socio-economic basis of poverty? One must first seek reasons for it in the contradictions of contemporary politics itself as reflected in the *concern* of the ruling elite for poverty and its *distance* from the poor. As a result the issue of poverty is put into the centre of politics but the poor are not put at the centre of the political stage Moreover, the spontaneous protests of the poor against their deprivation do not find adequate response from those who control the mass media (press, radio, TV films etc) or from those who dominate the political system (parliament, legislatures, political parties executive, judiciary and bureaucracy) Such a situation reminds one of the very perceptive observation made by Karl Marx in "The Eighteenth Brumaire of Louis Bonaparte": "The bourgeoisie, to be sure, is bound to fear the stupidity of the masses as long as they remain conservative and the insight of the masses as soon as they become revolutionary".

Concern for poverty but distance from the poor is not only a marked characteristic of politics in countries like India. It is also a marked characteristic of journalism, literature and social science. Take journalism first which in western countries played a very important role in awakening social sensitiveness to the existence of the two nations, the rich and the poor, and which aroused social conscience in regard to the wide chasm between the two. The emergence of a social policy on poverty owes very much to the exposure of poverty by the press on a wide scale. In India itself in the pre-independence period newspapers played a very important role in bringing to limelight the conditions of life of the poor. Journalism in post–independence India, however, has been characterised by greater pre-occupation with the life of elite than with the life of the masses. The free press has shown total insensitiveness to the life of the urban and the rural poor.

This is also true by and large of Indian literature. One may recall how in western countries poverty and degradation of the working people in the early stages of industrialisation found its first poignant and indignant, expression in the novels of Dickens, Zola and a host of other social novelists of the nineteenth century. But Indian literature has perhaps yet to throw up its Dickens and Zola voicing the suffering and degradation of the poor in India. It may be remembered that Munshi Prem Chand made an immortal contribution to Hindi literature by making the Indian peasant, oppressed by colonial and semi-feudal oppression, the central figure of his creative writing. There are no doubt a large number of novels by writers in all Indian languages depicting the social reality of rural India after the end of colonial rule. But post-independence India literature has yet to create a character comparable to Prem Chand's "Hori".

If one considers the quality of Indian social science in terms of its sensitiveness to the existence of the poor, one finds social science much more deficient than even literary writing. The performance of Indian social science is conspicuously dismal in sharp contrast to social science in the West in its formative period. It may be noted that in the West sociology had its origin in social surveys into the conditions of the poverty-stricken masses. Moreover, studies of the miserable conditions of the working people during the era of 'primitive accumulation' served as a basis of the scientific as well as revolutionary writings of Karl Marx and Frederick Engels. Marx's "Capital" and Engels' "The Condition of the Working Class in England in 1844" drew upon the numerous surveys on the conditions of the poor to offer a comprehensive and trenchant indictment of the social system responsible for accumulation of wealth at one pole and for immiserisation at another pole. Indian social science, however, has failed to mirror the life of the poor in India in any significant and meaningful way, even though naked poverty is fast emerging as the most conspicuous fact of Indian life as a sequel to the much faster dislocation of the old economic and social order than the creation of a new order.

Nothing in fact reveals so sharply the state of social science as the fact that mass poverty provides the basis for many in the field of social science to get rich quick through poverty studies financed by international and national agencies. Moreover, poverty experts

travel round the world for seminars on poverty and unemployment without ever coming into direct contact with the poor themselves. Social science, with few exceptions, thus, provides a rich man's view of poverty and not the poor man's view. For the social scientist poverty is best understood when it is measured by "the poverty line", i e, by impersonalised magnitudes of poverty. By these scientific devices and procedures refinement is achieved in measurements of poverty but insight is not provided into basic issues relating to the genesis of poverty or the relation of poverty to the social, economic and political system within which the poor are deprived. The very definition of poverty evades the basic issues of fundamental change in the system which generates and perpetuates poverty. Poverty is presented as a marginal problem of an otherwise virile and vibrant system — a problem which needs certain corrective mechanisms and not a fundamental structural change.

Let alone the measurement-oriented and technocratic social scientist who writes about poverty but never comes into direct contact with the poor, even the fieldwork-oriented economists and social anthropologists have seldom made the poor the subject of their field investigations. Indian society has invested a vast amount of money, time and manpower in several dozen village studies by sociologists and social anthropologists. But the identity of the poor is lost, or the identification of the poor is completely obscured, by the failure of the social anthropologists to explore the fundamental division into haves and have-nots and by their tendency to give exaggerated importance to the less fundamental forms of social stratification like caste which mystify this division between the haves and have-nots. Social anthropologists have by and large ignored the role of caste as an ideological force obscuring the identity and crystallisation of the poor. The absence of any contribution by social anthropologists to poverty studies has [illegible] only impoverished social anthropo[illegible] the absence of a direct interaction [illegible] the people which was central to [illegible] classical anthropological perspective [illegible] also impoverished the very concep[illegible] of anti-poverty-planning and mobi[illegible].

[illegible] gravest weakness of poverty [illegible] and of anti-poverty mobilisation [illegible] they assign the crucial role in [illegible] crusade against poverty to the paternalism and the benevolence of the haves and their social and political representatives. But the poor are assigned no vital role in the fight against poverty. In other words, the greatest indictment of contemporary social thought and practice is that, to quote Karl Marx, "they see in poverty only poverty without noticing its revolutionary and subversive aspect, which will overthrow the old society"; they see in the poor only a helpless and pathetic human mass deserving pity and compassion of the ruling classes. Hence the endless discussions and deliberations of high-level experts and technocrats on schemes for the relief and uplift of the poor and on the best methods and means of implementing these schemes. What these sympathisers of the poor do not however see, or do not wish to see, is the process of transformation of poor into the *agents of social change*. Social thought has still to put into forefront the question as to how from a position of being the victims of their fate the poor are converted into an active social force capable of overthrowing the old system which keeps them deprived. They emerge thereby as instruments of creating a new social system which would put an end to their alienation from the means of production and from the process of distribution of the fruit of production.

II

Past history of many countries shows that the transformation of the poor from a passive human mass into a socially conscious, fighting *class* has been closely related to three important developments: (i) the accentuation of 'artificial poverty' in the midst of 'natural poverty' as a sequel to the growth of a market economy and capitalist economic order; (ii) the emergence of radical intellectuals as the creaters and disseminators of a new outlook on poverty linking poverty with 'exploitation' of direct produces by the masters of the means of production; and, finally, (iii) the 'emergence' of a critical consciousness among the poor as a sequel to the break from the fatalistic outlook and to a fundamental re-evaluation of their position in society and their role in social change.

If one turns to past history one finds that the aggravation of 'artificial' poverty was a necessary condition for the transformation of the poor into agents of social change. 'Artificial poverty' can be distinguished from 'natural poverty' in two ways. Firstly, while the latter is associated with a low level of development of productive forces, the former is the product of economic change and development itself. Secondly, under a regime of natural poverty, the conflict between the rich and the poor does not assume a naked form because of the mystification of this conflict by the institutions of caste, village community, etc. With the emergence of 'artificial poverty', the rich-poor conflict begins to assume a more naked form. Exploitation under 'natural poverty' is less naked because the poor exist as petty property owners. Under 'artificial poverty' it becomes naked as the poor who have been expropriated from material property ruthlessly and thoroughly are reborn as mere sellers of labour power. The emergence of 'artificial poverty' is, therefore, the process of transformation of the petty property owners into a propertyless mass. For a long time, however, the growth of propertylessness runs much ahead of the growth of wage labour, thus indicating pauperisation without proletarianisation. In other words, the genuine proletariat may be overshadowed for a long period by the lumpen proletariat and this fact may be responsible for blunting the revolutionary potential of poverty.

It should be noted that 'natural poverty' denotes a state of economic scarcity associated with underdevelopment of the economy or the social productive forces. Such underdevelopment of productive forces favours the acceptance of poverty as a natural phenomenon (i e, as god-given and unalterable) and to be shared by both the haves and have-nots alike. Under such a regime of general economic scarcity the *essence* of exploitation in the relations between the haves and the have-nots tends to get obscured by the *appearance* of interdependence. The *conflict* of interest gets subordinated to the *harmony* of interest imposed by the common struggle against natural economic scarcity. Even when exploitation is perceived, it is ignored by the have-nots as a price to be paid by them for the security provided to them by the haves.

A sharp discontinuity is introduced into this social situation with the emergence of a money and market economy and with the growth of a capitalist economy which is the most advanced form of a market economy. The capitalist economy, according to Marx, forced upon society the recognition of "the identity

between national wealth and the poverty of the people" (K Marx, "Capital" Volume I, 725). Further, "for exploitation, veiled by religious and political illusions, (capitalism) has substituted naked, shameless, direct, brutal, exploitation" (K Marx, and F Engels 1955: 36) This capitalistic social situation compelled a redefinition of poverty. In place of 'physical or material deprivation' resulting from underdevelopment as in the past, one encounters mass poverty, which, paradoxically speaking, was the product of 'development' itself. The very process of development which generated affluence for the few simultaneously generated poverty for the many (C T Kurien 1978 8, 77) Marx pointedly mentions the emergence of a new category of the poor, the 'free labouring poor", as "that artificial product of modern society" which was the product of dissolution of the old society This was to be distinguished from "the naturally poor" which were the product of the old (pre-capitalist) society ("Capital", Volume I, 760) The revolutionary potentialities of poverty are closely related in the Marxian conception to the emergence of the "artificially impoverished" as a new category of the poor as distinguished from the old category of the 'naturally arising poor' To quote Marx

> For it is not the naturally arising poor but the *artificially impoverished* not the human masses mechanically oppressed by the gravity of society but the masses resulting from the *drastic dissolution* of society, mainly of the middle estate, that form the proletariat, although as is easily understood, the naturally arising poor and the Christian-Germanic serfs gradually join its ranks (K Marx and F Engels 1957

According to Marx, the sharp demarcation of the "artificially impoverished" provides to radical philosophy its *material* weapon while the "artificially impoverished" find in radical philosophy their *spiritual weapon* for social change In other words "natural poverty" provides the soil for conservative philosophy oriented to *status quo,* while "artificial poverty" provides a favourable soil for radical philosophy oriented to structural change The idea of structural change does not grow into a social force as long as there is no nakedly *deprived class* which can serve as a vehicle of this idea In Marx's words: "It is not enough for thought to strive for realisation Reality must itself strive towards thought' (K Marx and F Engels, 1957. 52) But the deprived class also does not become an agent of structural change as long as it has no access to radical ideas.

It must be pointed out that there is often a time lag between change in the *objective basis* and a *transformation* at the subjective level. This lag is reflected in the emergence of 'artificial poverty' as a pervasive phenomenon without the emergence of the poor as a socially conscious force capable of identifying "the roots of their misery" (Karl Marx, 1961: 241)

It should be noted that in real life the phenomenon of *natural* poverty arising as a result of general economic backwardness is often mixed up with the phenomenon of *artificial* poverty arising as a result of the capitalistic development This intertwining of two qualitatively different types of poverty acts as a mystifying force, keeping the poor in darkness about the social genesis of poverty and thus thwarting their emergence as a socially conscious force The revolutionary potential of poverty may continue to be unexploited, or insufficiently exploited, for social change if 'the artificially impoverished' are overshadowed by the 'the naturally poor' This potential may also remain unexploited if the 'artificially impoverished' continue to interpret their poverty in terms of categories of understanding characteristic of the previous era (e g, religion, caste, village community, etc) In emancipating the minds of millions of the 'artificially impoverished' from the myths and illusions of the era of undifferentiated natural poverty and in ideologically remoulding their minds, the role of radical intellectuals is crucial They act as the carriers of a new consciousness of the radical potential of poverty and accelerate the transformation of the poor from mere victims of class exploitation into 'grave-diggers' of the very system of class exploitation.

III

It is necessary to emphasise the crucial distinction, as suggested by Marx, between conservative and a radical approach to the problem of poverty The former considers poverty as the outcome of a defective pattern of distribution of means of consumption (i e, income) and, therefore, lays the primary emphasis on restructuring the pattern of income distribution without reference to the pattern of distribution of means of production The latter on the other hand starts from the premise that "any distribution whatever of the means of consumption is only a consequence of the distribution of the conditions of production themselves" (Karl Marx, 1954) and any scheme of redistributing the means of consumption independent of the mode of production is bound to prove futile. Only that section of the poor which experiences in every moment of its social existence an acute perception of their complete alienation from the means of production has, therefore, a revolutionary attitude towards poverty or the potential of attacking poverty at its roots The remaining sections of the poor who are drawn into the system of ownership of the means of production in howsoever partial and inconsequential a manner are handicapped from perceiving the true causes of their poverty. In "The Eighteenth Brumaire of Louis Bonaparte" Marx characterised the small holding peasants as conservative in the sense that remaining in "stupefied seclusion within the old order they want to see themselves and their small holding saved and favoured by the ghost of the empire" He also saw their radical potential in so far as impoverished by the domination of capital, small holding peasants were forced "to strike out beyond the condition of their social existence" and seek in the urban proletariat "their natural ally and leader" (K Marx and F Engels, 1955 337, 338).

While demarcating Marx's approach from other approaches it should also be pointed out that a Marxist approach to the problem of poverty is at once a *structural* and a *developmental* approach The roots of poverty are identified by Marx in the sphere of the economic *structure* and not merely in the manner of *functioning* of this structure. Changing the structure rather than merely influencing the functioning of the structure appears as a crucial characteristic of the Marxist strategy for eradicating poverty At the same time, Marx was not an economic romanticist who believed that a structural transformation was by itself sufficient to abolish poverty Structural change only abolishes *artificial poverty* which is the product of the capitalist class system but not *natural poverty* which is rooted in the low level of development of productive forces In one of his most perceptive statements Marx expressed his view that "justice can never rise superior to the economic conditions of the time" (Maurice Dobb, 1947 148). Structural change is in Marxian conception, therefore, not a culmination of the struggle against poverty but only its beginning.

can become a crucial step in the ruggle towards abolition of poverty nly if it is an instrument of capital ccumulation (i e, of economic growth). tructural change becomes an engine f capital accumulation if it serves as neans of eliminating the gap between ctual economic surplus and *potential* conomic surplus and thus the means of nlargement of the size of the economic urplus and the mode of its utilisation or productive purposes (Paul A Baran, 958: 25-48).

The Marxian perspective on poverty iews the struggle against poverty not is a single leap from poverty to plenty out as a protracted struggle against nature, i. e, against the low level of levelopment of productive forces. The abolition of 'artificial poverty' through structural change becomes the initiator of protracted struggle against 'natural poverty', i e, against the low level of development of productive forces which is the ultimate cause of material poverty. The emergence of the 'artificially impoverished' as a separate category assumes historical significance in so far as it provides the social instrument of initiating the struggle against 'natural' poverty. In struggling for their own abolition as a separate category in the short-run, the class of the 'artificially impoverished' create the socio-economic and political preconditions for the abolition of 'natural' poverty itself in the long-run.

In the contemporary social situation in India this Marxian perspective which links up the struggle against poverty with structural change on the one hand and with capital accumulation on the other has great historical relevance. This perspective departs on the one hand from those ideologues who seek to cope with poverty without altering the pattern of distribution of means of production which generates and perpetuates poverty. It departs on the other hand from those romanticists who make no distinction between 'artificial poverty' and 'natural poverty' and who therefore detach the struggle against poverty from the historically necessary task of capital accumulation. What is required in India is a new unity between radical theorists who uphold an integrated perspective on poverty and growth and the 'artificially impoverished masses' who need this perspective in their struggle for a new life. meaningful struggle against poverty must, therefore, begin with a struggle against the current poverty of philosophy which "sees in poverty only poverty without noticing its revolutionary and subversive aspect which will overthrow the old society."

IV

Table I tries to highlight how the growing crystallisation of the 'artificially poor' as a *class* is fast emerging as a qualitatively new element of the Indian social situation. That this is a new element of the social situation in many Asian countries is confirmed by a number of recent works. Out of the numerous studies financed by international and national agencies which mystify the phenomenon of poverty, there are some exceptions like the ILO studies published in 1977 ("Poverty and Landlessness in Asia") which sharply indicate the emergence of a new type of poverty accompanying substantial economic growth in many Asian countries. These studies sum up the main features of this poverty as follows:

(i) The most outstanding facts to be noted are the worsening distribution of income and the declining real income of the rural poor at least in a number of cases. Those studies which contain the relevant data show that the shares of the lower decile groups in aggregate income and consumption have been declining *even during periods of rapid agricultural growth.* There are significant differences from country to country as regards the proportion of population that has been adversely affected, but in each country for which data exist a substantial proportion of the lowest income groups appears to have experienced a decline in their share of real income over time. Indeed, the evidence from the case studies points to an even stronger conclusion.
In each case a significant proportion of low income households experienced an absolute decline in real income.

(ii) The countries studied are all characterised by a highly unequal distribution of land ownership... The continuation of highly unequal ownership of land during a period of rapid demographic growth has resulted in increased landlessness and near-landlessness.

(iii) The answer to the question why the poverty of the poorest groups of the rural population has increased has more to do with the structure of the economy than its rate of growth.... The initially high degree of inequality of income and wealth, the concentration of the economic surplus in few hands, and the fragmented allocative mechanisms constitute a socio-economic context in which powerful dynamic forces tend to perpetuate and even accentuate low standards of living of a significant proportion of the rural population.

(iv) Most of the poor are not unemployed and many of the unemployed are not poor.... The movement of labour represents little more than a shuffling around of poverty. As long as the economic structure remains as has been described, with its income distribution and resource allocation mechanism intact, the major function of rural to urban migration is to spread the growing poverty of the countryside to the towns" (ILO, 1977: 9;11; 22; 25).

It is clear that the social situation in many countries of Asia has been undergoing a qualitative transformation with the emergence of a new type of poverty. This poverty is not 'due to general stagnation of the economy' but due to an economic system in which vast masses are alienated from the property structure and the mode of production and, consequently, from the mode of distributions of the fruits of production. The key to this poverty in spite of economic growth lies in the very nature of the economic system. In this new social situation an objective basis is emerging now for the comparatively sharper crystallisation of the poor as a nakedly deprived class than in the past. An objective basis is also emerging for greater unity of the rural and urban poor since the urban poor are in most areas the rural poor pushed out into urban areas. The recent resurgence of *ruralism* dramatising the rural-urban cleavage or of *casteism* dramatising the caste disparities rather than the rich-poor cleavage is meant to a large extent to mystify and obscure the fast-growing class differentiation in the rural and in the caste communities.

In recent years some studies have provided insights on the growing class differentiation within the peasantry and within castes without, however, assessing its significance for social and political movements. We refer to the findings of a few of these studies as illustrations of the tendencies of downward mobility within the upper castes and of upward mobility of social strata within the middle and the lower castes.

In a study on 'Regional and Caste Factors in India's Development' K N Raj tried to analyse the data on caste and occupation as provided by the National Sample Survey, Fourth Round. Table 2 has been reproduced from



TABLE 1: MODELS OF POVERTY IN INDIA

Period	Model of Poverty	Nature of Economy	Nature of Poverty
Pre-British	Poverty-Model — I	Natural or semi-natural agrarian economy; low level of productive forces; community modes of ownership of property, production, and distribution acting as a check on the excesses of private property and private appropriation.	(i) Predominance of natural poverty. (ii) Rich as patrons of the poor through the Jajmani system. (iii) Shared poverty, hence poverty within framework of security. (iv) The existence of poor as a class obscured by community framework.
Pre-Independence	Poverty-Model — II	Money and market economy of the colonial type, predominantly agrarian but growth of colonial tertiary sectors; stagnation of productive forces but dislocation of traditional agrarian structure without growth of modern industrial structure; overpressure on land; pauperisation without proletarianisation and rural-urban cleavage as the main feature of colonial economic structure.	(i) Emergence of 'artificially impoverished' of the colonial type; erosion of Jajmani system. (ii) Aggravation of rural poverty but erosion of traditional security. (iii) The poor as a pauperised rural mass against town-based colonial and semi-feudal exploiters; rich *vs* poor obscured by urban *vs* rural.
Post-Independence	Poverty-Model — III	Market economy of emerging capitalism; diversification of economic structure and considerable growth of productive forces but emergence of a dual economy; modern sector *vs* subsistence-oriented economy, proletarianisation as well as pauperisation; differentiation of rich and poor within the urban and rural economy.	(i) The aggravation of system-generated or 'artificial poverty' as a consequence of development. (ii) Rural poor also pushed out to become urban poor. (iii) Growing demarcation of the rural and urban poor from the urban and rural rich; inner class differentiation within castes and rural community. (iv) The growing crystallisation of the 'artificially poor' as a classs in the midst of a pauperised rural and urban mass.

this study. (The definitions of caste and class have also been given in this Table) While taking note of the imperfection of the data on caste and class, Raj offers the following findings from the available data :

> That there is a correspondence between 'caste' and 'class' at the two extremes appears to be thus borne out by the figures. But it is also clear — particularly in the intermediate categories — that class cuts across caste divisions. Thus nearly 7 per cent lower caste households in the rural areas are 'farmer' households, and the number of lower caste households among the total number of 'farmer' households works out to well over 40 per cent....
>
> Similarly, more than 18 per cent of the middle caste households, it would appear, were 'agricultural labourers' and 'share-croppers'. The number of rural Hindu households belonging to these two categories was 13 3 millions of which the middle caste accounted for 2.2 millions. Approximately one out of every six households occupied as agricultural labourers and share-croppers in the rural areas belong to the middle caste group (K N Raj, 1981: 111).

Unfortunately no comparable data are available for the later period to provide insights into changing class differentiation within caste over time. But on the basis of information available at the micro level it is possible to suggest that the internal class differentiation within the upper, the middle and the lower castes has been intensified in recent years.

Srinivas's recent village study, "The Remembered Village" takes note of the divergence of class from caste in the following words :

> There was a certain amount of overlap between the twin hierarchies of caste and land. The richer landowners generally came from such high castes as Brahmin, Peasant and Lingayat while the Harijans contributed a substantial number of landless labourers. But a few members of the low castes such as the Smith, Oilman and Toddyman owned reasonable amounts of land while several Peasants and Shepherds were without land. Such lack of overlap between the two hierarchies produced interesting consequences (M N Srinivas, 1976: 169).

One finds Srinivas speaking of "conflicts between the rich and the poor" and of "more effective exploitation of the poor" by the wealthy and the powerful of the village (p 225) in the present work while in his earlier village study he spoke mostly of high and low castes.

A sharper focus on the increasing divergence of class from caste is offered by Beteille's study of a Tanjore village.

> In traditional society, and even fifty years ago, there was much greater consistency between the class system and the caste structure. One can even say, with some risk of over-simplification, that the class system was largely subsumed under the caste structure....
>
> Over a large area of the agrarian economy, the traditional arrangement seems to have been thus: the Brahmin Mirasdars owned land which they leased to non-Brahmin tenants who had it cultivated by engaging Adi Dravida labourers. This of course is a highly simplified picture, and even in the traditional economy there were exceptions to the simple correspondence between Brahmin and landowner, Non-Brahmin and tenant, and Adi-Dravida and agricultural labourer. These exceptions have increased considerably over the last fifty years. This class system can no longer be seen simply as an aspect of the caste structure (Andre Beteille, 1966: 191; 195).

Beteille has drawn attention to down-

TABLE 2: OCCUPATIONAL DISTRIBUTION OF DIFFERENT CASTE-GROUPS AMONG HINDU RURAL HOUSEHOLDS

(In millions)

Occupation	Upper Caste	Middle Caste	Lower Caste	Scheduled Caste	Total
Agriculture					
Farmer	1.09	0.93	1.69	0.18	3.69
	(24.38)	(7.57)	(6.95)	(1.54)	(7.85)
Cultivator	1.96	6.52	10.20	3.19	21.87
	(43.91)	(53.30)	(41.79)	(27.05)	(41.35)
Share-cropper	0.17	0.76	1.51	1 00	3.44
	(3.91)	(6.18)	(6.17)	(8.50)	(6.50)
Agricultural Labourer	0.05	1.46	4.11	4.27	9.89
	(1.09)	(11.91)	(16.85)	(36.19)	(18.70)
Forestry, Fishery and Livestock	0.02	0 17	0.81	0.28	1.28
	(0.62)	(1.39)	(3.31)	(2.38)	(2.42)
Total Agriculture	3.29	9 84	18.32	8.92	45.37
	(73.91)	(80.35)	(75.07)	(75.66)	(76.33)
Others	1.17	2.39	6.09	2.87	12.52
	(26.09)	(19.65)	(24.93)	(24.34)	(23.47)
Total All	4.46	12.23	24.41	11.79	52.89
	(100 00)	(100.00)	(100.00)	(100.00)	(100.00)

(Figures in brackets represent percentages of All-India average in each case.)

A *Definitions of classes*

(i) Farmers — "who cultivate their own land mainly with hired labour".

(ii) Cultivators — "who cultivate land mainly owned by them, and sometimes land taken on lease or share cropping system with the help of other household members and partly with hired labour".

(iii) Share croppers — "who take up cultivation of others land in a crop sharing basis and cultivate without hired labour".

(iv) Agricultural Labourer — "who work on other's land on the basis of wage payment".

B *Definition* (i) The *upper castes* were defined as those who according to custom used the sacred thread, the *middle* as those from whom the Brahmins take water by tradition and the *lower* as the other castes who were not scheduled.

Source : K N Raj: 'Caste and Regional Factors in Economic Development' in J C Daruvala, "Tensions in Economic Development in South East Asia", 1961.

ward mobility among the Mirasdars and the upward mobility among the Non-Brahmin peasants and Adi-Dravida labourers He pointedly mentions those upward-moving non-Brahmin peasants" who have acquired the status of landowners and Adi-Dravida labourers who have become tenants or acquired ownership of small parcels of land (pp 194-198) Noting the differentiation in the tenantry, he draws attention to tenants with big leases who may identify themselves more closely with landowners than with small peasants" (p 207).

Analysing the changes in the role of caste in the village economy, Kathleen Gough's 'Caste in a Tanjore Village' notes how "the caste community is no longer homogeneous in occupation and wealth" and how "caste is today a limiting rather than a determining factor in the choice of occupation" (K Gough, 1971 32) She also draws attention to economic polarisation among Brahmins as indicated by "some owning upto 30 acres of land and others as little as 3 acres" Moreover, she also takes note of the economic heterogeneity among Non-Brahmins: "among 43 non-Brahmins who remain in agriculture or horticulture three are small minor cultivators, nine are *Pannaiyals* contracted by the year, ten are daily coolies, and twenty one lease land on *Kuthakai* tenure" (p 32). Similarly those low castes who have remained in agricultural labour are highly stratified. Only 22 per cent are now Pannaiyals Thirty eight per cent have in the past become *Kuthakai* tenants on the same terms as non-Brahmins while thirty-nine per cent have sunk to being daily coolies and one man has risen to the status of a small owner cultivator" (p 32).

Gough offers the following assessment of the evolving social situation.

> In Tanjore villages in 1952, indeed, one major conflict overrode all others. that between the landed and the landless It results from acute agricultural over-population, the concentration of land-ownership within a small fraction of the population, and the failure to develop industrial employment for surplus villages It seems logical to conclude that such *economic and class conflicts*, whatever their outcome, will in the future weaken the identities of caste (Gough 1971. 59)

Another village study of Thaiyur Panchayat (Tamil Nadu) sums up the caste-class nexus in the following words:

> There is a strong but far from perfect correlation between caste and class: 18 per cent of the non-Harijan households belong to the upper class of big farmers, while only 3 per cent of the Harijan households do. This implies that the traditional relations of production which always involved members of different castes in antagonistic positions still largely persist... But in terms of absolute numbers, class of big farmers consists of more Harijan households than non-Harijan ones This implies that members of the same caste meet in relations of exploitation, and since this is at variance with the caste ideology, we can also expect changes in the ideological universe. The Harijan predominance in the class of middle farmers is likely to work in the same direction. There is a sizeable group of Harijans who no longer are poor and exploited, and whose economic position contradicts their impurity. The economic position of the Harijans is no longer homogeneous, but since the heterogeneity must be accounted for we expect to find a new ideology which encompasses all aspects of Harijan experience (G Djurfeldt and S Lindberg 1976: 216-217).

We have *deliberately* drawn upon village studies mostly from South India because the overlap between caste and class was reported to be the closest in this part of the country. The divergence of class from caste, therefore, emerges very sharply from studies of the changing villages relating to this part. One can, however, refer to case studies relating to other parts which reveal the same tendencies.

Anand Chakravarty's study of a Rajasthan village reveals that the new landowning class is no more identical

with the Rajput caste. Thus as a consequence of downward mobility among the Rajputs and upward mobility among non-Rajput castes, the landowning class is now multi-caste in composition. The broadening of the landowning class has been associated with class differentiation within the upper, middle and the lower castes (Anand Chakravarty 1975: 96-98, Table IV. 7-117-112).

Another outstanding work which throws light on the transition from caste to class is Jan Breman's study of South Gujarat villages, "Patronage and Exploitation" (1974). Breman characterises this process as "depatronisation" of relationships between the dominant landowning castes on the one hand and the labouring castes on the other. He shows the close link between "depatronisation" or the transition from "patronage" to exploitation and the fundamental alteration in the nature of rural organisation — a changeover to a capitalist mode of production" (p 253). He notes that "the contrasts in the rural regions between the weakest and the strongest party have sharpened" as indicated by open forms of "large scale rural pauperisation" (p 255). He considers this as a qualitatively different situation. "To the conclusion that exploitation was inherent in the *hali* system, and that patronage may occur in a situation of exploitation should be added the comment that *the difference between past and present is more than one of degree*" (p 225).

Another significant aspect of Breman's study is that it shows the transformation of the rural poor into the urban poor The rural poor contribute to the "emergence of the informal sector' in the urban economy.

> And yet the attempt of the village population to break out of the rural system into non-agrarian fields cannot be explained by the magnetic effect of the district town and other employment centres: its main cause is expulsion from the agricultural economy. It is not merely the result of population growth in which an increasing supply of labour eventually becomes a surplus. There have also been changes in the mode of production in agriculture which have led to a redefinition of labour utility....
>
> The fact that it is impossible to accommodate the available labour force within this sector has led to a situation in which a steadily increasing proportion of the rural population is compelled to seek a living outside agriculture or at least to find a complementary income (Jan Breman, 1977: 173).

Breman's study yields insights into the objective basis as well as the subjective perception of poverty. One finds that "depatronisation" and impersonalisation of economic relationships are leading the rural poor increasingly to "a collective awareness of their condition of subjection, a feeling of being wronged and the beginning of an attempt at collective opposition against their exploiters" (p 230). Breman adds at once that "the conditions that are a prerequisite to implementing their protest organisationally in an effective way are lacking" (p 230). In other words, the potential strength of the poor is enormous but their actual bargaining or striking power is extremely limited. Breman's analysis of why the revolutionary potential of poverty does not get realised is very illuminating. To quote:

> From various parts of India there have recently been reports of agricultural labourers who are beginning to offer resistance against the exploitation to which they are exposed.
>
> The horizontal ties among the *Dublas* (the labouring groups) have remained weak. Some are more oppressed than others. As sharecroppers, servants, casual labourers, and gang labourers they have no parallel interests. The limited favours that can be obtained in a situation of extreme and continuing scarcity situation lead (again) to patronage-like relationships. An attitude of protest, for instance, is incompatible with the need of showing oneself worthy of consideration by behaving 'well'. Intra-class antagonism manifests itself in dissension and mutual watchfulness. If someone refuses to work for one rupee, another is always prepared to take his place... *In the situation of poverty there are undoubtedly elements that constitute obstacles to mutual solidarity*" (p 257).

While taking note of this inhibitive aspect of poverty in the short run, Breman highlights the social dynamics of poverty under capitalism which in the long run unifies and activises the poor.

> It is the aggregate of inequality — economic and political — along with social polarisation that forms the basis for a growing collective perception of injustice, even if fear of sanctions usually limits any expression of it to verbal avowals during encounters in their own hamlets. Indeed their awareness of unity is further stimulated from outside because *Anavils* (the landowning class) regard all the *Dublas* being cut from the same cloth. The landlords are strikingly uninformed about anything concerning their labourers, including the contrasts among them, and what is more, they are totally indifferent to them (p 257).

Sociologists have drawn attention not only to the trend of class differentiation in villages and in castes but also to the transformation of castes into political factions. Leach has argued that such political role of caste is "a defiance of caste tradition" which may "not be clear either to the actors or to the anthropological observer" (Leach, 1971:6). He has, however, not clarified whether the emergence of caste lobbies helps the rich or the poor of the caste groups. Andre Beteille has provided an insight into the exploitation of caste loyalties as an instrumentality for furtherance of their class interests by *the top groups of the emerging agrarian* hierarchy. To quote:

> Thus, the top of the emerging agrarian hierarchy consists of a set of individuals having certain common social and economic properties, linked together in loose-knit networks and becoming increasingly aware of their common economic and political interests. Those at the top have advantages of both resources and skills. Sociologically the most distinctive feature of the progressive farmers is that they combine ownership of land and capital with skills in manipulating both 'traditional' and 'modern' institutions" (A Beteille, 1974.112).

He thus calls this new class "ambidextrous" and notes "the decline of the community" as consequence of the consolidation of this new class (p 105).

V

It can be seen from above that the revolutionary potential of poverty would be obscured if the question of rich *vs* poor is misrepresented as a question of town *vs* the village or of caste *vs* caste. It is idle to think that poverty in the rural areas can be fought without the support of the urban poor and that rural development can be achieved without the support of urban industrial development. It is also idle to think that the poor of one caste can secure an enduring advance in their material condition without unity with the poor of the most oppressed castes who stand opposed to exploiting the idea of caste for dividing the poor and for thwarting the process of their transformation into an agent of structural change. Town *vs* village and caste *vs* caste, therefore, ultimately helps in perpetuating system-generated poverty.

Ruralism and Casteism in the above background perform the ideological function of mystifying the real processes. They provide to the new rural elite the banner for agitation with a view to extracting more resources in the name of the rural community and of 'backward'

castes. The enhanced resources are, however, used not for mass-oriented development but for strengthening the interests of dominant groups in the village and of dominant sections in the 'backward castes'. They provide the ideological cover under which the emerging power-elite in the village resorts to intensified and ruthless exploitation of the rural masses in new ways. In short, in present-day India Ruralism and Casteism are the most formidable obstacles in transforming poverty into an agent of structural change.

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Tradition and Change among Industrial Workers

Uma Ramaswamy

This paper attempts to understand the forces that influence the social life of industrial workers. What happens to the gamut of the workers' experiences in the workplace and in the trade union? Do they have any significance for his life outside the work sphere? If they do, how do these new forces relate to the traditional loyalties of the workers? Do traditional loyalties get displaced, or do they get transformed in the process of interacting with new ones?

Some of these questions are answered in the context of three broad areas: the culture of the leaders and their role in the social life of workers; inter-caste relations especially between the Harijans and the upper castes; and the forces influencing the politics of a working class neighbourhood.

CASTE continues to be an overpowering influence in the social, economic and political life of the country in spite of constant admonitions by politicians and intellectuals that narrow, parochial loyalties should be set aside. However, industrial workers and their work organisations appear to be moving away from the powerful hold of caste. Theorists of industrial society such as Inkeles and Kerr have argued that the logic of industrialism transcends cultural barriers, and that as societies industrialise they will move rapidly away from tradition.[1]

Some of the early commentators on the Indian labour scene have taken conflicting stands on this question.[2] They have either asserted the dominance of caste or argued the opposite—both stands being unsubstantiated by empirical evidence. More recently, Holmstrom has argued that in the industrial situation caste identities tend to get submerged. Castes may differ in terms of their customs and institutions, and people may readily use caste links to get jobs and to move up. But moral thinking tends to become universalistic. It is not that there are no inequalities based on caste status, but that people feel compelled to justify this inequality instead of merely assuming it.[3] Sheth's study of a factory in Western India conveys a somewhat different picture. He shows that workers use the caste idiom to explain away others' successes and rationalise their own failure. But he admits that he is unable to show how far the caste loyalties of managers and workers really affect the functioning of the factory.[4] E A Ramaswamy, in his study of trade unions of mill workers in Coimbatore, has argued that the multiplex ties linking the worker with his union have created powerful new forces and bases of loyalty which cut across the traditional.[5] His analysis shows that the recruitment of workers to the industry and the workers' choice of unions are unaffected by caste loyalties.[6] However, his analysis stops at the factory and the trade union, and does not extend to the social life of workers.

This paper attempts to understand the forces that influence the social life of industrial workers. It concerns the very workers whom E A Ramaswamy described as having come under the spell of powerful new loyalties unleashed by unionisation. What happens to the gamut of the workers' experiences in the workplace and in the trade union? Do they have any significance for his life outside the work sphere? If they do, how do these new forces relate to the traditional loyalties of workers? Do the traditional loyalties get displaced, or do they get transformed in the process of interacting with the new ones? I have attempted to answer some of these questions with data collected during fieldwork in Tyagipuram, an industrial suburb in Coimbatore, South India, where I took up residence for 10 months in 1977-1978.

Tyagipuram is within earshot of at least a dozen cotton textile mills. Work in the mills is the dominant source of livelihood. Out of 130 households in the neighbourhood, all but a few have at least one millworker. Tyagipuram is a co-operative housing colony, built in the early sixties at the initiative of the Coimbatore District Textile Workers Union (TWU). Like any other residential area in the locality, the population of Tyagipuram is mixed in terms of caste. Out of 130 households, 85 are Naidu and 25 Gounder, the two major castes in the area. There are two households of Pallar, an important Harijan caste in the area. The rest belong to a medley of castes. In the following discussion I have confined myself to three broad areas—the culture of the leaders and their role in the social life of workers, inter-caste relations with special reference to relations between the upper castes and Harijans, and the forces influencing the politics of Tyagipuram Co-operative Society.

The Leaders

Traditionally, the trade unions in Coimbatore have directed their attention not merely to the work life of their members, but also to the totality of their social life. The uniqueness of Coimbatore unions lay in their extending their activities to the villages where the workers lived. A leader reminisced, "The Coimbatore unions, unlike those in Madurai, were not built around individual leaders. We built up the union from the grassroots, and drew in the general public. We insisted that a third of the branch committees should be made up of members of the public. Workers brought even family disputes to the branch office. What could not be settled at the branch went on appeal to the head office. N G Ramaswamy (founder of the TWU) would go to the villages to talk to the families of workers. We activists have spent much time in worker houses and shared food with their families. In my own house, we had special arrangements to feed my friends from the movement." The solid work put in by the leaders during the incipient stages of the movement sustained the spirit of trade unionism in mill worker neighbourhoods and earned them the title of Tyagi—literally, one who has sacrificed. This was an apt title because the leaders had sacrificed not only for the cause of labour, but also in the cause of the nationalist movement. Even though many of today's leaders do not conform to this image, workers give a great deal of importance to leaders and leadership.

The uniqueness of mill worker neighbourhoods consists in the importance accorded to the *Thalaivars*, as the

leaders are known. The leaders of the community are the very people who are active in the mill, trade union, and political party. There is something distinctive about activists. I shall bring this out with a profile of an activist.

Subramaniam, a Gounder in his early fifties, has been a mill worker for over three decades. He is a mill-level trade union leader, although he is not as active as his colleagues would like him to be. Much of his spare time is taken in tending the three buffaloes he owns. His wife sells the milk; and supplements the family income. Subramaniam has had no formal education. But he is a generous father who has spared no effort to educate his children. Two of his sons are in college and the third is in school.

Subramaniam calls himself a socialist. He is deeply committed to his party and union. He has internalised his party ideology so well that he believes it to be essential to show his socialism in deed. He says that a socialist has no caste. He wanted to marry outside his caste, but parents and relatives persuaded him against this. He freely invites untouchables to his house. His wife did not approve of this in the beginning, but has now reconciled herself to it. He added that the untouchables did not always reciprocate his sentiment and freely enter his home. The Chakkoliar, in particular, would stand out and talk to him through the window.

Subramaniam has travelled extensively. He has spent from his pocket to attend union and party conferences in far-off North India. He was in the contingent which visited Delhi in May 1977 when the Janata party was born. During his visit to Delhi he was lost and felt a fool because he knew neither Hindi nor English. He is keen that, as a socialist and citizen of India, he should learn Hindi.

Subramaniam has managed to save Rs 10,000. Although he could invest this money in building a better house for the family, he prefers to live in his cramped quarters and spend the money on educating his three children. He is certain that he would not like them to be mill hands. He is happy that, unlike other college students, they tend to the buffaloes and even remove the dung. But he is categorical that they should take government jobs. It did not matter if one got Rs 300 in a government job or similar white-collar position. It is preferrable to earning Rs 600 in a mill. Mill work is abnormal, he contends, because of shift work. It is abnormal that a man should work at night and sleep during day. Mill workers are like frogs in a well. They are lost in the routine of the mill and humdrum of family life. Unlike a white-collar worker, the mill worker has no exposure to the wider world. They take no interest in the larger problems of society. He wants his children to have a wider world view and be good citizens. He emphasised that this was the main reason why he wants them to study as much as they can.

Subramaniam represents the lowest cadre of union leaders at the mill level. Leaders of this stature are to be found in great numbers in and around Tyagipuram. Tyagipuram also has a good number of leaders of higher rank ranging up to the secretary of a union head office. These union activists constitute a closely knit group with a culture of their own. Their families closely interact with each other. There is a lot of social visiting among them. On important occasions, such as marriage, they help each other in a variety of ways. The pattern of obligations between activists is so well established that those who do not conform face severe criticism. Top leaders are expected to be present at weddings and deliver formal speeches blessing the couple. Speeches are given by leaders in order of seniority, and they have a high political content. The entire procedure is highly stylised. At one time, marriage cutting across union ties was unthinkable, especially for activists. They freely take place today. The dominant partner may even convert the spouse to his or her union. Where the spouses belong to different unions, two panels of speakers may be arranged. Besides being present and helping in a number of ways, active unionists are also expected to make gifts which would cover part of marriage expenses. These presentations are always reciprocated. A similar pattern is observed in all rites of passage.

The availability of leadership skills in abundance has led to the organisation of community affairs along lines which closely resemble union organisation. Workers believe that a leader is essential to organise any major activity. Mill workers are great organisers and this is decidedly a carry-over from the workplace and the union. Even the celebration of a religious festival, including the monthly *krithigai*, is organised along familiar lines with a president, secretary and treasurer, if not also an executive committee. Chit funds, pilgrimages, tours, and practically any other activity involving a sizeable number of people and mobilisation of resources are similarly organised.

The leaders are a general resource. The union secretary, for instance, is approached by neighbours to fix school and college admissions, to recommend for jobs in the industry as well as outside, and to push matters in municipal and other offices. The following example gives a glimpse of the kind of help the workers seek from their leaders. The brother of a union activist got involved in an accident when the bullock-cart he was driving with a load of fodder was hit by a car. The president, assistant secretary, and treasurer of the union spent the entire day at the police station helping the worker register a case and demand compensation from the car owner. The police could not lightly dismiss the case or hush it up after taking a bribe from the car owner, because the union leaders were powerful men in the locality. Eventually, the owner of the car had to be sued for compensation. The president fixed the union advocate for the purpose. In a similar case, a minor union leader who had taken part in the Independence movement was helped by the president to claim the pension that had been sanctioned by the government for freedom fighters. Papers had to be moved in Delhi and Madras, and this could not have been done without the contacts and influence of the president. Finally, the leader not only got the pension but also the arrears. In yet another instance, the daughter of a worker died suddenly of a stroke. The police, suspecting suicide, took the body to the morgue. The intervention of the union president was sought to obtain the release of the corpse.

INTER-CASTE RELATIONS

Mill workers come from a wide variety of castes. Perhaps, the only notable aspect of the caste composition of the workforce is that there are very few Brahmins. The villages in the vicinity of the mills once had a large Brahmin population. But Brahmins accorded a poor rating to mill jobs. Most of them acquired education and moved out to the big cities. Only the poorest Brahmins have stayed on. With the exception of Brahmins, a cross section of all castes is to be found in the mills.

Workers are aware of the fine distinctions between castes, sub-castes, and indeed the smallest endogamous groups. But there is no clear and uni-

versally accepted ranking of castes. One of the reasons for this is that, barring the Harijans and the numerically insignificant trading castes, everyone is a Sudra. What exists is a rough ranking of loose clusters of castes of similar ritual rank and economic status. Gounders, the peasant caste of the district, Naidus, Mudaliars and Pillais are considered to form the top cluster. The trading castes comprising Tamil Chettiar, Telugu Chetti, and Komati constitute another cluster. It is difficult to place this cluster *vis-a-vis* the earlier one in terms of rank and status. The third cluster consists of Thevar, Konar, Nadar, Udayar and Golla. Service castes, such as Vannan, Navidan etc, constitute another cluster. Interestingly, the Harijans cannot be said to constitute a homogenous cluster. The upper castes themselves draw a distinction between Pallar and Parayar, the traditional farm labourers who have now made good with education, government jobs and mill employment, and the Telugu-speaking, leather-working Chakkiliar. The Chakkiliar occupy the lowest position in society. The term 'Harijan' is increasingly used to refer exclusively to Chakkiliar. The Pallar prefer to call themselves Pannadi (literally, lord of the farm), and the Parayar refer to themselves as Adi Dravida.

It needs to be added that many of the castes named here are themselves clusters in their own right. Thus, Naidu is a title adopted by the Kamma, Gavara and Balija castes. Likewise, Gounder is a title adopted by Vellalar, Vettuvar, Padayachi and Pulivar.

The existence of loosely integrated caste clusters does not mean that people do not have loyalty to their particular caste, or that there are no caste conflicts. Castes of similar rank compete for dominance. The Gounders, who are really a peasant caste, are critical of Naidus who have done very well in industry and education. The Naidus' business acumen is unmatched by the Gounder. But the Gounders are the true sons of the soil. The Naidus claim to be superior to Gounders, who in their view are illiterate simpletons given to peasant ways. The caste idiom is also used to rationalise one's own failures and explain away others' success. Naidus are found in great numbers in the workforce and this is attributed by other castes to the predominantly Naidu ownership of the mills. They argue that, since recruitment is influenced heavily by recommendation, it is easy for a Naidu to get in. Gounders complain that they are an underprivileged lot. One frequently hears them remark that, to get a job, you must be either a Naidu or belong to a Scheduled Caste. The Naidus, on the other hand, justify their recruitment on the ground that the management knows them to be good workers. Objectively speaking while recommendations do matter a great deal, it is difficult to say that they work only in favour of Naidus. It must also be kept in mind that the Naidus constitute a sizeable proportion of the population. An examination of the caste composition of the workforce of a Naidu-owned mill does not reveal disproportionate representation of any particular caste.

One also finds stereotyped images of individual castes. Gounders are rough and ready and simple-minded. 'Muttal Gounder', literally 'foolish Gounder', is a common epithet. Naidus are clever, ambitious, intelligent, and clannish. Thevar are untrustworthy and tight-fisted. So are the Konar who would put their children to employment rather than educate them. Pallar are rowdy and ready to blackleg. Chakkiliar are dirty, untrustworthy and compulsive liars.

The hostility and prejudice between castes find special expression on religious occasions. The Mariamman festival in Tyagipuram is an occasion when castes stake their claims to precedence. The order of seating before the deity, the right to distribute *prasadam*, etc, are frequently matters of contention. At the end of the festival the *kalasam* is carried by all the castes to the river for immersion. Every year, the Pallar ask for the right to carry the *kalasam*, but this has always been denied. At festival time, the deity is taken around the streets of the neighbourhood. A Naidu leader wanted the deity to be brought to his house first and this was severely opposed by the Gounders.

Occasionally, quarrels between individuals take on a caste dimension. A youth association in the neighbourhood of Tyagipuram managed to bring piped water to the area after a long struggle. A quarrel broke out at the hydrant between a Naidu and Gounder. Soon this turned into a conflict between the two castes.

Caste also continues to perform some of its traditional functions. Marriage is by and large endogamous. In spite of the explicit preference for endogamous marriage, there have been several alliances cutting across caste. Where it does occur, the approval of the community depends on whether the castes of the bride and groom are compatible.

Where the bride and groom are of similar rank, the opposition is a temporary one and wears off eventually. The significance of caste clusters is clearly seen on such occasions. Many marriages across individual castes within a cluster have been rationalised on the basis of similarity of status. There has also been an increasing incidence of alliances between people of vastly different caste rank. There was an instance of a Gounder girl who married a Chakkiliar. The bride's natal family boycotted her outright. Her brother who was less opposed to the marriage visited her once in her conjugal household. He was so unused to Chakkiliar ways that he felt offended at the behaviour of his affines. The sister was so upset at this that she committed suicide. There is another instance of a Naidu worker who married a Chakkiliar girl. Unable to bear the humiliating treatment of the neighbourhood, he left his home and mill job. He took a job in a tea shop in a place far away, to escape from his familiar surroundings. Where the marriage is between a Harijan and an upper-caste person, residence in an upper caste locality becomes next to impossible. The couple have either to live in a Harijan *cheri* or seek the anonymity of Coimbatore city.

Castes are increasingly ceasing to be commensal units. Commensal relations, especially among castes above the line of pollution, are far from rigid. Workers freely eat in each others' houses. Even between upper castes and Harijans, as we shall see later, the barrier of commensality has broken down to some extent.

The big divide in the caste structure is between the Harijans and the rest. I shall use the term 'Harijan' to refer to all the three Scheduled Castes — the Parayar, Pallar and Chakkiliar — although in Tyagipuram itself the term is often used to refer exclusively to Chakkiliar. The Parayar have availed of the educational facilities extended to them, and are now to be found in large numbers in government and other salaried jobs. They have also become converts to Christianity in large numbers. As a result of these developments, Parayar now enjoy a modicum of respectability. The Pallar have been less enterprising in the matter of education and government employment. But they are found in mill jobs in substan-

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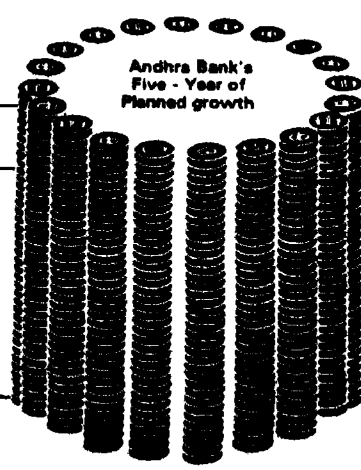
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tial numbers. The upper castes do not treat the Pallar with the contempt generally shown to the Scheduled Castes. It is said that the Pallar are violent, and fear of their physical prowess has earned them some deference. The Chakkiliar have remained where they have always been. They have remained backward, with neither education nor economic backing.

All the three major Harijan castes are found in textile mills. There are a greater number of Pallar and Parayar than of Chakkiliar. Mills located close to Harijan *cheris* have a substantial number of Harijan workers. The mills do not employ them to do menial jobs, as is commonly believed. They occupy a variety of positions, and it is not uncommon to find a Harijan jobber getting work out of clean caste workers. The upper castes are now evidently less discriminating against the Harijans. The necessity of close interaction on the shop-floor among the workers, irrespective of caste differences, has contributed greatly to the breakdown of the traditional barriers.

Harijan workers themselves admit this. A Parayar union leader remarked that even in his area, with its Thevar domination and notoriety for casteism, every one was treated alike inside the mill. Harijans are not addressed by their caste name any more, either by workers or by managers. At lunch time, all workers sit together and eat. They also drink water from the same glass. An occasional worker may avoid drinking from the same glass immediately after a Harijan, but he would have no objection to drinking from the glass after some one else has used it.

Women workers are, however, different even though there are few Harijan women workers. Women eat separately and drink from their own glass. A worker remarked that once, while he was about to drink from a glass which was used by a Harijan, a woman from his caste caught his hand and stopped him. The conservative streak in women workers was tellingly brought out in the following remark by a socialist woman leader of long standing: "Leaders talk of equality among men irrespective of their caste. They say that once we die we are all the same. We do not know what happens after death. Right here, the Harijans beat drums when an upper caste man dies. But when there is a death in a Chakkiliar home, do we go and beat drums to announce the death?".

Harijans are found occupying important positions in the unions. The top position, of secretary in the Marxist union, is held by a Harijan. The treasurer of the Tamilnadu Trade Union Congress is a Harijan. Harijans are also found in the executive committees of union head offices, and at practically every level below. Many mill-level union branches are headed by Harijans. Harijans admit that union activists are by and large free from caste prejudices. This is especially true of socialist, communist, and DMK unions. A Harijan leader from the socialist union remarked: "Our leaders make absolutely no distinction. I can walk into my secretary's house any time. But the Harijan in the Congress union cannot do that. Why go that far? He cannot even visit his mill-level leader at his home. The DMK and Communist unions are comparable to ours."

There has been a shift in the upper-caste workers' attitude towards Harijan colleagues at the level of the community as well, although relations in the community are not as equalitarian as in the *mill and the union. Social intercourse* across the barrier of untouchability has come to stay, even though in a limited way. Where there is a marriage in a Harijan household, clean caste workers are invited and usually attend. But upper-caste workers generally stop short of eating the food cooked in Harijan houses. The host himself would not offer the food cooked in his home. Eatables would generally be brought from a hotel and served. Older workers are more rigid about not eating food cooked in Harijan homes than the younger ones. But the barrier of commensality has been broken by the activists. They freely eat in Harijan homes. As a union leader put it, "All I ask for is cleanliness. We do not discriminate against our Harijan friends". It is *noteworthy that emphasis is now shifting*, from considering the Harijans as polluting, to considering them as unclean. Those who are willing to socially interact with Harijans as well as those who are unwilling for such interaction stress hygiene as a crucial determinant. *However for the unwilling category*, the stress on cleanliness is merely a smokescreen to justify their reluctance. That they need such justification instead of simply defining the Harijans as polluting is itself a major change.

While all this signifies a change in the status of Harijans, there is an underlying antagonism between them and the upper castes. Both of them labour under prejudices. Although Harijans are to be found at all levels in the mills, they still allege that they are discriminated against in the matter of recruitment. They contend that, even a retiring Harijan cannot fix his *warisu* in his mill.[7] An analysis of recruitment in one mill reveals that the enrolment of Harijans has come down in the past 15 years. But this is not binding evidence of discrimination against Harijans. Everyone knows that powerful recommendation is necessary to get into a mill. Recommendation is necessary even for the recruitment of one's *warisu*. The declining recruitment of Harijans may just as well indicate that they do not have sufficient leverage.

The Chakkiliar feel that their plight is worse than that of Pallar and Parayar. A Chakkiliar leader remarked, "It is difficult to hide one's caste identity at the time of recruitment. They either ask your caste or it is known already. Even today, our caste people have to please the jobber to get a mill job. They have to go to the jobber's home and perform all kinds of chores to please him."

Harijans also contend that there is discrimination in the matter of promotion to supervisory positions. This question is complicated by the inability of some Harijans to take work out of others. An upper-caste union leader commented: "Harijans do face the problem of job mobility in the mill. A Harijan can go up to the level of reserve piecer, and with difficulty become an oiler. There are some Harijan jobbers, but they are few and far between. It is difficult for a Harijan to take work out of upper-caste workers. One of the mills had refused to promote a Parayar worker as oiler. I fought for this man and got him the promotion. But he is unable to get others to do the work."

A Chakkiliar worker, himself a jobber, explained that the ability of a *Harijan to hold supervisory positions* depended on two factors. If the supervisor insisted that the jobber must be obeyed, no matter what his caste, there would be no problem. The second factor is the self-confidence of the Harijan. He attributed his own confidence to his union and party affiliation. He had been a union and party activist for three decades and this helped him to face others on a footing of equality.

The Harijans argue that there is more discrimination in the union than in the factory. Although Harijan leaders exist, the climb for them is a difficult one. Most people resent being led by Harijans. There are various ways of keeping them out of leadership. A Chakkiliar local leader contended that others would just not vote for a Harijan when

there is a contest. He cited the instance of elections to the executive committee of his union to prove his point. Thirty-seven candidates contested for the 15 positions on the executive committee. He and another Harijan were among the contestants. He did not get enough votes and lost. He pointed out that on such occasions people normally vote for a known person. He had been a union activist for decades, and certainly he was not unknown. He could not but conclude that he lost because of his caste. When I raised this question with the secretary of the union, he denied this charge. He pointed out that a Parayar had been one of the successful contestants in the same elections. The Chakkiliar's defeat could not be attributed to his caste. It was simply that he was not popular enough.

Harijans claim they face the maximum discrimination at the residential end. It is extermely difficult for them to find a house in an upper-caste neighbourhood. It is worth recalling that there are only two Harijan households in Tyagipuram, and both of them are of Pallar. It is extremely doubtful if the lowly Chakkiliar will be allowed to live there. A Chakkiliar leader alleged that when the co-operative society was floated to build Tyagipuram, two of his caste-men from the neighbouring slum applied for house sites. Neither of them was enrolled in the Society.

When I raised this question with a prominent union leader who was closely associated with the construction of Tyagipuram, he replied that he could not clearly recall what happened. But he would not put it past the men who were then in charge of the Society's affairs to turn down the request of the Chakkiliar. In the communal affairs of Tyagipuram, such as the Mariamman festival the Pallars are assigned the least consequential jobs.

The Harijans, too, have projected a distinct and not too favourable image of themselves in the community. For example most people avoid Pallar because of their allegedly violent ways. Upper caste workers often refer to a recent incident to show how ruffian-like the Pallar can be. One young Pallar bully terrorised the entire area for several years. He was so courageous that even the local *pahelwan* was not a match for him. He was in particular a threat to the Gounders. He had threatened to abduct the daughter of one Gounder watchman in a mill. One day he came drunk with half a dozen other Pallar youth with the intention of creating trouble. The Gounder who had been prepared for this eventuality speared the Pallar bully to deah in broad daylight in front of the mill gate. The case went up to the high court, but the watchman could not be convicted because no one would give evidence against him. Even to this day the upper castes wholeheartedly justify the revenge taken upon the Pallar.

• Within Tyagipuram itself, the relations between the two Pallar households and the rest of the community have been far from cordial. A vacant plot under the control of Tyagipuram Co-operative Society was informally being used as a gymnasium Young boys from all castes were associated with it. Through an uncertain process, it came to be gradually monopolised by the Pallar. The six boys from the two Pallar households in Tyagipuram gained firm control over the gymnasium and started to bring their caste friends from the neighbouring *cheris* The residents resented the frequent visits by outside Pallar.

To scuttle possible eviction from the gymnasium by the upper castes, the Pallar thought of a strategem. They decided to put up a statue of N G Ramaswamy, the man who gave his life for the cause of industrial workers, in front of the gymnasium. N G Ramaswamy was revered by every mill worker, and it was most unlikely that anyone would object to the installation of the statue. They raised contributions from the public and got a statue made. Upper caste boys who saw through the move approached some prominent trade union leaders and argued that no one could install a statue on public land without the consent of the Society. The president of the Society who had all along enjoyed the support of the Pallar, had in the meanwhile become hostile to them. He sent a legal notice to refrain them from installing the statue. The Pallar have tentatively given up their plans but still maintain their hold over the gymnasium. The statue is locked up in a room and the Pallar have made it clear that the Society could install it wherever it wishes. An upper-caste resident acidly remarked: "Look at the avarice of the Pallar. They want to own the gymnasium which is indeed public property. Even my house in this place is not my own after so many years of occupation and payment of monthly instalments."

The reaction of the upper castes to the Pallar is a mixture of fear and avoidance. The Pallar families insisted that the public hydrant should be located in front of their house. An activist admitted that the people gave in to this pressure even though, as per earlier plans, the taps were to have been installed some distance away. The Harijans are suspicious and fearful of the upper castes. A young Uppili Naicker narrated an incident that occurred when he and his friends took a stroll through a Pallar neighbourhood. As they were cracking jokes, some passing Pallar took exception and accused that they were being jeered at. The upper-caste boys quickly left the place for fear of escalating trouble.

The crux of the Harijan question consists in upper-caste prejudice against Harijans and Harijan suspicion of upper caste motives. There are many upper caste leaders who are committed to greater integration of Harijans with the rest of the people. A socialist leader pointed out: "We activists have visited Harijan homes and eaten their food. Harijans visit my home. We have frequent union meetings in my home and Harijans participate. Not all Harijans behave the same way when they come to my home. The Parayar enter the house and sit with me. The Pallar stand near the doorstep. The Chakkiliar refuse to enter. They stand outside and look through the window. This, in spite of my encouraging them to be free with me" The secretary of a union remarked: "We try hard to locate Harijans with leadership qualities and encourage them. We employed the son of a Chakkiliar member in our office. He was a complete failure. One expects some qualities in a person employed in a union office. He should come to office on time and have some respect for the work he is assigned He should also have a modicum of honesty and truthfulness. This boy had none of these qualities. We want to encourage these people to come up. But if they have no initiative and none of the qualities necessary to come up in the union, there is little that we can do."

The relationship between the Scheduled Castes and upper castes is a fluid and changing one. It is difficult to convey precisely all the complexities of this relationship. What is clear is that the Pallar have been the most successful in solving many of the problems arising out of their traditionally defiling status through increased earning from mill employment. The Parayar have moved up through education and government jobs, with their emphasis shifting away from textile mills. It is the Chakkiliar who have been left behind. As a Chakkiliar leader pointed out: "The Pallar

now insist on being called Pannadi, but anyone feels free to call me Chakkili." A Parayar leader distinguished consistently between the Chakkiliar and the other two Harijan castes throughout a long interview. He referred to his own caste as Adi Dravida, and to the Chakkiliar as Harijan. In his view, part of the problem lay with the Harijans themselves. "The Chakkiliar are dirty and this creates a barrier. How can you demand to be treated as an equal unless you yourself are convinced that you are an equal?" The Pallar have lived down their past to the point of moving into upper caste neighbourhoods But in the process they have created a new set of problems. Because of the equal footing enjoyed by the Pallar in the workplace and the consequences resulting from this, the upper castes find it necessary as well as worthwhile to conflict with the Pallar

Politics of Tyagipuram

At home, the worker does not cease to be a worker. The experience gained at the workplace and trade union are not left behind. The Coimbatore mill worker has seen six decades of mill work and over four decades of union activity. Today, there are many second-generation workers. The extension of experience gained in the work world to community life is best illustrated in the politics of the Tyagipuram Co-operative Society. For this reason, I shall describe the politics of the Society in some detail.

Tyagipuram, with 112 houses, was built around 1960 at the instance of TWU leaders. Only mill workers were eligible for membership of the Society and allotment of houses. Most houses were allotted to TWU members. The affairs of the community are managed by the Society, of which each house-owner is a member. The Society is run by a board of seven directors, who are elected annually by the members. The directors elect one from among themselves as president. All house-owners who have paid their monthly instalments towards the cost of the house upto date have the right to vote. The directors hold office for three years, with two retiring every year by rotation.

The presidency of Tyagipuram Society is highly sought after because of the plums of office. Two past presidents are believed to have made money while the houses were being built. In fact, one of them was caught misappropriating funds and hand finally had to pay up the mulcted money to absolve himself. The Society raises contributions to celebrate festivals, and the president is believed to take a cut. Above all, the houses have greatly appreciated in value. Members who sell their houses can make about five times the money they have invested. Many workers are tempted to sell their house in order to start a small business venture or buy land. The sale of a house cannot be effected without the president's signature. The president is believed to make money on house sales.

Tyagipuram Society has had seven presidents so far. The current president, a Gounder, works in a neighbouring mill and is a member of United Textile Labour Association (UTLA). UTLA is a splinter organisation which separated from the TWU in the late sixties. Because of this, there is a near-equal representation of TWU and UTLA members on the Society's board fo directors. Although the TWU has a greater following in this neighbourhood, the presidency has gone to a UTLA man for various reasons.

The story of this man's rise to power reveals the complexity of the politics of the Society which is a mixture of several elements. The members have a wide range of loyalties. They have loyalty to those with whom they work in the same mill. They are also loyal to members of their own union. Activists, in particular, have strong loyalties to each other and to their union. Because of the high politicisation of the community, people also have strong loyalties to the members and sympathisers of the political party they support. There is also loyalty to one's caste-men. On top of all this are factional loyalties. Factions are not independent of the above loyalties, nor are they completely subsumed by any one of them. A feature of factions in Tyagipuram is their constantly changing membership. There are no clear boundaries to the factions, and there can be constant shifting of sides even among those who are active in factional politics. Any shift of loyalty can be justified on the basis of one loyalty or another. In addition to all this is simple opportunism.

The president first managed election to the board of directors with the support of workers from his mill who are well represented in the Society. Since the right to vote depends on prompt payment of instalments, many house-owners who were in arrears could not vote. But the president's work-mates were not thus disenfranchised because the mill deducted the instalments from the wages of the workers. Support for the president from his work-mates for election to the board cut across union, faction and caste ties. When the time came for the seven directors to elect the president, he cleverly used factional divisions to his advantage. There are two important mill-based factions in Tyagipuram. One of them has dominated the Society for a number of years. In 1975, two contestants from this faction lost the election to the board of directors. Following this, the faction feared loss of control over the presidency. In a pre-emptive move this faction backed the present president. One of the reasons underlying this choice was that he belonged to a mill which was marginal to both factions. The president had two other advantages. One was that, as a Gounder, he enjoyed the support of his caste-men on the board of directors. Second, he had the backing of the two Pallars both of whom worked in his mill. Although the Pallars count for only two votes, the significance of their support consists in the community's fear of their aggressiveness.

Ever since the present president assumed office, there has been some talk of Gounders ganging up against Naidus. The Naidus in fact outnumber the Gounders. But the president has been able to keep Naidu members on the board in good humour. He shares with them the spoils of office. Whenever the sale of a house is effected, all the directors are given a drink and dinner party by the president.

The Mariamman festival in 1975, which was the first major communal event after the president took office, further illustrates the complexity of forces underlying the politics of Tyagipuram Society. A festival committee with a president, secretary and treasurer was constituted to raise resources and organise the festival. The festival committee had informally sought the assistance of the president of the Society in managing the festival. The committee raised Rs 2,500 by way of donations, which was beyond all expectations. The president of the Society, taking some liberty in the apportioning of funds, engaged professional dancers to perform on the occasion. The president of the festival committee had not been consulted about this. Upset by this, he instigated those who carry ritual offerings to demand new clothes which are traditionally due to them. The president of the Society, who could not meet this demand, retorted by asking his Pallar followers to play it

rough. A scuffle ensued. Upon this the president of the festival committee slipped to the nearby police station and gave a complaint. The festival had to be concluded with poilce help. It is interesting that the president of the Society as well as of the festival committee were in the same faction at the time of the festival, and have come together once again in spite of all that has occurred. What is more, the president of the Society has fallen apart from the Pallar who have supported him all along. It is evident that there is a constant realignment of forces.

Even though the politics of the Society is complicated by the presence of a number of conflicting loyalties, trade union and caste stand out as the two important forces influencing community affairs. I have already referred at several places to the importance of caste ties. But it needs to be emphasised that the force of caste affiliation is itself moderated by union loyalty. The union and its leaders play a mediatory role in community affairs. For example, the active members of both the factions in Tyagipuram Society are TWU members. Both factions are keen to maintain the delicate balance of power within the Society rather than fight out each other. They managed to do this by seeking the intervention of the TWU secretary. In 1975, for example, two members had to be elected to the Society's board of directors. Normally, both factions would have put up candidates for both positions. The secretary advised each faction to put up just one candidate so that they could both be elected unopposed.

Workers are constantly consulting union leaders to sort out the problems of Tyagipuram Society. Unlike the TWU, the UTLA has so far not interfered in the politics of the Society. This, in spite of the fact that the secretary of UTLA is a member of the Society and lives in one of the houses. He explained that, even though his members came to him for advice, he kept aloof from Society politics. If he were to interfere actively, there would be an escalation of conflict on union lines between TWU and UTLA supporters. Summing up the relation between union affiliation and social life in the community, this leader pointed out: "There was a time when union rivalries were taken home in all their force. Today, union rivalries are seldom taken home, but union loyalties are. While rival unionists would not clash in the community, nor would they co-operate. It would be easy to criticise the action of the rival unionists as unfair or not in the interests of the community."

Where an entire community owes allegiance to one union, things are far better. Almost everyone in Tyagipuram points to a neighbouring housing society organised by communists as a model worth emulating. The communist organised society has far better civic amenities than Tyagipuram. It is also notably free from strife. The reasons for this must be sought in the homogeneity of union membership in the former.

Caste is not a major principle of social organisation in Tyagipuram. When people speak of caste, the referent is to the diffuse clusters which share a similar ritual status. Caste, understood as a unit of endogamy, has no relevance except for the choice of spouse. Even as a cluster, caste has little place in the daily routine of the worker. In contrast, the worker is in close and constant interaction with his work-mates and union members. Caste may serve to reinforce other kinds of cleavages as it does in the politics of Tyagipuram. Even the great divide between the polluting and non-polluting castes is being replaced by a continuous gradation, where the Parayar take their place after Barber and Washermen. Caste does not emerge as the major determinant of social interaction outside the domestic sphere. There are several forces which help to forge a sense of identity among workers. They share a common past, characterised by economic hardship. They have a common life situation as wage earners. This they are trying to improve through union and political action. There is every reason to believe that the workers are keenly aware of this shared identity.

Notes

[I would like to thank B S Baviskar and E A Ramaswamy for their comments on this paper.]

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6 Ramaswamy, E A, 'Trade Unionism and Caste in South India', *Modern Asian Studies*, Volume 10, No 3, 1976, pp 361-373.

7 There is an agreement in the Coimbatore textile industry to the effect that the heirs (*warisu*) of retired and retiring workers should be given preference in the matter of recruitment.

Ashok Leyland

ASHOK LEYLAND is reducing the foreign equity participation in its share capital from 59.7 per cent to 51 per cent by offering 49,61,349 equity shares of Rs 5 each at a premium of Rs 3 per share to Indian investors. This is in compliance with a condition stipulated by government of India while granting the company industrial licences for increasing the capacities of commercial vehicles to 10,000 and industrial and and marine engines upto 1,500 per annum. Government has further increased the licensed capacity to 12,500 vehicles in the medium duty range. The company has also undertaken a massive programme of modernisation and replacement of old plant and equipment. All these steps will enable it to achieve production of 15,000 vehicles per annum by 1982. Currently, a product improvement plan is on hand. A better horse-powered engine, a stronger axle on the trucks, and a more modern gear box are being planned to make the product more efficient, economic and comfortable. The company has an impressive past record of earnings and dividends. Production of vehicles touched an all-time record of 10,947 numbers for 1978 and sales were 11,116 numbers. Sales of industrial and marine engines were also at a record level of 1,387 during 1978. Profit after tax of Rs 1.06 crores in 1965 more than trebled to Rs 3.30 crores in 1975 and in 1977 touched an all-time high of Rs 5.37 crores. For the first 10 months of 1978 it is estimated at Rs 5.57 crores. Net worth of the company has risen from Rs 14 crores as on September 30, 1977, to Rs 30.83 crores as at October 28, 1978. The company made its first bonus issue in 1976 in the ratio 1:5 and second one in December 1978 in the proportion 1:2.

Dravidian Movement in Its Pre-Independence Phases

N Ram

The significant feature of the political situation in Tamil Nadu is the existence of the two mass-based and politically powerful organisations — the Dravida Munnetra Kazhagam and the All-India Anna Dravida Munnetra Kazhagam. Working apparently at cross purposes and staking rival claims to have reached the summit of Dravida Iyakkam, *these two streams defy the authoritarian logic inherent in glib condemnations of 'regional forces' and the arrogant advocacy of an allegdly ideal 'two party model' for countries like India. Such a view does not take into account the character of the actual 'parties' in whose interest the 'two-party system' is allowed to function and develop, nor the class forces whose aspirations they express. It also ignores the historical forces which gave rise to such phenomenon as the Dravidian Movement which, for all its weaknesses, inconsistencies and limitations, cannot be summarily dismissed as being antagonistic to an 'all-India' approach whose ideal political expression is alleged to be found in a 'two-party system'.*

This article attempts a political explanation of the complex of historical forces that were working in the second half of the 19th century and which gave rise to the Dravidian Movement.

THE very existence of the two mass-based, vigorously kicking political organisation — the All-India Anna Dravida Munnetra Kazhagam (AIADMK) and the Dravida Munnetra Kazhagam (DMK) — highlights a significant feature of the political situation in Tamil Nadu. Working apparently at cross-purposes and staking rival claims to have reached the summit of *Dravidar Iyakkam* (or the Dravidian Movement), the two nevertheless together defy the authoritarian logic inherent in the condemning or dismissing of 'regional forces' and in the 'two party model' so lightly and arrogantly advocated for India.

In whose interests do the two parties function and develop? What are the social and class forces whose aspirations they express? And in what direction are they tending? To answer these questions, a historical analysis becomes necessary of the complex forces working in the second half of the nineteenth century and through the twentieth century.

Such a perspective would demonstrate — as we hope to do in a preliminery fashion in this paper — that the complex historical phenomenon known as the *Dravidar Iyakkam,* for all its limitedness, inconsistencies, and weaknesses, cannot be treated patronisingly by those advocating an all-India approach. What is needed is a many-sided political explanation of an essentially political phenomenon.

To deal with the state's ruling party first, it must be recognised that the explanations most frequently advanced in academic and journalistic analyses for the rapid rise and electoral success of the party led by M G Ramachandran fall into the trap of dismissivism. There is either a one-sided and exaggerated emphasis on the role of 'film glamour' supposed to appeal especially to women, or there is the characterisation of the AIADMK as a 'one man party'. Alternatively, of course, there is that sweeping assertion that Tamil Nadu is still in the grip of the forces of 'regionalism' or 'cultural nationalism' or of 'primordial sentiment'.[1]

These various explanations, while they do make contact with certain real aspects of the phenomenon, miss the leading fact: that the AIADMK has inherited the greater part of the committed strength and following of the undivided DMK — which itself was described on the morrow of its founding by one of its publicists as "the latest organisational shape of the Dravidian movement ... the answer to the anxious quest of the Dravidian people for a democratic organism best suited to give adequate expression to their feelings and sentiments, aims and aspirations".[2]

It is an inherent characteristic of politics that numerous and varied components are interwoven into its transforming processes. Consequently, simple-minded or single-term solutions can be rejected out of hand.[3] Nor is it possible to build neat and compact models of political development on the assumption that the advance or decline of the programme of a political party, or the mode of political articulation of a particular class or classes, will be linear or uninterrupted.

Nevertheless, if we — adopting the general method of abstraction — attempt to separate the essential from the inessential, the phenomena as they occur in their most typical form from the disturbing influences, certain characterising features of the *Dravidar Iyakkam,* and in fact of political development in Tamil Nadu become reasonably clarified.

The first fact that becomes quite clear is that the elements comprising this movement have repeatedly asserted themselves well over a century. As for the last decade and a half, the traditional strength of the dominant bourgeois-landlord movement, the Congress, has been steadily eroded by the advance of the political organisation (or organisations) of the *Dravidar Iyakkam,* and this process has so far appeared to be irreversible. The evidence of this is many-sided and impressive. It consists of the directly observable political activity of the major political forces in Tamil Nadu — their slogans, their mass mobilisations, their ideological and political campaigns — in relation to the masses of the people. It consists of their specific activity and impact among industrial and unorganised workers, among students, teachers, middle-class employees and professionals, in the urban areas; and among agricultural labourers and different sections of the peasantry, and other labouring people, in the rural areas. It consists in their ability to organise and rally numbers for their strategy and tactics. It lies in the less easily observable connections with the interests of the exploiters which the two main parties of the *Dravidar Iyakkam* have developed in the course of their evolution. It consists in the evidence provided by the results of consecutive assembly elections, which are summarised in the Table.

The results of the Assembly elections provide a clearer picture of the correla-

TABLE: SALIENT FEATURES OF ELECTORAL CHANGE IN TAMIL NADU AS REFLECTED IN LEGISLATIVE ASSEMBLY ELECTIONS, 1957—1977

Year	Voter Turnout	DMK		AIADMK		Congress		Janata	
	(Per Cent)	Number of Seats	Percentage of Votes	Number of Seats	Percentage of Votes	Number of Seats	Percentage of Votes	Number of Seats	Percentage of Votes
1957	49.33	13	12.80	NA	NA	151	14.30	NA	NA
1962	70.65	50	27.10	NA	NA	139	46.14	NA	NA
1967	76.59	138	40.77	NA	NA	50	41.04	NA	NA
1971	71.83	184	48.58	NA	NA	NA	NA	17	34.99
1977	61.57	48	24.89	130	30.36	29	17.53	10	16.69

Note: NA is Not Applicable. The Congress did not contest any Assembly seat in the 1971 elections, in a deal with the DMK. The seats captured and votes polled by the Congress(O) in 1971 are credited to the Janata on the generally accepted assumption that the Janata Party in Tamil Nadu draws virtually its entire political base from the Congress(O), although it is equally clear that the decline in political strength from the days of Kamaraj is very sharp.

tion of political forces in Tamil Nadu than the results of the parliamentary elections do. The June 1977 results, in particular, allow us to measure the independent electoral strength of the AIADMK and the DMK, in relation to the independent strength of the traditional Congress camp, the then-undivided Congress, and the Janata parties, without the mediation of very temporary and unstable alliance factors. It can be seen clearly that the Dravidian movement has made serious inroads into the main all-India parties of the big bourgeoisie and landlords and also reached past the Congress and other parties, mobilising sizeable sections of hitherto untapped mass support.

LEGITIMACY OF THE TERM, 'DRAVIDAR IYAKKAM'

A legitimate question might arise at this stage: Is there a real-life political animal which can be referred to as the Dravidian movement (or as it was known in an earlier phase and narrower groove, the 'Non-Brahmin Movement')? Is it not an invention by [illegible] academics and ignorant theo[illegible] who look at the surface of the [illegible] merely and go mainly by [illegible] and bookish evidence? The [illegible] is partly no and partly yes.

The 'Dravidar Iya[illegible]' as conceptualised in the main academic studies [illegible] is indeed a creature of the [illegible] political scientist's imagination, [illegible] bookish concept introduced into a situation where the wood is simply asking to be missed for the trees. The tendency to focus on the superficial and to mix up the primary with the secondary, the significant with the trivial, is certainly characteristic of the bulk of these academic studies which are either industrious but unevenly pursued, empirical investigations or extremely abstract and schematic theoretical constructs. This weakness is particularly evident in the two major empirical studies of the movement which tend to conclude that Tamil nationalism is 'cultural nationalism'.[5]

However, since the idea of a *Dravidar Iyakkam* is a real one to both the protagonists and antagonists of the movement, and since an *idea* that takes root among the masses (especially over a whole historical epoch) becomes a *material force*, the term, separated from the misleading and gullible connotations given it by the pioneering Western political scientist, becomes a useful descriptive device to take into account a many-headed and complex social, ideological, and political phenomenon.

ORIGINS AND RISE OF THE DRAVIDIAN MOVEMENT

We propose that any in-depth and theoretically fruitful research into the Dravidian movement can be conducted only if it is *hypothesised* as a complex response to the meeting and working out of the following historical processes: (a) the national awakening in Tamil Nadu as a part of the old Madras Presidency, (b) the inter-linked stirrings (initially spontaneous, later organised to a certain extent) of the masses of the people against caste and class oppression, (c) the 'divide and rule' manoeuvres of British imperialism and its servitors, and (d) the compromising policy of the bourgeois leadership of the freedom movement on social and class issues.

In this paper, we attempt to offer a connected interpretation and a preliminary analysis of the pre-Independence phases of the Dravidian movement, based on the vast volume of empirical research that has been published, even as we draw attention to the gaps in this historical data.

If, by-passing the real historical processes mentioned above, one goes merely by the inward-looking rhetoric and subjective claims of the leaders and publicists of Dravidian 'revivalism', or is swayed by the uncritical condemnation of the movement as sectarian, communal, and even 'anti-national' by the orthodox Congress leaders, there is no hope of comprehending the political phenomenon in a scientific sense. Just as important as comprehending the movement in its different streams is the need to study its different phases.

At the very outset, two misconceptions about the path of modern political development in South India need to be removed: The first is that there was a backwardness and hesitation in participating in the freedom movement; the second is that the freedom struggle as it developed in this region was largely the handiwork of Brahmin interests. These misconceptions — which were originally promoted by astute representatives of the colonial power — have found influential academic support in numerous devious ways.

The impression that South India was a political backwater contributing little to the rising freedom tide in the second half of the nineteenth century has been dispelled by recent empirical research, notably the work of R Suntharalingam. His detailed study[6] attempts to explore the connection between the origins of the different sections of professional and administrative intelligentsia and the nascent (merchant) bourgeoisie, on the one hand, and the articulation of democratic and anti-colonial demands and social reform activity, on the other. Suntharalingam's research, though hampered by the absence of a scientific theoretical framework, explores a field characterised by a vigorous search of

freedom initiated by the professional intelligentsia, divergent attempts at social reforms under pressure of socio-economic and educational changes, and obstacles put in the way of both the freedom movement and social reform by the forces of revivalism and communalism. Noting that the impact of the socio-economic changes imposed by British colonialism was highly uneven, he makes the perceptive observation that caste associations became vehicles for political mobilisation only in the twentieth century, and that this phenomenon arose directly from the failure of an earlier generation of leaders of the freedom movement to resolve tensions generated by the uneven rate of the colonial impact in South India.[7]

Any serious attempt to understand the process of national and democratic awakening in historical perspective must relate its origins to the historical transformation which took place in the early years of the nineteenth century: the process of development of the different peoples of India into nationalities side by side with the beginnings, rise and development of capitalism. The process of nationality formation, which was first evident in the maritime regions of Bengal, Maharashtra, Gujarat and Tamil Nadu, intensified in the second half of the nineteenth century. The emergence of national consciousness, the development of literature in the local languages, and the awakened interest in the historical past were an integral part of this larger process.[8]

Tamil nationalism is sometimes characterised in academic literature as 'cultural nationalism'. We have already seen that Marguerite Barnett, the black American political scientist who has invested a great deal of effort in her study of the Dravidian movement, goes so far as to label her study, "The Politics of Cultural Nationalism in South India".[9] We believe that such an approach, mixing up schematic theory with empiricism, obscures and diverts attention from the main direction and the essential tendencies of the political development of Tamil Nadu over the past century. To start with, such an approach refuses to face the question of the awakening to national life of the Tamil people under British rule as *part of an all-India national movement.* The national question in South India, and on the Indian sub-continent, is not seen primarily as part of the national-colonial question, as an integral part of the experience of the people's struggle against British imperialist rule. The connection between the nationality formation and awakening to national life in different parts of South India *and* the evil of British colonial oppression, is obscured in a mass of secondary and often trivial detail. Rather, the anti-imperialist direction in which the national question developed is implicitly denied in such approaches which mix up irreconcilable theoretical conceptions of class, caste, nationality, political identity, and ideology.

To take up the specific viewpoint and approach of Barnett as a negative example, her story has the following elements: Elite non-Brahmins ranged against Brahmins and hence the origins of Tamil 'cultural nationalism'. Forward non-Brahmins and backward non-Brahmins and untouchables in jostling correlation and fierce contention, the fragmentation of the non-Brahmin movement, and the emergence of the demand for Dravida Nadu. Backward non-Brahmins ranged against untouchables and other backward social groups. The development of 'cultural nationalism' through all this from movement to party, along the path of pragmatic, bread-and-butter, existence.

It is as though British imperialist oppression and its insidious policy of 'divide and rule' did not dominate this historical period. It is as though the people were passive instruments, or pawns, in a drama of manipulative movements and not the active creators of the complicated history of the Indian freedom struggle.

Tamil nationalism, in Barnett's extreme formulation of this view,

> is not territorial but cultural nationalism. The cultural nationalist sees the nation as inherent in the group of people who possess certain cultural characteristics. And so, while the territorial nationalist gives priority to the direct relationship of the individual to the territorially defined nation State, the cultural nationalist gives priority to collective cultural realisation through nationalism. Cultural nationalists within a culturally heterogenous territorial State are likely to stress equality of culturally defined 'nations' or groups; the territorial nationalist, in contrast, would stress the equality of individuals.[10]

Such an approach understands the process of nationality formation and national awakening apart from their real historical and class context. By making a schematic distinction between 'cultural nationalism' and 'territorial nationalism', it reduces Tamil nationalism, by force of bookish assertion, to the former — i e, to something less than full-fledged national consciousness. Such an approach is clearly incapable of establishing any serious connection between the development of a Tamil nationality *and* developing capitalism; between the awakening to life of the Tamils as a nationality *and* the anti-imperialist and anti-feudal stirrings and struggles of the masses; between the democratic posing of the national question in terms of overthrowing imperialism and eliminating national inequality and special privilege *and* the slogan of 'national culture' employed by the indigenous bourgeoisie, partly against imperialism, partly (in alliance with the landlords) to drug the minds of the toiling people and divert them from the path of revolutionary class struggle.

The Western political scientist introduces a bookish concept into a situation where nobody is shown to have thought in these terms — or raised this slogan — in any recognisable sense. Having no reference to a living and active nationality striving, along with other emergent nationalities, to break free from the shackles of imperialism and feudalism, and unrelated to any particular class, the construct of 'cultural nationalism' relates to the Dravidian movement in the role of a pseudo-scientific mystique.

Stirrings against Social Oppression and Their Relevance

In the modern colonial society, it was no surprise at all that any movement for social equality and against caste domination had to have an anti-Brahmin orientation,[11] since the Brahmin was the supreme caste in the Hindu hierarchy, the kingpin in the oppressive *varnashramadharma* structure. In fact, there is today considerable evidence from the second half of the nineteenth century on both the extraordinary privileges of the Brahmins in Hindu society and the spontaneous stirrings of persons and groups drawn from the lower castes against this oppressive dominance.

The situation was usefully indicated, although over-simplistically, by Richard Temple who, writing in 1882, asserted that: in Bengal, Brahmin influence was moderated by the trading and literary castes, in the North-Western Provinces by the Rajputs and the Muslims; and in Bombay by the Parsis and Jains, however, in Maharashtra and South India, Brahmin influence was absolute, with the other castes in a position of almost total subservience.[12]

A variety of factors appears to have contributed to this situation in South India.[13] *In the first place* despite the decline in political power and despite the absence of any clear-cut dominance in agrarian life (except in pockets such as parts of Thanjavur district), the


ONCE
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Brahmins continued to lord it over the Hindu ritual hierarchy, treating the non-Brahmins as inferior beings. Secondly, Brahmins were in the vanguard of the developing intelligentsia, moving into key positions as officials, professors, lower bureaucrats, writers, lawyers, and editors. They were, moreover, extremely active in the leadership of the Congress and in the Home Rule movement, providing a handle to anyone interested in branding these organisations of the freedom movement as casteist and sectarian. Thirdly, there was in the Tamil districts a pointed and highly provocative movement led by Brahmin interests (especially in the first quarter of the twentieth century) in support of *varnashramadharma* — which found an influential precursor and ally in the highly divisive revivalism of the Theosophical movement pioneered by the American Colonel H S Olcott, and led with considerably more public impact by Annie Besant.

Already, in the second half of the nineteenth century, voices were raised against this hegemony and privilege. The controversy that was whipped up by British and Anglo-Indian journals over the elevation of a Brahmin, Muthuswamy Iyer, to the judgeship of the Madras High Court in the late 1870s found a responsive chord among certain sections of the people drawn from non-Brahmin castes.[14] The sentiment that "subordination to a Brahmin is an outrage that makes the blood boil in the veins of a European"[15] had been preceded by a letter (published in the *Madras Mail*) from a 'Sudra Correspondent' challenging official statements about Muthuswamy Iyer's knowledge of Hindu Law and customs and contending that the judge moved only within the rarefied cricle of his Brahmin relatives and friends and had little actual knowledge or experience of the habits and ways of the rest of the community. This correspondent went on to opine that, despite progress in Western education and other fields, Hindus were still too moved by 'caste feelings' to be expected to discharge their official responsibilities impartially.[16] Another opponent, taking on the label of a 'A Dravidian Correspondent', observed that the Brhamin was "least fitted of all castes to deal fairly with the masses ... since he considers himself as a god, and all others as Milechas". The writer proceeded to argue that, in a situation where Brahmins were holding over 70 per cent of public appointments, it would be unwise to invest them with such high positions and thereby strengthen their position in the government vis-a-vis other castes.[17]

The complex interaction among divergent movements in social reform, Hindu revivalism as spurred on powerfully by the Theosophical Society from the 1880s, interests (including missionary efforts) acting on behalf of the colonial power, and the rising forces of the national awakening has been researched in enlightening detail by Suntharalingam. What is especially interesting for our purpose is the evidence provided on the intimate liaison between Theosophy and Hindu revivalism, which created a climate for revivalism of an entirely different vintage — despite the heroic efforts by rationalist sections such as the Madras Hindu Social Reform Association[18] in the last decade of the nineteenth century.

For, intertwined with strongly democratic feelings against oppressive caste domination was a revivalist streak which went by the name of 'Dravidianism'. In fact, revivalism and obscurantism, that leaned heavily on Sanskritic *varnashramadharma* continually fed the taproots of a southern variety. This particular division contributed distinctive elements of tragedy to the correlation of the bourgeois-led freedom movement with what came to be known, over an extended period and almost interchangeably, as the 'Non-Brahmin' or 'Dravidian' movement.

Significantly, the concept of 'Non-Brahmin', inseparably tied to the idea of the unity and integrity of South India springing magically from a 'Dravidian' past, was first postulated by European colonial scholars, some of whom went so far as to postulate rigid racial divergences. Eugene Irschick pays considerable attention to the pioneering attempts of Christian missionaries to study Tamil culture and language.[19] The Reverend Robert Caldwell (1819-1891) developed the theory that Sanskrit had been brought to South India originally by Aryan Brahman colonists, and with it a peculiar type of Hinduism embodying the worship of idols.[20] He advanced the specific hypothesis that Tamil had been cultivated by 'native Tamilians' called Sudras by the Brahmins, even though they had been Dravidian chieftains, soldiers and cultivators, never really conquered by the Brahmins.[21] Caldwell (whose pseudo-scientific historical researches such as a detailed study of Shanars of Tirunelveli and a pioneering philological work have earned him a great prestige in Tamil Nadu) proposed that the term Sudra be dropped and, instead, the name of each 'Dravidian caste' be used according to the locality of the occurrence.[22] While another missionary, G U Pope (1820-1907), contributed substantially to the development of studies of Tamil literature and religion and added a new sophistication to Tamil cultural studies,[23] influential colonial officials, such as J H Nelson and the brutally repressive Governor of Madras, Mountstuart Elphinstone Grant-Duff, manipulated and made political capital out of these sentiments expertly.[24] In his 1886 address to the graduates of the University of Madras, Grant-Duff demarcated the Brahmins of South India (whom he attacked, no holds barred) from the non-Brahmins in the audience: "You are of pure Dravidian race" and "I should like to see the pre-Sanskrit element amongst you asserting itself rather more."[25]

Suntharalingam's point about the consequences of a generation of leaders of the bourgeois-led freedom movement failing to resolve tensions generated by the uneven rate of the colonial impact in South India is well taken in this context. Not that a broader approach to what a leading publicist defined in 1911 as "the intimate connection between our social and political advance"[26] was altogether absent in the earlier period. The vanguard 'enlighteners' drawn from the professional intelligentsia of the 1870s, 1880s, and 1890s, certainly represented such an approach on social issues. The controversy that developed over the Age of Consent Bill (an anti-infant marriage measure) in 1890 led to an articulate minority of 'modernisers' among the intelligentsia appealing formally for an alliance with "Dravidian social reformers and their leaders".[27] Following the rupture of ranks in the Hindu social reform movement, there surfaced in November 1892 an organisation that had as its declared objectives the promotion of education among girls and women, the reform of domestic and marriage habits and, above all, the abolition of untouchability and the "amalgamation of castes". It represented a highly progressive response to a complicated situation. The short-lived Madras Hindu Social Reform Association, whose activities invited fierce attack from the revivalists and failed to attract the support of the all-India and provincial Congress leaders, required its members to practise education of women, postponement of the marriages of daughters, inter-caste dining, and encouragement of widow remarriage, and made a polemical distinction between the 'thinking reformer' and the 'courage-of-conviction reformer'.[28]

The problem of developing a movement on the basis of "the intimate connection between our social and political advance" continued to trouble the growing ranks of the freedom movement, and especially its leadership, and through the 1890s there was expressed a strong criticism of the 'moderate' style of politics and, in fact, "disillusionment with the ideology and tactics of the Congress".[29] The disillusionment was both on political and social reform issues and the kind of response evoked in the first decade of the twentieth century — a period of radical ferment in South India — suggests a shift of the forces of the freedom movement to entirely new and higher ground.

Politically, the gains made by the 'extremist' camp within the Congress and the mass swerve in favour of this approach — as seen in the revolutionary events of 1905-1908 and, in particular, in the events of February-March 1908 in Tuticorin and Tirunelveli under the leadership of V O Chidambaram Pillai and Subramania Siva — prepared the ground for transition to an era where the freedom movement began to search actively for a wider and more powerful mass base, going far beyound the ranks of the intelligentsia.

Representing a more complex and differentiated experience for the development of social reform concerns, the new period saw, in South India, the surfacing of the 'Non-Brahmin Movement' and sharp contradictions within the nationalist ranks.

Way-out 'modernisers' such as K Srinivasa Rau, a Marathi-speaking Brahmin from Thanjavur district, put forward the view that there was no question of India developing politically until it closed its blatantly divided social ranks. "Unless the ground is cleared, the rocks and stones removed, the basis of National life broadened and deepend, and the centre of life and interests changed from persons to principles, and divergent sects, classes, and creeds to the country at large, and unless our political sympathies go forth, from the pale of Iyers, Iyengars and Raus, to wider circles of men...transcending Brahman and non-Brahman ... democracy on any large scale will be a danger, delusion and sham."[30] In a remarkable tract published in 1911 that takes the form of a conversation between an Indian and an Englishman on the political condition of India (particularly Madras), Srinivasa Rau made 'Ramdoss' define what, in his perception, were the loyalties that complicated Indian politics — among other things, "If you use the names of the particular divisions of Hindus, you touch a chord of each division".[31]

From a somewhat different stance of emphasised loyalty to the Raj, C Sankaran Nair declared in a lecture in 1909 that nationalism was "an impossible drain so long as the caste system stands in the way" and that, as a result of Brahmin dominance, other sections of society were being rendered unfit to accept political responsibility.[32]

But just as there was no question of 'transcending' either the Brahmin-non-Brahmin issue or the other social divisions of the old order without fighting it out, the facile and repeatedly publicised assumption that nationalism could not develop in South India on account of the caste divisions proved wrong It was, at best, a needless fear, at worst, an apologetic or even blatant stance in support of the colonial power.

Nevertheless, men like Sankaran Nair were making an important point when they focused on the impact on public life of the orthodoxy and ritual privileges which the Brahmins who entered the leadership of the Home Rule movement tended to saddle it with.[33] In 1913, the hearings of the Royal Commission on Public Services in Madras firmed up these feelings by highlighting the disproportionate share of posts in the Madras Government services held by Brahmins.[34]

On the eve of the First World War, feelings of resentment against Brahmin privileges in social and public life came to be widely articulated in letters to the daily press. While a writer from South Arcot district, for example, observed that "the Brahmin *vs* non-Brahmin hatred is found supreme in every Taluk",[35] another could record his bitter resentment over an experience in Madurai where he and some Brahmin friends celebrating the conferral of an honorary Rao Bahadurship on a friend came across segregation of non-Brahmins from Brahmins in the club.[36]

The academic literature on the subject tends to mix up the two issues: democratic opposition to Brahmanical privileges and participation in the freedom movement. Irschick himself seems to be either naively or calculatingly on the wrong track when he postulates that "fear of a Brahman take-over of political power, should Mrs Besant succeed in her Home Rule endeavours, set off a series of reactions which culminated in the formation of a non-Brahman party to challenge her moves".[37] It was not the 'fear of a Brahmin take-over' but a willingness to serve the British masters in what perceived to be their own class interests that led to the remarkable series of moves led by landlord and merchant interests drawn from the higher non-Brahmin castes to form the Justice party.

The whole point here is that the initially spontaneous, growingly organised, revolt of the intelligentsia and the masses belonging to socially oppressed castes against the Brahmin-dominated Hindu caste structure is not to be confused with the interests articulated in the formation of a political organisation whose organising credo was total loyalty to the British Raj, opposition to the freedom movement in all its forms, and — as the movement began to run out of steam — a single-minded hunt for patronage through implementation of communal rule. The real situation, as opposed to the illusion attempted to be created by Justice party propaganda, appeared to be indicated by the following editorial observation: "The Non-Brahmans are as solidly in favour of Home Rule as any other community, despite the efforts of a small but exceedingly vocal clique which has been magnified by the forces of reaction as representing the forty odd millions in this Presidency."[38]

Nevertheless, it would be wrong to underestimate the fact that the ideological assumption that Dravidian history was separate from, and clearly superior to, the Aryan or Brahmanic tradition in India was influentially taken over by sections of the population in South India in the first two decades of the twentieth century. It was reflected in the sporadic publishing activities of the Madras Dravidian Association (dating from 1912); in the 'Non-Brahmin Letters', a series of 21 'heart-searching' epistles authored by one 'SKN', professing to articulate the position and the aspirations of various caste groups; and, of course, in the "Non-Brahmin Manifesto".[39] For a somewhat later phase, Barnett cites the following revealing samples of not uninfluential writings from Dravidian movement journals:[40]

Dravidan (September 29, 1920): cites with approval a non-Brahmin conference resolution to the effect that "Tamil is not properly encouraged now in the present universities and that many foreign Aryans, who wielded an influence in the University, brought the language to its present low condition...".

Dravidan (October 11, 1921): categorises selfishness, trickery, mischief, partiality towards their own class, harted, and avarice, as Brahmin traits, adding

that "their selfishness is exhibited in their demanding immediate swaraj with the idea that they may hereby advance the cause of their class and making other classes their servitors, retard their own progress of the world"

Dravidan (January 22, 1923) "From the very beginning of the English rule, the cunning Brahmans in Madras have occupied all posts in the government from the lowest to the highest and have been successfully keeping out the other communities by filling up the vacancies with men of their own community"

Nyaya Dipika (January 25, 1923) "The Brahmans are also foreigners to India as are the British the Brahmans, coming into India from Central Asia three thousand years ago, put down the ancient inhabitants of the country, have created dissatisfaction among them by bringing into being racial, religious, and caste differences, and have been commanding the Indians ever since"

A Perspective on the Justice Party

In a period of accelerated, though complicated, advance of the freedom struggle among the masses in South India, both the South India Liberal Federation (or Justice party), founded in 1916 to articulate the interests of the big feudal landlords and the most collaborating section of the mercantile bourgeoisie, and the Self-Respect League, founded by E V Ramasami in 1925, made significant contact with the Brahmin-non-Brahmin issue Although disturbingly intertwined in practice, they must be analysed as independent movements influencing political development of Madras Presidency, especially the Tamil districts. Otherwise there is no question of drawing scientific conclusions from this experience.

There was certainly scope for exploiting the issue which both these tendencies took up, since Brahmins had an extremely dominant role not merely in the administrative arena but also in higher education during the period under consideration, as Irschick's research emphasises [41] "In 1921, banks and other money establishments employed Telugu and Tamil Brahmans, Komatis (Telugu Vaisyas), and Vellalas, these four groups held almost two-thirds of the available positions In public administration there was a marked preponderance of Tamil Brahmans... In po[illegible] concerned with law, instr[illegible]nd letters, the pattern was sim[illegible] The data put together by the [illegible]overnment in 1912 showed that, at the higher levels of government service where Indians were employed, Brahmins made up 55 per cent of Deputy Collectors, 83.3 per cent of Sub-Judges, and 72 6 per cent of District Munsifs [43] The analysis of caste composition among those employed in 1917 in the Revenue and Judicial departments as tahsildars, deputy tahsildars, English head clerks, sharistadars of district and sub-courts reinforces very much the same conclusion [44] In higher education itself, a break-up showed that between 1870 and 1918, the proportion of Brahmins among the students enrolled and those granted Bachelor of Arts degrees by the University of Madras was in the range 67-71 per cent [45] As for the proportion of candidates for the Bachelor of Law degree, Brahmins constituted 73 57 per cent in 1919, and for the Licentiate of Teaching degree, the figure was 73.03 per cent Only in the medical field was the proportion appreciably lower [46]

In this context, certain features of political development in the Madras Presidency during the earlier phases of the freedom movement fall into perspective As already noted, the tendency of existing academic studies to identify 'Brahmin political involvement' with the freedom movement (in its Home Rule *movement phases*) and non-Brahmin involvement with tendencies such as Dravidian 'cultural nationalism', which could not be accommodated within the freedom movement, does serious violence to the essence of a far more complicated historical reality

The most prominent example of this approach is Barnett's naively hypothesised tension between two abstract behavioural models — the 'Brahmanic' model and the 'kingly' model [47] Obviously, the dichotomisation of socio-economic 'elites' into a Brahmin/elite non-Brahmin model tension has some reference to the process of overall historical change in South India in the late nineteenth century and the early twentieth century But, since there is no attempt to research into and scientifically identify the main direction of socio-economic change, and the class reality during a period encompassing the origin, rise and development of capitalism as well as the rise and development of a new stage of the freedom movement, the schema sweeping the surface-reality misses what goes on beneath.

The crucial fact that must be grasped in this connection is that, *during the phases of modern political development with which we are concerned, the well-to-do intelligentsia played an extremely prominent role in freedom movement organisations under bourgeois, Congress hegemony*. And since Brahmins formed a disproportionately high and privileged section of this intelligentsia in the Presidency at least up to the 1920s, it has been all too easy to identify Brahmins with the politics of Home Rule and 'forward non-Brahmins' with the politics of loyalty to the Raj.

The issue becomes much clearer when we consider the role of the British Raj in sponsoring and encouraging casteism, communalism, and other divisive forces British imperialism had a deep rooted political stake in this practice which was actively adapted to the soil on which it was developed. There is no evidence whatever to suggest that it felt for the illusion, so readily accepted by later-day academic researchers like Barnett, of equating 'Brahmin political involvement' with nationalism, 'forward non-Brahmins' with 'cultural nationalism' and loyalty to the Raj, and the masses drawn from the backward and untouchable castes with a lack of involvement in either the freedom movement or cultural nationalism [48]

The revolutionary upsurge in Tuticorin and Tirunelveli in early 1908 must have been too fresh in its memory to permit any such illusion The militant masses who rallied around V O Chidambaram Pillai — drawn from the petty and aspiring bourgeoisie, the intelligentsia and, above all, the working class — could not, by any stretch of political posturing, be fitted into caste based models of understanding the freedom movement, since the bulk of them were indisputably non-Brahmin

British imperialist policy, based on powerful class interests, was a conscious policy of dividing the people of India in order to prevent them from rallying to the freedom struggle. It found and developed on this soil extensively complex elements of caste, communal discords and social obscurantism It built upon this basis, it actively seized upon and encouraged the retrograde, it promoted slogans designed to divert the masses from the struggle for Independence — such as, "Home Rule is Brahmana's Rule",[49] — it even won certain tactical successes through such methods However, the policy of 'divide and rule', even while it should not be underestimated, could not withstand the challenge of the freedom movement indefinitely. Repeatedly, the mass base and sweep of the freedom struggle made nonsense of the well-publicised assumption that, in this society, Muslim would stay divided from Hindu, forward non-Brahmin from Brahmin, backward non-Brahmin from forward non-Brahmin, untouchable from all the other castes. The growing

unity of the masses forged in struggle was undermining the very foundations of imperialist rule in India and, along with these foundations, dogmas of unalterable caste-based political behaviour which was supposed to be inherent in these 'natives'.

The failure of British imperialism and its servitors to stem the rising tide of the freedom movement was reflected in the specific political development of South India through the 1920s and 1930s: the failure of the anti-national Justice party with its slogan of 'non-Brahminism' to win the support of the masses on the one hand, and the protracted and complex development of the bourgeois-led freedom movement of the people on the other.

In 1967, speaking at a reception organised by the 'Justice Party' in Madras, C N Annadurai, DMK Chief Minister of Madras, made play with his claims to be a representative of 'three different schools of thought' — the Justice party, with its 'magnanimity' and tradition of fulfilling 'the desires of the people' and achieving 'whatever was possible without clashing with the British regime', the Self-Respect Movement, and the Congress, with its 'diplomacy in handling political problems'.[50]

This was as much to whitewash the anti-national role of the Justice party as is attempted in the far more sophisticated academic literature (notably the work of Baker and Washbrook),[51] which attempts to make it out that the quintessence of political development during the period was inter-elite and inter-group manoeuvres among the indigenous population: "The years 1916-20 in Madras City witnessed a complex series of manoeuvres between the various groups who all wished to stand forth as the leaders of the province when the benefits of the reformed constitution were released. Radical posturing and all-India alliances enabled the Nationalists... to drum the Mylaporeans out of the Congress by 1918. In early 1920, however, just as they were preparing to use the Congress name and organisation to fight the first elections to the new legislatures, they in turn lost control of the provincial Congress to their erstwhile allies from the mofussil.... The Nationalists had to quit the Congress or they had to stay in it and ignore the elections; either way it was, for them, a step into the political wilderness.... The battle for the leadership of the province under the dyarchy constitution was thus left to the Mylaporeans and the Justicites."[52]

The Justice party itself, in this view, was "...a very mixed bag indeed. It included City merchants and politicians .... Then there were professional men.... Several families which spread widely in the public services... were also interested in this new group.... Next came several of the biggest estate-holders of the province, particularly the rajas of Pithapuram, Ramnad, Bobbili and Kalahasti.... Finally there was a scattering of local politicians of all sorts.... The banner around which these various groups clustered was the cause of the non-Brahman community."[53]

The 'cause of the non-Brahman community' referred to here is chiefly the demand that seats be reserved for 'non-Brahmans' in the new Legislative Council. In this academic view, "as a tactical weapon... it was superb. Behind the demand for the reservation of seats was a request that government should recognise the Justicites as the leaders of the non-Brahman majority in the province, and should admit that the non-Brahmans deserved special considerations. In this way, the Justice leaders would become the main channels of government patronage.... By 1920, they had won a good measure of success."[54]

Let us see what kind of 'success' was won by the Justice party, how, and with what consequences for politics in the Presidency. We can study this in the light of the detailed empirical research done on the subject, notably by Irschick. The class interests involved in the founding of this party cannot be in serious dispute, although it is true that the support it drew was somewhat 'mixed'. The conclave of 30 or so non-Brahmin leaders, including T M Nair and P Tyagaraja Chetti, at the Victoria Public Hall in Madras in November 1916, might have decided only to form a joint stock company, the South Indian People's Association, in order to publish newspapers in English, Telugu and Tamil and articulate 'non-Brahman grievances'. However, by December that year, the issuing of the 'Non-Brahmin Manifesto' and the formation of the South India Liberal Federation made explicit the ideological and political line of the new movement. The tone was decidedly anti-national and the immediate agenda was frontal opposition to Home Rule agitation. Beginning on the note that

> the time has come when an attempt should be made to define the attitude of the several important non-Brahmin Indian communities in the Presidency toward what is called 'the Indian Home Rule Movement'.

the Manifesto declared that non-Brahmins could never support any measure that

> in operation, is designed, or tends completely, to undermine the influence and authority of the British Rulers, who alone in the present circumstances of India are able to hold the scales even between creed and class and to develop that sense of unity and national solidarity without which India will continue to be a congeries of mutually exclusive and warring groups within a common purpose and a common patriotism.[55]

The newspapers of this so-called Non-Brahmin movement — *Justice*, released on February 26, 1917, *Dravidan* (in Tamil), begun in mid-1917, and *Andhra Prakasika* (in Telugu), founded in 1885 and taken over — actively pushed the view that Home Rule would benefit only the Brahmins.

The real interests behind this movement and these slogans were also evident from the fact that, right from the beginning, the bulk of funds supporting the newspapers and activities of the Justice party came from the big landed gentry of the Presidency. Irschick reveals that, within a year of its founding, the party was formally backed by at least Rs 100,000.[56] Backed by such muscle, the organisation attempted to spread throughout the Presidency.

Exploiting the weaknesses of the Congress-League scheme, and the disillusionment it created among influential sections of the freedom ranks, the Justice party attempted to advance its political line of servile loyalty to the Raj under the signboard of the 'Non-Brahmin Movement'. One interesting counter-move, in 1917, was the formation of the Madras Presidency Association (MPA), whose immediate platform was to forward a scheme to ensure full communal representation to non-Brahmins — but without in any way breaking ranks with the freedom movement.

Forced to counter the Justicite propaganda that it was a tool of the Brahmins to undermine the rising status of the Non-Brahmin movement, the MPA went on to build an influential organisational structure. Irschick makes an important point relating to the difference in class character between the Justice party and the MPA, in noting that only a relatively few zamindars and large landowners backed the latter, which was, in fact, in constant trouble over funds.[57] The MPA responded to the Justicite claim to represent the real interests of non-Brahmins by quickly reversing its initial opposition to communal representation and putting forward the line — worked out by its President, P Kesava Pillai in co-operation with influential activists of the freedom ranks such as E V Ramasami, T V Kaliyanasundaram

Mudaliar, P Varadarajulu Naidu and V Chakkarai Chettiar — at the special Madras Provincial Congress Conference in December 1917 that, given the peculiar circumstances of the Madras Presidency, "the communities... other than Brahmanas should also be adequately represented in the Legislative Council".[58]

Finding a good part of their thunder stolen by an organisation from within the freedom ranks, and smarting under the refusal in the Montagu-Chelmsford 'Report' to concede the principle of communal representation, the Justice leaders concentrated on demonstrating with increased blatancy their loyalty to the Raj. The enactment of the hated Rowlatt Act and the Jalianwala Bagh massacre of April 13, 1919, gave them an opportunity to court British favours more actively. Commenting on the Rowlatt 'Report', Tyagaraja Chetti, one of the Justice bosses, exclaimed: "To what community belong most of the persons who find a bad eminence in that Report? Who is the central figure among them? He is none other than the Brahmin gentleman (Tilak) who has been elected to the Presidential chair of the next session of the Indian National Congress."[59] The party also condoned the massacre at Amritsar commanded by General Dyer. This, according to Irschick, reveals "more clearly than any other instance the degree to which it was cut off from all-India opinion and events."[60]

The proceedings of the Joint Select Committee in London to concretise the final details of the Government of India Bill (by way of implementing the Montagu-Chelmsford proposals) attracted a strong Justicite attempt to have communal representation accepted for the Madras Presidency. The contingent which arrived in England, apart from the top leader, Nair, included all the chief satraps of the Justice bloc, including the representative of the All-India Landholders' Association and Madras Zamindars and Landholders' Association, who was later to become the Raja of Panagal and the chief party boss.[61] Following Nair's death due to illness in England (before he could tender evidence before the Joint Select Committee), K V Reddi Naidu and A Ramaswami Mudaliar took up the task on behalf of their party. Appearing before the Committee on August 12, 1919, Reddi Naidu prefaced his remarks with the observation that substantial numbers of non-Brahmins had joined the armed forces, that 'Besantine agitation' was bogus, and that Brahmins were unfit to undertake several administrative responsibilities.[62] Asserting that India could not be considered a nation, he tried to demonstrate an irreconcilable racial divide between Brahmins (Aryans) and non-Brahmins (Dravidians). The way out of the inequitous situation, he explained, was to give non-Brahmin caste Hindus a system of communal electorates. In answer to a specific question, he explained that the Justice demands included in the term 'Non-Brahmin' all those who were neither Brahmin nor untouchable.[63]

Appreciating the content and spirit behind the Justice party proposals, the Committee showed a new receptivity, on behalf of the colonial power, towards the argument that a special approach was needed in a presidency where conditions were evidently exceptional. Or, as Ramaswami Mudaliar put it in a memorandum to the Committee, the Madras Presidency should be "treated as the 'political Ulster of India.'"[64] Following this remarkable performance, the Justice leaders made intensive efforts to court the favour of the British Press, undertook speaking tours in major centres of that country, and tried to form a liaison with sections of the Liberal and Labour parties. When the Joint Select Committee included in its 'Report' of November 17, 1919, the recommendation that the non-Brahmins of Madras Presidency "must be provided with separate representation by means of reservation of seats",[65] it appeared that the Justice party had driven home its point (at least to its colonial patrons) although the way the recommendation was implemented fell far short of its expectations.[66]

With the 1919 constitutional scheme in action, the politics of grovelling before the Raj found fresh scope. A creature of the British, isolated from everything national, democratic, and enlightened (and under Tyagaraja Chetti's narrow-grained leadership divesting itself of whatever social reform pretensions that existed), the Justice party rode to office in the 1920 elections. Irschick makes clear the character and significance of these elections: Only 2.9 per cent of the total population of the Presidency was eligible to vote and the voter turn-out was barely 25 per cent of this. With the Congress boycotting the polls, the Justice party was left unchallenged in the field and bagged 63 out of the 98 elected seats. Boosted by government appointments, the strength it could boast of was actually 81 in a Legislative Council of 127.[67]

The bunch that took office at the invitation of Lord Willingdon — initially with A Subbarayulu Reddiar, a landlord from Cuddalore, as 'chief minister' and later led by P Ramarayaningar, the future Raja of Panagal — carried absolutely no conviction among the masses. Its reactionary political orientation was remarkable for opposing everything that was popular and anti-colonial and for the total isolation this policy earned for the party in national affairs; while the abuse of authority, the sordid hunt for patronage and the corruption became a sensitive election issue in 1926.[68]

It viciously attacked Gandhi, in his capacity as the rising leader of the freedom movement, and his programme of non-co-operation with the Raj. Characterising him early in 1921 as "the least tolerant and most vain of public men", who sought to trade on his standing among the illiterate masses, to spread false doctrines, it came out frontally against the Malabar uprising of 1921, going so far as to attack Gandhi (intriguingly, in the light of his known hostility to this anti-imperialist and anti-feudal uprising) as preparing to "convert this country into a cremation ground before it attains Swaraj".[69]

Gandhi's decision to call off non-co-operation following Chauri Chaura in February 1922, and growing evidence that the masses rallying to the freedom struggle could not be contained within the limits imposed by the bourgeois leadership of the Congress, only invited the official Justicite response that it was doubtful that the Bardoli decisions would be honoured by the great number of "hooligans and rowdies" who had flocked to non-co-operation to "indulge in their nefarious predilections towards violence and lawlessness".[70]

There is now iron-clad evidence that the Justice party demonstrated in office, among other things, that it had no sympathy whatsoever for the untouchable masses who were struggling for elementary democratic rights. Developing out of the militant strike of workers at the Buckingham and Carnatic Mills in 1921, the management's effort to prise untouchable workers away from their caste Hindu colleagues began to yield poisonous fruit. Leading to clashes between the untouchable sections (against whom segregation was practised even within the factory) which were persuaded to go in and the 'caste Hindu' strikers, the tactic provided the government the pretext to resort to a murderous volley of firing which took several lives.[71]

With Justice party journals drawing

from the experience, the wretched conclusion that there was "undue pampering of the Adi-Dravidas by the officials of the Labour Department, and partly by the, perhaps, unconscious encouragement given to them by a few police officers",[72] the situation appeared tailor-made for a diversion from the class issues involved. The British, past-masters at using such an opportunity to split the ranks of the toiling people, went all out to picturise the class struggle of vanguard of the working class in the Presidency and the weaknesses and gaps that had been exposed in the field as essentially a caste problem.[73]

The 'Puliyanthope troubles', as these happenings came to be known, revealed the extent to which the Justice party in office was alienated from the masses of the untouchables and even their welfare organisations. Leaders from the untouchable ranks, such as M C Raja, a member of the Legislative Council, began sharply to criticise the Justice party as out of tune with the aspirations of their people. At the second South India Adi-Dravida Congress held at Koilpatti in Tirunelveli district in mid-1923 — after this organisation had broken ranks with the Justice party — he observed that the party's 'natural animosity' towards the untouchables had been evident long before the 'Puliyanthope troubles'.[74]

Irschick sums up the results of the first stint in office by the Justice party usefully. First, even on social questions,

> the party's unwillingness to allow the untouchables to play a role in its policy indicates the closing of party ranks to include only caste Hindus with a relatively high position in the ritual hierarchy, an established position in government service and education, and a strong investment in the land and commerce of south India . Second, not only had the social role of the Justice party become narrower and more conservative, but election to the Council and the formation of a Justice ministry had changed the party ... into a mere political mechanism, a broker for government jobs for a few select non-Brahman caste Hindus.[75]

He might have added, a political mechanism at the beck and call of the colonial power and a broker for patronage which alienated itself growingly from the people — for one thing, in the 1923 Council elections, when the electorate had risen to 3 per cent of the total population and the voting turnout to 36.2 per cent of this, the Justice party lost ground from 1920. It won only 44 seats as against 63 earlier and it was only the government appointment of 17 additional members that gave it a leg-up to carry on in office.[76]

In the period of its rapid decline that approached senility, the party went through the motions of building bridges to the non-Brahmin movement in Maharashtra — with little avail.[77]

That the efforts to put on a new face at this stage had no serious effect was reflected in the trouncing that the Justicites received in the 1926 elections at the hands of the Swarajists and even independents; and Irschick's evidence shows that the party was very close to demise in 1926.[78] With substantial sections of the former activists and sympathisers leaving the party to join the ranks of the freedom movement — which was developing in a new phase of mobilising the masses, with new tactics — a Special Confederation of the Justice party convened at Coimbatore in July 1927 attempted to make a virtue out of necessity by recognising that it was "permissible for such non-Brahmans as desire to do so to join the Congress maintaining intact the individuality of the Justice party".[79]

With the death of the Raja of Panagal in December 1927, a phase in the political development of the Presidency came decisively to an end. "It was really the end of the party, though for eight more years it led a twilight existence and even held office, between 1930 and 1936...".[80]

Such, then, was the character and experience of the party that British colonial interests went all out to promote as an alternative to the organisations of the freedom movement in Madras Presidency. The historical data are far too firm today to allow any illusions about its 'magnanimity' and 'success'.

Rise of Self-Respect Movement

Meanwhile, a series of highly significant socio-political and ideological developments facilitated the emergence of the *suyamariyathai iyakkam* — associated with, but independent of, the path of development of the decrepit Justice party. The year of E V Ramasami's formal break with the Congress — coming after repeated attempts to have it out on social issues — signals no less than a new phase in the political development of Tamil Nadu. While the Justice party tried to spread its tentacles throughout the Presidency (and while its class character leaves little room for dispute), the Dravidian social reform movement started by E V Ramasami in 1925 (with the able assistance of S Ramanathan) and concentrated within the Tamil districts of the Presidency, was powerfully oriented towards oppressed groups in the caste hierarchy, including untouchables, also adopted concrete measures to involve women and youth.[81]

Although, unfortunately, EVR took to employing Justice party platforms to preach his views on self-respect and social equality it must not be forgotten that he also used these occasions to sharply criticise that party's attitude to social reform.[82] The social and class character of the *suyamariyathai iyakkam*, which was clearly different from that of the Justice party, must be considered an open-ended question that only detailed research with a scientific basis can solve.

However, the information now available on the political activities of E V Ramasami (1879-1973), the founder of the Self-Respect movement, reveals a great deal of the history of the Dravidian movement. As a boy from a well-to-do merchant family boldly violating caste-based rules of social behaviour; as a young man who sought and failed to find the personal and social answers he was looking for in sanyasihood and religious mysticism; as an ardent Congressman who campaigned wholeheartedly for freedom and social reform and spent a small personal fortune as part of his commitment to the movements; as a Congressman alienated by the high-caste prejudices and social obscurantism of the party leadership in the Presidency and in the country, notably Gandhi; as an enemy of Congress upholding the banner of militant social reform which claimed it sought to "turn the present social system topsy-turvy and establish a living bond of union among all people irrespective of caste or creed",[83] as a social reformer who, following a visit to the Soviet Union in 1931, campaigned with short-lived conviction in support of socialism and participated in conferences against landlordism and usury; as a leader of the Self-Respect League falling, tragically, into the trap of collaboration with the Justice party; as the leader of a Justice party completely discredited among the people; as the founder-leader of the Dravida Kazhagam collaborating with British imperialism against the freedom movement; as a tragic figure railing against the transfer of power, characterising Independence Day as a 'day of mourning' and demanding 'freedom from Brahmin Raj', as a supporter of the newly formed Dravida Munnetra Kazhagam led by former lieutenants who had broken loose from his authoritarian hold over the organisation, and an enemy of the Congress Ministry

headed by C Rajagopalachari; as a supporter of the 'Kamaraj Congress', seen as representing the interests of 'real Tamilians'; as a supporter of the DMK in power; as an idol-breaker who, towards the end of his very long life, polemicised against and rejected the Tamil language and Tamil culture set up as fetishes; as a militant propagandist of social reform divorced from, and contraposed to, class analysis and a scientific theory of economic and political change — the rich, many-sided, outrageously inconsistent life of this Periyar ('Great Elder') of Tamil Nadu politics seems to embody many of the specific historical features and contradictions of political development in over three quarters of a century.

The biographical details now available on Periyar provide insights into the weaknesses, the inconsistencies, the vacillations and the contradictions of the bourgeois leadership of the freedom movement. The failure to win over and keep this outstanding individual and his followers within the camp of the freedom movement is a measure of the failure of this leadership to provide consistently democratic answers to the key issues of the day. This particular inconsistency, which could be sharply discerned in the split between the 'extremists' and the 'moderates' of the 1905-1908 period, was expressed in a more developed and refined form in Gandhism: its essence lay in what R P Dutt characterised as "the disastrous combination of political radicalism and social reaction in India".[84]

Two Trends within the Self-Respect Movement

It is important to grasp the fact that, in its social determinedness and content, the Self-Respect movement which appropriated the slogan of 'Non-Brahminism' covered two essentially different tendencies. These tendencies diverged sharply in terms of philosophical-social outlook, although politically they made common cause with the Justice party. It is certainly no small qualitative distinction that is involved between the 'moderate' and 'radical' positions that academic researchers have tended uncritically to identify within the social reform movement. The qualitative distinction is between a revivalist-idealist position that claimed to return to the spiritual, religious and social roots of an idealised Dravidian path and a crudely atheistic, metaphysically materialist attack on religious and social obscurantism led by Periyar.

The first trend, artfully espoused by the leadership of the Justice party, faded away with the decline and demise of that party. The second trend, whose popularisation was essentially a phenomenon of the late 1920s, was carried forward actively and militantly by Periyar and far outlived the Justice party, influencing political development in Tamil Nadu after Independence. In an atmosphere charged with suffocating remnants of superstition and religious obscurantism, of caste division and privilege, this revolt against Brahmanical Hinduism and *varnashramadharma* — characterised by a simple and straightforward sharpness and gaining, over the years, in qualities of popularisation — had an important positive role.

If the movement can be said to have diverted people's consciousness, energy and organisation from class issues, the essential explanation is that the theoretical and practical work of those charged with the historic responsibility of taking up class issues, and of developing the class struggle towards successful democratic and socialist revolution, was too weak to prevent the people from being so diverted. Some of the more perceptive leaders of the working class movement and party critically grasped the positive elements in Periyar's contribution even while evaluating his pro-British political positions and his opportunist role following the transfer of power. Some others were carried away to the extent of considering him a great revolutionary fighter. When the working class party and movement as a whole comes to a serious historical self-criticism and evaluation of its work, it is likely to explain the connection between its line and practice *and* the specific ideological-political alternative to Congress dominance and Congress rule that emerged and developed in Tamil Nadu.

The tendency of certain academic researchers, such as Barnett, to identify the essential differences between Periyar and the working class movement as a difference centering on alleged 'Brahmin domination' of the Communist party[85] reflects an absurdly superficial and false understanding which *refuses to go beyond Periyar's words* and see the profound differences in class outlook, ideology and practice that separated him from the working class movement. These approaches completely miss the significance of the role of the working class in the freedom movement between 1918 and 1947 and the qualitative change brought about when the political line and practice of the working class began to contend — given all its limitations in development — with the political line and practice of the bourgeoisie. They are unable to see the political and practical differences between the bourgeoisie and the proletarian approaches to a series of issues, including the content of freedom and the problem of democratic social reform

In Tamil Nadu, in the twentieth century, there became increasingly evident two irreconcilable cultures, the culture of the bourgeoisie and the landlords and the culture of the cruelly, often barbarically, oppressed and exploited toiling people. The latter contained, in however rudimentary a form, live democratic and socialist cultural elements. The development of the industrial working class was the leading factor in the development of the democratic and socialist culture; the process of differentiation among the peasantry, throwing growing numbers into the ranks of the rural poor and intensifying the class contradictions in the countryside, strengthened the objective basis for the development of this culture.

If the bourgeoisie and the landlords — initially drawn by and large from the top sections of the upper castes — appropriated the slogan of 'Tamil culture' and 'Dravidianness' and used it to *mobilise the masses behind them*, it must also be recognised that the democratic and rudimentary socialist elements in Tamil culture and society repeatedly asserted themselves in political life. This became increasingly evident as the oppressed classes provided the developing basis for the freedom movement, as they increasingly fought against social and cultural degradation as well as class exploitation and to overthrow the colonial oppressor.

The strivings, the struggles, the revolts of the people belonging to the lower and untouchable castes in Tamil society to improve their social position form an important component of the democratic struggle.

Historical studies of the complex interaction in Tamil Nadu between caste and class under the modern colonial impact have merely begun. The major part of data available relate to the changes over a century and a half in the socio-economic position of the masses drawn from the Nadar caste, formerly a depressed caste known as Shanars. The pioneering study is by the American political scientist, Robert L Hardgrave, Jr,[86] a detailed probing which lights up the field brilliantly in spite of being somewhat naive in its sweep and in certain theoretical assumptions about the forces of socio-economic and political transformation.

Hardgrave's empirical data concern the masses belonging to a caste which includes very large numbers of those who "lived almost wholly from the products of the palmyra, and the vast majority... engaged in climbing"; and sizeable sections who were already in the beginning of the nineteenth century active in regional trade.[87]

With the development of transport and communication and new opportunities for expanding trade, the Nadars fanned out north of the Tambaraparni River into 'Maravar country' with jaggery, dried fish, and salt. Immigation followed trade and this significant movement resulted in the creation of *pettais*, fortified enclosures protecting their trading interests, and new mercantile settlements. The Nadars appear to have settled in the early part of the nineteenth century, according to the evidence provided in Hardgrave's narrative, in six primary centres — Sivakasi, Virudhunagar, Tirumangalam, Sattankudi, Palayampatti and Aruppukottai — known as the 'Six Towns of Ramnad'. In these concentrations there developed a stratum of enterprising merchants, middlemen and moneylenders who accumulated substantial wealth. The bulk of the masses belonging to this caste grouping (which had a number of sub-branches) continued to labour in extremely humble occupations and were subject to harsh socio-economic oppression, nevertheless, the formation of new and rising classes closely tied to the impact of British rule brought about significant changes both socially and politically in the region.

Almost without comprehending the theoretical significance of his rich empirical data, Hardgrave is dealing with the formation of a modern class, drawn from a very depressed social section ritually considered just above the untouchables, of petty bourgeois and bourgeois sections involved in mercantile and moneylending activity. This is the preparatory phase for the origins of the bourgeoisie in the late nineteenth century and in the first quarter of the twentieth century. A most interesting part of the study is the consequential impact of this objective transformation, in terms of the stirrings of large masses drawn from this particular caste against social oppression. The formation of loose mercantile associations in the settlements, of caste councils to administer communal funds and administer corporate authority in other respects, of exclusive temples and schools. These are sketched by Hardgrave as part of the process of modern socio-economic articulation.

Hardgrave's narrative identifies an initial process of imitating the Brahmanical customs of the higher castes among the more developed mercantile and moneylending sections of the community — as a response to "the incongruity between the economic position of the Six Town Nadars and their low social status".[88] He also traces in detail the conflicts that arose with the masses drawn from the higher castes (especially the Maravars, the numerically dominant caste of the region) beginning in 1860 at Aruppukottai and Palayampatti. In 1872, a case was brought by the dominant Brahmin and Vellala interests of Tiruchendur against seven Nadars for entering the temple; in 1874, some Nadars of Madurai unsuccessfully sued in the court of the Second Class Magistrate of the town on the claim that criminal force had been used by the servants of the Meenakshi temple in expelling one Mooka Nadan from the temple; a similar case, brought two years later at Tiruthangal in Ramanathapuram, was also unsuccessful.

The situation culminated in a series of bloody and fratricidal clashes, with the superintendent of police in Tirunelveli recording an 'unstable equilibrium', which he gloated over thus: "Everywhere the lower castes are asserting themselves, while denying the caste below the right which they themselves newly claim."[89] With zamindars and powerful landlords drawn from the higher castes taking a strong hand in all this, according to Hardgrave's evidence,[90] the situation developed towards a major conflagration — which, starting from raids by a confederacy drawn from a wide variety of castes (who considered themselves antagonistic to the Nadars) on Nadar villages in the vicinity of Sivakasi, culminated in the murderous sacking of Sivakasi on June 6, 1899.[91] The large masses of Maravars who formed the leading force in the attack were sent in retreat, but not before a substantial loss in lives, dwellings, and property, had been inflicted. The fighting once again moved to the rural areas and when the military was finally brought in, nearly 150 villages had been involved and a few thousand houses destroyed.[92]

The response to all this was to strengthen the urge to form caste associations believed to be for socio-economic uplift. Whereas the Kshatriya Mahajana Sangam, formed by several prominent merchants and traders congregating in Madurai in 1895, never really got going,[93] 15 years later a plenary session of the caste association in Poraiyur in Thanjavur district convened and hosted by an educated and extremely wealthy family of *akbari* contractors resulted in a Tamil Nadu-wide caste association of Nadars, the Nadar Mahajana Sangam. The association became extremely active between 1917 and 1921, promoting an upsurge of attempts to speed up educational activity (including education for girls) and Nadar welfare and philanthropic activity.[94] From then on, the momentum of socio-economic and political transformation gained speed and scale, with a strong push made for securing educational opportunities and government patronage. In addition to schools and colleges, the Sangam was instrumental in founding libraries, reading rooms, and even a co-operative bank.[95]

New antagonisms took shape and surfaced sporadically between the sharp and powerful Nadar traders, middlemen and moneylenders and other sections of the people — which these powerful interests attempted to meet by increasingly taking up the banner of all-in Nadar unity and communal uplift.[96]

In 1922, the first efforts to establish mechanised production of matches by two Nadar traders (with imported German machinery) began to yield results in Sivakasi, but production quickly switched to hand processes in response to economic factors caused by the high cost of mechanised production and the abundant availability of super-cheap labour.[97] From matches, the route of productive activity that the aspiring Nadar bourgeoisie took was fireworks production and litho printing, introduced in 1930.[98] Yet, the main character of Nadar bourgeois activity remained trade, with very little movement into industrial spheres other than those mentioned above.[99]

And what is most significant for our purpose, a differentiated process of response to the developing political situation manifested itself. Whereas, earlier, the leaders of the Nadar caste organisation declared themselves as eternally loyal to the British Raj — with a resolution of absolute feisance being a set feature of Nadar conferences from 1910 on — and whereas even with an upswing in the freedom movement influential persons such as WPA Soundarapandian continued to articulate their political positions *via* the non-Brahmin movement and the Justice party in favour of the colonial Raj,[100] the myth of Nadar political behaviour as a caste bloc began to dissolve with the onset of the first non-co-operation movement. As Hardgrave sees it,

Today, in retrospect on the 1920s

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> and early 1920s, many Tamilians will speak of the solid support of the Nadar community for the government. In fact, however, a major portion of the Nadar community opposed the Justice party and gave its wholehearted support to the Congress and the non-co-operation movement. It was not E V Ramasami Naicker but Gandhi who captured the imagination ... The Nadar Mahajana Sangam ... remained essentially an organisation of the merchant community of Ramnad and Madurai. The Sangam's support for the Justice party reflected the solid support of the Six Town Nadars for the non-Brahmin party ... The situation in Tinnevelly, however, was fundamentally different ... [here]. The Nadars presented a common Congress face to the Justice Vellalas .... During the 1930s, fissures began to appear in the solidity of the Ramnad Nadars for the Justice party . The Sivakasi Nadars were unwilling to remain followers of a Virudhunagar clique, and as the Justice party began to take on the colour of atheism in the Self-Respect movement, the more conservative Sivakasi Nadars reacted with profound distaste .... In Virudhunagar, the Justice leadership did not go unchallenged, but opposition was silenced by the overwhelming power of the Justice party group, in both wealth and numbers. The western portion of Virudhunagar, 'the wrong side of the tracks' at that time, was the section in which many of the poorer Nadars lived, together with Muslims and other castes Coolie labourers and small shopkeepers, they were a backward community in comparison with their educationally advanced and wealthy neighbours east of the tank ... There was a strong but rarely voiced sympathy for the Congress.[101]

K Kamaraj Nadar, later to become an important leader of the Congress movement on a national scale, was brought up on Virudhunagar's 'west side'. Beginning with defiant activity in the non-co-operation movement, braving the disfavour of the caste assembly for his participation in the 1920 Vaikom satyagraha against the exclusion of untouchables from the temples, Kamaraj's long and tangled political career began to express the strength as well as the glaring inconsistencies and weaknesses of the Congress leadership of the freedom movement and in relation to social reform. Nevertheless, the story of Kamaraj and his times represents a sharp turn in the political situation among the broad masses of the Tamil people, which reduces to absurdity assumptions of watertight caste-based political behaviour.

In contrast to Kamaraj as an activist of the freedom movement drawn from the smaller trading interests of the Nadar caste grouping, stands the public life of W P A Soundrapandian, an acknowledged leader of the caste-based association who entered the camp of the Justice party and yet retained his active involvement in social reform. Apart from championing what came to be known as a programme of social uplift for Nadars, he made attempts to improve relations between the caste organisation he led and other backward and depressed communities. As a matter of fact, under his leadership, attempts were made to have schools and temples which were exclusively run for Nadars thrown open to untouchables. Soundrapandian actively entered the Self-Respect movement under inspiration from E V Ramasami, militantly employing his position and influence to take up such causes as the abandonment of the Sanskritic pretensions of an earlier generation, the affirmation of Dravidian Self-Respect within his caste, remarriage of widows, a ban on the use of Brahmin priests for Nadar weddings, and Self-Respect marriages.

The combination of activism in the freedom movement and a declining and ineffective concern with a mild brand of social reform on one side, the combination of support for the anti-national Justice party and vigorous involvement in the Self-Respect movement on the other — this sharp variance between two leading representatives drawn from the Nadar caste ranks expresses an essential feature of the overall political development in Tamil Nadu in that epoch.

The historical data on the Nadars have been cited in detail to emphasise the kind of complicated objective processes which provided a backdrop to the organised political activity of the period as well as to Dravidian social reform efforts. *To the extent that it drew attention to the social, ritual and cultural oppression of the masses of the people of the non-Brahmin and lower castes and made contact with real socio-economic processes, the radical trend represented by E V Ramasami within the Dravidian social reform movement identified itself with the assertion of democratic cultural elements in Tamil society.* It expressed a radical challenge to the social and cultural foundations of this order.

Although non-Brahminism has been the organising centre and most catchy signboard of the movement that Periyar led over half a century, the content of the movement was by no means restricted to that. His attack on Brahmanical pretensions developed on a wide front against the caste system, superstition, ritual hierarchy, *Manusmriti*, mythology, temple worship, Hinduism and religion itself. The idea was popularised that Brahmanical Hinduism was the invention of a small clique in its selfish interests and needed the soil of ignorance, illiteracy, and exploitation of the masses to flourish. This was done with directness and imaginative polemical force. Ingersollian rationalism was picked up and made use of repeatedly over the years of development of the Self-Respect movement, but Periyar's own rationalism had a more vigorous atheist orientation and a stronger populist flavour, expressed in the celebrated Periyar saying: "God does not at all exist. The inventor of God is a fool. The propagator of God is a scoundrel. The worshipper of God is a barbarian."[102]

With the kind of historical data available today, it is clear that his *suyamariyathai iyakkam* doctrine, after his break with the Congress, went far beyond the bounds of philosophical rationalism, embracing such wide democratic social concerns as: an attack on orthodox Hindu assumptions of 'superiority' and 'inferiority'; the right of access to temples and wells of all communities and the rooting out of untouchability, the fierce caricaturing of Brahmanical mythologies; the diversion of temple funds for non-religious purposes, the conduct of marriages on the principle of Self-Respect (i e, rational and equal consent between the man and the woman) without the use of Brahmin priests and rituals, quite frequently with Periyar himself officiating; the abolition of all caste suffixes in names; the uplift of women and a rational approach to numerous other social evils in South India.[103] In particular, the attempts to force the entry of depressed castes into temples and the public ridicule of Hindu texts preaching an oppressive Brahmanical code[104] differentiated Self-Respect social concerns from the varieties professed by the Justice party.

At the annual Self-Respect conference at Erode in May 1930, the movement, not only inscribed equal civil rights for depressed castes and for women on its banner, but went so far as to advocate measures to redistribute wealth within society.[105]

Baker's research suggests a firm correlation between the radical Dravidian social reform movement and a complex of socio-economic changes taking place, by drawing attention to the fact that Periyar's movement struck "deeper root in some of the towns that were being deeply disturbed by economic change".[106] Its headquarters were

in Erode, Periyar's home town, and its sweep extended to the two rising manufacturing centres, Madurai and Coimbatore, as well as Salem, Tiruchirapalli, the port of Tuticorin, the towns of the Chettinad area in Ramnad, some of the growing trading towns of the cotton tract such as Virudhunagar and the new industrial suburb of Madras city, Perambur.[107] Baker makes another valuable point when he remarks that the compromising "dependence on the patronage of certain leading Justicite politicians ensured that the movement's radicalism remained mostly rhetorical".[108]

As it turned out, the contradictions that appeared in the socio-economic and political spheres proved too much for Periyar's Dravidian programme to tackle in a consistently democratic way. The prominence assumed by caste associations among sections which contributed a substantial and rising mercantile class — such as the Devangas of Salem and Coimbatore, the Nadars, the Komatis of the Andhra districts, the Beri Chettiars of Madras — as well as among castes which comprised wide sections of the peasantry as well as landlord interests, such as the Gounders, constituted a new social and political phenomenon of the 1930s. The spontaneous and embryonically organised anti-zamindar feelings and activity,[109] in the Tamil and the Andhra areas demanded a response that could link the militant social agitations of the type led by Periyar with a firm democratic attack on feudal landed relations and its attendant values.

While there was no question of the intelligentsia or the bourgeois leadership of the Congress providing any such programme, the actual historical development emphasised that neither could it be provided by the camp of Periyar — for reasons that remain to be investigated in detail. In a word, the Self-Respect movement could not sustain its social radicalism consistently, much less extend it democratically to the sphere of politics in order to develop a combined anti-colonial and anti-feudal movement.

Context of National and Democratic Advance

The larger context in which the Self-Respect movement worked out its course through the 1930s and 1940s was, of course, the growing mobilisation of very broad masses — above all the working class and the toiling peasant masses — under the banner of overthrowing the colonial oppressor. As early as in 1931, Periyar "found that many of his lieutenants were attracted by the idea of agitation and political martyrdom, and some abandoned him to join the Civil Disobedience campaign or small underground revolutionary associations".[110]

So far as Periyar was concerned, he was clearly no successor to Jyotiba Phule of Maharashtra — "the great iconoclast democrat, the friend of the poor and oppressed" who spearheaded "a liberation challenge to the entire Hindu society and to the colonial structure" and "never wavered in his loyalty to the masses, in giving priority to their interests".[111] Nor was he cast in the mould of Javalkar who, in the 1930s, refused to turn back to non-Brahmanism but went ahead to combine the anti-caste struggle with a championing of the peasant and anti-imperialist struggle — talking of a peasant war against capitalism, of an independent peasant organisation, of the Russian revolution, and of a non-violent peasant army.[112]

The closest Periyar came to linking his militant social reform concerns with an attack on feudal and semi-feudal agrarian relations and advocacy of political power in the hands of the democratic masses was in the immediate aftermath of his return from Europe and the Soviet Union in the early 1930s, when he temporarily espoused the revolutionary cause, participated in anti-moneylender and anti-zamindar activities, and, as Baker puts it (although somewhat patronisingly), "preached revolution throughout Tamilnad, erected a 'Stalin Hall' to house a Self-Respect conference in Coimbatore, and gave the Self-Respect movement the litany that 'capitalism, superstition, caste distinctions and untouchability must be rooted out'."[113]

Such activity was not sustained in the face of intimidation and repression by the colonial regime. "In 1934", as Baker portrays the weakening and surrender, "government started to bring him to heel. They jailed him for a seditious article which, among other things, accused the Justice ministers of *'sharing the spoils' of government*, arrested him again for conniving in the publication of a revolutionary pamphlet, and, when they started in early 1935 to mop up all ... (communist and leftist organisations in the province) forced him to a recantation of his bolshevik views."[114]

And, tragically, in a period when the freedom movement began to make a big impact on the peasantry and other sections of the people, when certain radical and fighting elements who had once functioned within the confines of the 'Non-Brahmin movement' overcame their separation from the anti-imperialist current, and when communists arising out of the anti-imperialist struggle were able to attract or combine with other democratic currents — notably in the Kerala and Andhra areas, but also in pockets of Tamil Nadu — Periyar moved into more and more opportunist collaboration with those whose organising credo was servility before the colonial oppressor.

Following the trouncing which the remnants of the Justice party received at the hands of the Congress in the Madras Legislative Assembly elections of 1937 — with all the bosses, including the Raja of Bobbili, P T Rajan (a big feudal landlord of Madurai district), the Kumararaja of Venkatagiri, and A P Patro, defeated — Periyar took formal charge of that party in a desperate attempt to find his political moorings. The lesson that he drew from the rout, and from the mass defection of Justicites into the Congress camp or into inactivity, was typical:

> Now, many people change from party to party.... Since the recent foolish election has shown that all those who want jobs and posts should join the Congress, now the people who want positions and those who will not have any respect if they do not have these positions and those who have no other goal in life are fast joining the Congress .... It is my opinion that we should feel happy about this ... (because) the Justice party is being purified.[115]

In 1937-38, the working class of India was conducting several extensive strikes for better conditions and for national and social emancipation.[116] A prominent feature of the labour movement during this period was solidarity strike-action and joint worker-peasant demonstrations which succeeded in forging the fighting unity of the working people, irrespective of religion, caste, or nationality. The organised trade union movement made rapid strides in the Madras Presidency, particularly in the Coimbatore industrial centre.[117] The All India Trade Union Congress (AITUC) increased its strength among the organised working class, made inroads into the strength of other organisations, and became the rallying centre of the whole labour movement. A distinctive feature of the working class action during this period was the clearly political character of the demands raised by vanguard sections.

The period 1937-39 was marked also by the increased strength of the organised peasant movement reflected in an increase in the membership of the All India Kisan Sabha (AIKS), although unevenly in South India.[118] The ad-

ance, which came in the wake of a series of partial struggles against feudal landlordism and imperialist oppression, was particularly striking in the Malabar region of the Madras Presidency.[119] Following the formation of the Congress Ministry headed by C Rajagopalachari in July 1937, the rural poor, under the leadership of the All Malabar Karshaka Sangham, launched mass struggles against landlordism and for agrarian reform. The actions of the peasantry, which sharply exposed the class character of the Congress party and in particular its inability to carry out election promises, played an important role in bringing about the final split within the Congress organisation between the 'Left' and the 'Right' and in the emergence of an influential Communist party in the Kerala region, with leaders of the calibre of P Krishna Pillai, A K Gopalan and E M S Namboodiripad. The active mobilisation of agricultural labourers and poor peasants — the bulk of whom belonged to the lower and untouchable caste — was a feature of mass organisation in only a part of the Presidency and, speaking in general, did not occur in the Tamil-speaking areas during this period. Yet, it represented a rising trend that certainly had an impact on the class configuration and the political development of South India as a whole, including the *Dravidar Iyakkam*.

The struggle of nationalities, in demanding an end to the hated system of colonial Provinces and the formation of states based on the nationality principle, was particularly advanced in South India during this period. The development of mass political activity that followed the formation of the provincial governments, with all their class limitations, stimulated the national movements of Andhra, Kerala and Karnataka and, in an entirely different way, the national movement in Tamil Nadu. The Congress leadership paid lip-service to the right of nationalities to form independent states, but tended in practice to oppose mass movements in support of this democratic demand. It must be remembered too that students became an organised force in the Presidency in the fight for Independence, democracy and socialism precisely during this period.

It is true that the outbreak of the Second World War affected the growth and development of the fighting movements of the toiling and democratic masses and, in particular, the activity and membership of the Kisan Sabha.[120] Nevertheless, the war could not stop or reverse the activity of the mass and democratic organisations. The protest movement against India's forced involvement in the imperialist war developed on a broad scale, and a spontaneous demonstration by workers in Madras city on the first day of the war was a striking feature of this protest.[121] Unrest among the peasantry demanding lower rents and a moratorium on debts manifested itself chiefly in the Andhra and Kerala regions. The glorious struggle of the Kayyoor peasants[122] which broke out in March 1941 sharply expressed the contradiction between the rural masses on the one side and imperialism and landlordism ranged on the other. The struggle of the nationalities — trapped within the Madras Presidency and also within the princely states — for the formation of autonomous states based on the linguistic and nationality principle assumed particularly acute forms among the major non-Tamil nationalities in South India

The objective change in the character of the war into a people's war and the lifting of the ban on the Communist Party encouraged the development of the kisan and trade union movements extensively. The All India Kisan Sabha steadily increased its membership during the last three years of the war.[123] In South India, especially in the Andhra and Kerala areas, the Kisan Sabha led the struggle of the tenants and agricultural labourers against oppression by landlords and moneylenders and against hunger and eviction. It was during this period that the Kisan Sabha and the Communist movement began to take root among the untouchable agricultural labourers of East Thanjavur [124]

With the end of the war and the rout of the fascist aggressors, the class contradictions within the country sharpened tremendously. The transfer of power came in a situation of unprecedented mass revolutionary upsurge. This upsurge was characterised by peasant revolts, the greatest of which developed in Telangana, general strikes of workers, student strikes, the mass struggles of the peoples of the 'native states' and, above all, the direct involvement of the armed forces in the anti-imperialist movement. Madras Presidency became an active scene of this mass revolutionary activity of 1946. Militant demonstrations by workers, students, and the petty bourgeois masses, in solidarity with the Royal Indian Navy (RIN) struggle in Bombay, took place in Madras city, Madurai, Tiruchi and some other parts of the presidency.[125] Apart from these the strike struggle of the South Indian Railway workers in August-September, and the general strike of the Coimbatore textile workers in November of that year, the struggles of the agricultural labourers and poor peasants in Kerala, culminating in the armed uprising of workers and peasants in Punnapra-Vayalar, the militant upsurge among untouchable agricultural labourers in eastern Thanjavur and, above all, the Telangana people's armed struggle — this anti-imperialist and revolutionary upsurge of the toiling and democratic masses profoundly affected the character of the political arena in the Presidency, ushered in independence, and provided the context in which the Dravidian movement had to work out its line and programme of action.

This experience has to be researched in detail in order to draw sober lessons about the course of development in South India, but it is an absurd caricature indeed that reduces the mass mobilisation of the late 1930s and 1940s in Tamil Nadu to the mobilisation of backward castes for patronage — "for a greater share of government appointments, power and influence."[126] In fact, the tendency of Western academic researchers to speak of the behaviour of the 'backward castes' in socio-psychological and manipulative terms obscures the very essence of the political development of the period: the intensification and expansion to new territory of class contradictions and the increasing political initiative and involvement of the toiling and democratic masses drawn from various castes The edge of this initiative and involvement though the late 1930s and the 1940s was directed against imperialism. This is not at all to deny specific weaknesses in the organisation and consciousness of the people in South India or in India as a whole, or to deny the fact that particular sections belonging to the lower and untouchable castes were driven by an oppressive social order and influenced by opportunist leaders to fall victim to the imperialist policy of 'divide and rule'. Such weaknesses and setbacks in the anti-imperialist, democratic and revolutionary movement must, however, be examined in a scientific historical perspective.

It was remarkable that, through all this, Periyar was able to plough his isolated furrow of the 'Non-Brahmin movement' with the slogan of Tamil Nad for the Tamilians', cut off from the broader all-India currents. The anti-communism of this movement was becoming more pronounced during this phase When war broke out in 1939, the coalition of the rump of the Justice party and the Self-Respecters unasha-

edly supported the war policy of the colonial government and, leaning upon the Muslim League demand for Pakistan, emphasised its own demand for a separate Dravida Nadu[127] — loyal to the British Empire and to be directly administered by the Secretary of State for India.

The ill-advised decision by the Rajagopalachari ministry to introduce Hindi as a compulsory language in schools and then, when the first anti-Hindi agitation was organised by the Dravidian movement, to use the notorious Criminal Law Amendment Act against the demonstrators[128] gave Periyar and his followers an opportunity to pick up a sensitive cultural issue and employ some of the methods of agitation developed within the freedom movement against a Congress Ministry.[129] The occasion also witnessed, as has already been noted, the first explicit demand issued for a separate Dravida Nadu for Dravidians.

Periyar's political perspective in this phase became clear from other kinds of issues he was championing: for example, as late as in 1940, he was petitioning the Governor of Madras with the complaint that the communal rule had not been observed properly.[130]

Such a line could not but have a serious impact on those (including a part of the leadership) who had been mobilised under the banner of the 'Dravidar Iyakkam" — even as the line pursued by the Justice party in its heyday during the 1920s, had its own impact, bringing about a significant defection to the Congress During this period of ugly collaboration with all that was pro-imperialist and anti-democratic, Annadurai (who had become an important leader next only to Periyar) expressed his political differentiation with the policies of the boss. Grasping the need for a less compromising political policy and for fresh efforts to revive the movement among the masses, he proposed, at the Salem conference of the Justice party in 1944, four resolutions which indicated the response of a significant section within the Dravidian movement to the mood of the times

(1) Those who had been granted honorary titles by the British should immediately surrender them, and nobody should receive such titles in future.

(2) Those who held honorary positions such as Honorary Presidency Magistrate, leader of the local panchayat and so on should resign these posts.

(3) The habit of attaching suffixes denoting caste to names should be given up, now and for the future.

(4) The name of the South India Liberal Federation or Justice party should be changed to Dravida Kazhagam immediately.

In fact, in a certain sense, the formation of the Dravida Kazhagam itself in 1944 out of the decrepit Justice party was a concession to the mood of the times. Another round of mass efflux of Justicites to the Congress in the wake of 1937 pointed to a clear trend. To win over the masses in a radically changed situation, the DK adopted a new political signboard and new slogans. It made a desperate attempt at a political recovery among the masses by offering them a programme that attempted to subsume their class and national oppression to their ritual and social oppression by Brahmins and 'Aryans' as an explanation of their unacceptable condition.

The nature and demand of the times intensified the differences within the Dravida Kazhagam, resulting in the surfacing of two conflicting political lines One line, represented by Periyar, set itself in frontal opposition to the movement for Indian Independence and demanded freedom from 'Brahmin Raj'. The other trend, represented by Annadurai, came out for accommodation with the freedom struggle even while continuing to focus on the demand for freedom from 'Aryan' Congress yoke. Periyar's rigid world-view and the organisational methods he pursued, contributed to the development of these differences. In 1947, Annadurai took the party close to a split by publicly disclaiming identification with Periyar's notorious declaration that Independence Day was a 'day of mourning' by noting in contortionist fashion:

> We, the Dravidians, have been emphasising that we should not be under British rule ever since 1939. Even at *a time when the country was in ferment* with anti-Hindi agitation, in the Madras conference we demanded complete freedom and autonomy for us For years it has been our endeavour and cherished wish to be free from the foreign yoke. But today, after abolishing alien rule, the Congress is trying to impose Aryan domination. We oppose the Congress solely on this ground.[132]

Despite conciliatory moves and very temporary truces, the two trends moved irrevocably towards a split in newly independent India. Following the public controversy with Periyar over the Independence issue, Annadurai and his supporters actually withdrew themselves from active involvement in party affairs, boycotting even the conference organised for a separate Dravida Nadu in October 1947.[133] Between this time and October 1948, a final effort to bring about a compromise yielded some results, with Annadurai proclaimed as Periyar's successor at the Erode conference of the party.[134]

However, following 70-year-old Periyar's decision to marry a 29-year-old woman and anoint her his 'successor' — which was made out to be in outrageous contravention of the principles of Self-Respect — Annadurai and his followers abandoned the DK and formed a new political party. The final split in 1949, which brought a whole stage in the development of the *Dravidar Iyakkam to a close, had been brought about* by a combination of factors. Among these were differences over political positions, over tactics, over the issue of participation in elections, over organisational questions (specifically inner-party democracy), and over political morality and style.

The essence of the split, in short, was a significantly divergent response within the *Dravidar Iyakkam* to the new challenges of political development in independent India.

Impact of Compromising Line of Bourgeois Leadership of Freedom Struggle

While placing the various streams emerging from the 'Non-Brahmin movement' — and especially the Self-Respect stream — in the historical perspective of the mobilisation, in phases, of the whole people against the colonial oppressor, it is vital to draw the proper conclusions about the character of the leadership of the freedom struggle.

We have already noted how, in the earlier phases of the freedom awakening in South India, the intelligentsia which played such a prominent role in giving the movement its shape failed to provide consistently democratic responses to the social, economic, and political issues involved While the Western-educated sections of the intelligentsia who came under the influence of the bourgeois *enlightenment* compromised on a whole range of issues connected with the people's quest for liberation, the more militant sections which asserted themselves in the 1890s and the first decade of the twentieth century and identified themselves with the aims and interests of the rising bourgeoisie attacked British colonial rule compromised by making common cause with the old feudal order and its institutions. This section explained all this as directing fire against the

enemy
crucial [illegible]
against [illegible]
and the [illegible] old order (including caste and oppressive hierarchical social structure), proved a serious obstacle to unifying the masses on an anti-imperialist and democratic programme.

And it was not as though the compromising characteristics of the intelligentsia and the aspiring bourgeoisie were confined to the Brahmin and higher caste sections. The nascent sections of the intelligentsia springing from the lower castes were strongly asserting democratic aspirations by challenging their own inferior social position, but the grave limitation was that, time and again, they failed to go beyond their own narrow worlds of caste and community and link themselves to broader democratic currents. In Tamil Nadu, at any rate it is clear that during this transitional period the radical and advanced sections who found a new path were more than matched numerically and in terms of political significance by those who drifted into opportunism or were diverted from the central goals. B T Ranadive puts the matter in clear perspective in relation to the experience of the Non-Brahmin movement in Maharashtra:

> The compromising and uncompromising trends in a democratic revolution always clash fiercely, as they did here. The participants had their own subjective consciousness of fighting a struggle between Brahmans and non-Brahmans. But deep historical forces were at work and the tendency to compromise with feudalism clashed with the uncompromising trend which manifested itself as a wholesale opposition to the caste system and demanded all-round liberation.[136]

If Periyar spearheaded the uncompromising trend of overthrowing the old hierarchical social order for a time, it was inevitable that, given the class limitations, his movement would be fairly quickly swamped by opportunism. The camp commanded by Periyar did not, of course, remain stagnant or unaffected. While certain elements broke away to merge with the most advanced democratic and revolutionary currents (as has been noted), by far the preponderant section became part of another type of political development. Ranadive portrays this lucidly, again in relation to Maharashtra:

> With the passage of time and the growing grip of opportunism, the earlier form of anti-Brahman opposition becomes its real content.... *The new intelligentsia, nurtured among the non-Brahmans, the product of Western education, gives exact weight acts as a bourgeois intelligentsia gives up the pioneer's uncompromising principles, merges* [illegible] from the most [illegible] communities sooner or late accepts the framework of bourgeois democracy, satisfies itself with a general declaration of rights, leaving the masses in the lurch. (emphasis in original)[136]

If these weaknesses and gaps could be seen clearly in the phases of the development of the freedom movement until the early 1920s, they became much more pronounced after that — despite the fact that Gandhi and the new bourgeois leadership of the Congress marked a significant change from the old orthodox leadership.

The compromising character of the Congress leadership in the Madras Presidency could be seen in the confusion and vacillation over Council boycott and a series of tactical questions affecting the freedom struggle. It lay in the failure to adopt a meaningful programme of agrarian reform. The weakness was also sharply exposed in the approach to sensitive social demands. It is significant that a resolution moved at a meeting of the Madras Provincial Congress Committee in June 1920 by V O Chidambaram Pillai (renowned for his swadeshi activities earlier in the century), to the effect that the Congress should champion the demand for securing proportional representation for non-Brahmins in the public services and representative bodies in the presidency, was adopted most hesitantly and after being watered down substantially.[138] The inability to face the problem frontally or place the issue in democratic perspective became more and more emphasised during the next half decade. It took the form of rebuffing repeated attempts by non-Brahmin sections within the Congress to have the issue of proportional representation for their castes clinched; bypassing a move at a party committee meeting in April 1922 to set up a committee to investigate and recommend ways to bring about a better understanding and relationship between Brahmins and non-Brahmins; and developing a quarrel in November 1922 at a Congress meeting in Tiruppur (near Coimbatore) over a resolution to allow Nadars entry into the temples.[139]

C Rajagopalachari, a prominent 'no-changer' and a close colleague of E V Ramasami's during this phase, appeared to embody all the conservative and compromising traits of the bourgeois Congress leadership and came under grave suspicion specifically for clinging on to Brahmanical social hierarchical institutions and values and for his trend of appointments to party posts.[140] The gap between the forces represented [illegible] Ramasami within the freedom movement widened rapidly through the 1920s. The latter's militant activities in the Vaikam protest against untouchability[141] — which earned for him the title of *Vaikam Veera* (Hero of Vaikam) from his admirers — had been far ahead, in terms of significance as well as tactics, of the line worked out, in person, by Gandhi. And the difference was only too glaring on the issue of separate dining at a traditional school in Kallidaikuruchi in Tirunelveli district run on behalf of the Congress by VVS Iyer, a former revolutionary terrorist. The fact that as late as in January 1925 the Congress leadership of the Presidency was vacillating and temporising on the issue of non-Brahmins being forced to eat apart from Brahmins, could not but be expected to embitter matters.[142] The final break came in the Kancheepuram conference of the Tamil Nad Congress Committee in November 1925, after two resolutions moved by E V Ramasami recommending that the Congress should recognise the principle of communal representation for non-Brahmins in public services and representative bodies were disallowed by the chairman.[143]

The conservative positions of Rajagopalachari and his close associates on the question of Hindu social hierarchy, *varnashramadharma*, and quite explicitly caste, and their frequently expressed conviction that Vedantic Hinduism was a guarantee of social discipline, have been emphasised in Copley's research into Rajagopalachari's political career.[144] The backward-looking attitude was expressed, decades later (in 1953), in the move to promote education according to traditional vocational background. This drew a barrage of justified accusations that it was based on Brahmanical and high-caste prejudices against the masses of the lower castes and it triggered off an inner-party revolt to replace Rajagopalachari as Chief Minister.[145]

Even more significantly, there is firm evidence today that E V Ramasami's highly subjective alienation from the freedom movement on account of differences with the top Congress leadership was provoked and fanned by a series of public positions adopted by Gandhi (especially during his visits to Madras) on social questions. For example, Irschick cites the instances of Gandhi telling a gathering in April 1921 that "in Madras I have not a shadow of doubt that Hinduism owes its all to the great traditions that the Brahmins have left for Hinduism..., the Brahmins

have [illegible]
ought [illegible]
purity of [illegible] life,[146] reiterating in March 1925 that "if you but follow Varnashrama Dharma in its spirit, we shall cease to be puny individuals and we shall walk in the fear of God",[147] and clarifying (in the wake of criticism of his positions in the Tamil districts) in 1927 that, being a non-Brahmin himself, all that he wanted to emphasise was that "Varnashrama Dharma is not an unmitigated evil but.. one of the foundations on which Hinduism is built (and) defines man's mission on earth".[148]

By no means confined to words and actually converging with the highly provocative *varnashramadhrama* movement being conducted in Tamil Nadu, the conservative stance adopted by the provincial and national leadership of the Congress on sensitive social issues bears a heavy responsibility, indeed for the separation of Self-Respect activists from the freedom ranks.

The lesson, therefore, is clear beyond dispute in the light of historical data available on modern political development in South India The compromising bourgeois leadership dared not champion the agrarian revolution and attack the basis of the old order and its institutions and values. It failed consistently to advocate democratic solutions to unite the masses and to work out tactics to promote their unfettered struggle to overthrow both the colonial structure and the old social order. It could not unite all the democratic currents in society. Only the working class, guided by Marxism-Leninism, could do that And, while the working class movement linked itself more and more assertively in the advanced phases of the freedom struggle, with various other democratic currents — including left tendencies in the Congress as well as from the ranks of the non-Brahmin movement, the State people's progressive aspirations, anti-caste agitations, and the peasant movements — its advance has, to this day, not been rapid enough or on such a scale as to wrest the political initiative in the land of the Tamils from the organisations of the Dravidian movement.

Notes

1 The hypothesis of the Dravidian movement as a political effect of the transformation of 'primordial sentiment' was put forward by Robert L Hardgrave, Jr, in "The Dravidian Movement", Popular Prakashan, Bombay, 1965; and various others have followed it up. The thesis of 'cultural nationalism' is basic to Eugene F Irschick's "Politics and Social Conflict in South India: The Non-[illegible] nalism, [illegible] University Press, [illegible], 1969, and has been [illegible] developed by Marguerite Ross Barnett in her detailed study, "The Politics of Cultural Nationalism in South India", Princeton University Press, Princenton, New Jersey, USA, 1976. For a detailed (and somewhat polemical) critique of Barnett's work, see N Ram, 'Prehistory and History of the DMK', pp 59-91 in *Social Scientist,* December 1977, No 65.

2 S Vedaratnam. "A Plea for Understanding: A Reply to the Critics of the Dravidian Progressive Federation", Vanguard Publishing House, Kancheepuram (undated, probably written in 1951), p 3.

3 See Yuri Krasin. 'Some Questions of the Methodology of Political Thinking' in "Time, Space and Politics: Soviet Studies in the Political Sciences", Published by *Social Sciences Today* Editorial Board, USSR Academy of Sciences. Moscow, 1977, especially pp 40-45.

4 The major academic studies of the movement are, apart from the studies by Hardgrave, Irschick and Barnett mentioned above Christopher John Baker's "The Politics of South India, 1920-1937". Vikas Publishing House, New Delhi. 1976 and a recent addition, Anita Diehl's "Periyar E V Ramasami: A Study of the Influence of a Personality in Contemporary South India". B I Publications, New Delhi, 1978.

5 The studies by Irschick and Barnett are referred to here.

6 R Suntharalingam, "Politics and and Nationalist Awakening in South India, 1852-1891", the University of Arizona Press, Tucson, Arizona, USA, 1974.

7 Suntharalingam, cited above, preface, p xiv.

8 See "A Contemporary History of India", edited by V V Balabushevich and A M Dyakov, USSR Academy of Sciences, published by People's Publishing House, New Delhi, 1964, pp 1-15. The ongoing work of K Kailasanathy head of the Department of Tamil at the Jaffna University Sri Lanka, might be expected to throw completely new light on this area when it is published.

9 Barnett, cited above.

10 Barnett, cited above p 8

11 B T Ranadive makes this point in his review article 'Towards an Understanding of the Non-Brahman Movement', a critique of Gail Omvedt's study, "Cultural Revolution in Colonial Society — The Non-Brahman Movement in Western India, 1873-1930", Scientific Socialist Education Trust, Bombay, 1976, in *Social Scientist,* March 1978, No 68, p 78.

12 R Temple, "Men and Events of My Time", London, 1882, cited by Suntharalingam p 7.

13 These are dealt with, unevenly and with differring emphases, in Suntharalingam, Irschick, Barnett, [illegible] brook, South India: Political Institutions and Political Change 1880-1940", Macmillan (India) Delhi, 1974. Washbrook's attack on naive, mega-caste-based models and interpretations of South Indian society quickly demolishes the abstract theoretical foundation on which academics like Barnett build their case. Mega-lables like 'Non-Brahmin', or even 'Vanniya Kula Kshatriya', did not represent the essence of social reality, although they were certainly derived from a complex social reality. These lables were adopted for specific purposes which can be understood in the context of larger economic, social and political conditions. Washbrook and Baker criticise some of the superficialities and untested assumption inflicted on existing academic studies of South Indian society and political development, but their own standpoint is basically pro-imperialist and directed towards covering up the connection between the complex political development of a historical epoch and the principal contradiction — between British imperialism and the masses of the people of India.

14 See Suntharalingam, pp 151-153.

15 *Madras Mail,* August 21, 1878, cited by Suntharalingam, p 152.

16 *Madras Mail*, August 5,1878, cited by Suntharalingam, p 153.

17 *Madras Mail,* September 5, 1878, cited by Suntharalingam, p 153.

18 See analysis of "Hindu Revivalism and the Age of Consent Bill Controversy" by Suntharalingam, pp 288-337.

19 Irschick, "Intellectual Background of Tamil Separatism", in study cited above, pp 275-310.

20 Irschick, p 279.

21 *Ibid.*

22 *Ibid*

23 Irschick, pp 279-280.

24 Irschick, pp 280-281.

25 Irschick, p 281.

26 K Srinivasa Rau, "The Crisis in India", Madras, 1911, cited by Irschick p 41.

27 Suntharalingam p 320.

28 Suntharalingam, p 328.

29 Suntharalingam, p 334.

30 Srinivasa Rau, cited in Irschick, p 41

31 Srinivasa Rau, cited in Irschick, p 41.

32 C Sankaran Nair, "Two Notable Lectures", *ed* C Krishnan, Calicut, 1910, p 39, cited by Irschick, p 42.

33 Cited by Irschick, p 42.

34 Irschick, p 42.

35 *Madras Mail,* September 23, 1916, cited by Irschick, p 44.

36 *New India,* February 24, 1916, cited by Irschick, pp 44-45.

37 Irschick, p 44.

38 *The Hindu*, September 17, 1917.

39 See Irschick, pp 44-52.

40 Barnett, p 27.

41 Irschick, pp 12-19.

42 Irschick, pp 12-13.

43 Great Britain, Parliamentary Papers, Volume XXI, "Royal

[illegible] the Public Services [illegible] Appendix Volume II, Minutes of Evidence relating to the Indian and Provincial Services taken in Madras from January 8 to 17, 1913, cited by Irschick, pp 13-14.

GO 1123, October 23, 1917, Home (Miscellaneous), Ordinary Series, Government of Madras, cited by Irschick, pp 13-15.

GO 22, January 21, 1919 Public, Ordinary Series, Government of Madras, cited by Irschick, pp 18-19.

Ibid.

47 The hypothesis has been taken over without discussion from Louis Dumont, "Homo Hierarchicus: An Essay on the Caste System", University of Chicago Press, Chicago, 1970. See Barnett, pp 28-29.

48 This is the essence of Barnett's argument in pp 3-84.

49 *Dravidan*, quoted in Irschick, p 51.

50 C N Annadurai, speech delivered at the reception accorded by the Justice party in Madras on April 20, 1967, in "Occasional Speeches of Anna" edited by A K Moorthy and G Sankaran, Anna Publishing House, Thanjavur, 1975-76, pp 49-51.

51 Baker and Washbrook, cited earlier.

52 Baker, pp 32-33.

53 Baker, pp 26-27.

54 Baker, p 33.

55 Irschick, p 48.

56 Irschick, p 51.

57 Irschick, pp 61-62.

58 *New India*, December 22, 1977, cited by Irschick, p 68.

59 *Madras Mail*, October 21, 1918, cited by Irschick, p 135.

60 Irschick, p 135.

61 Irschick, pp 137-138.

62 Irschick, p 150.

63 Irschick, pp 150-151.

64 Irschick, pp 151-152.

65 Irschick, p 158.

66 Irschick, pp 159-170.

67 Irschick, p 178.

68 Irschick, pp 180-182.

69 *Dravidan*, September 19, 1921, cited by Irschick, p 183.

70 *Justice*, February 13, 1922, cited by Irschick, p 183.

71 Very little research has been published on this important experience of a major struggle led [illegible] the first trade union in India, the Madras Labour Union. For a sketchy account, see C Revri, "The Indian Trade Union Movement: An Outline History, 1880-1947", Orient Longman, New Delhi, pp 90-91; and for an uncritical discussion of the issues involved, Irschick, pp 189-191.

72 *Justice*, September 7, 1921, cited by Irschick, p 190.

73 See opinion of Lionel Davidson, Home Member of the Government of Madras, cited by Irschick, pp 190-191.

74 Quoted in Irschick, p 192.

75 Irschick, pp 192-196.

76 Irschick, p 258.

77 Irschick, pp 262-263.

78 Irschick, pp 313-317.

79 *The Hindu* (weekly edition), July 7, 192[illegible] cited [illegible] 317.

80 Irschick, p 320.

81 Irschick, p 341.

82 Irschick, p 332.

83 *Revolt*, June 23, 1929, cited by Irschick, p 331.

84 R P Dutt, *India Today*, People's Publishing House, Bombay, 1949, p 303.

85 In this connection, see B T Ranadive's criticism of Omvedt in the review article cited earlier, pp 89-91.

86 Robert L Hardgrave, "The Nadars of Tamiland: The Political Culture of a Community in Change", Oxford University Press, Bombay, 1969.

87 Hardgrave, "Nadars", p 94.

88 Hardgrave, p 106.

89 "Disturbances in Madura and Tinnevelly", cited by Hardgrave, "Nadars", pp 110-111.

90 Hardgrave, "Nadars", p 111.

91 Hardgrave, "Nadars", pp 115-116.

92 Hardgrave, "Nadars", p 118.

93 Hardgrave, "Nadars", p 131.

94 Hardgrave, "Nadars", p 132.

95 Hardgrave, "Nadars", p 147.

96 Hardgrave, "Nadars", p 147.

97 Hardgrave, "Nadars", p 150.

98 Hardgrave, "Nadars", pp 150-151.

99 Hardgrave, "Nadars" p 151.

100 Hardgrave, "Nadars", pp 174-175.

101 Hardgrave, "Nadras", pp 184-186.

102 Quoted by Anita Diehl, cited earlier, p 39.

103 Baker, cited earlier, p 83.

104 Baker, p 192.

105 Baker, p 192.

106 Baker, p 192.

107 Baker, p 192.

108 Baker, p 192.

109 Baker, pp 200-211.

110 *The Hindu*, April 7, July 2, 3 and 7, and October 27, 1931; and K Baladandayutham, *"Jiva — Vaikkai Varalaru"*, Madras, 1966, all cited by Baker, p 193.

111 B T Ranadive, cited earlier, pp 78-83.

112 See B T Ranadive p 89.

113 Baker, p 193. This phase of E V Ramasami's political activity requires to be researched in much greater detail than has been done in the academic studies cited here.

114 Baker, p 193.

115 Quoted by Barnett, pp 67-68.

116 See Balabuschevich and Dyakov, *ed*, cited earlier, pp 320-323.

117 *Ibid* p 321. For more details, see N C Bhogendranath, "Development of the Textile Industry in Madras (Upto 1950)", University of Madras, 1957, pp 236-253.

118 Balabuschevich and Dyakov, *ed*, p 326.

119 Prakash Karat, 'The Peasant Movement in Malabar, 1934-1940', *Social Scientist*, September 1976, No 50.

120 Balabuschevich and Dyakov, pp 389-392.

121 *Ibid*, p 370.

122 For an outstanding novel based on this revolutionary experience, [illegible] this [illegible] the Kannan [illegible] [illegible]ana, People's [illegible] [illegible], New Delhi, 1977; [illegible] T V Krishnan, "Kerala's First Communist: Life of 'Sakhavu' Krishna Pillai", CPI publication, New Delhi, 1971, p 88.

123 Balabuschevich and Dyakov, pp 391-392.

124 Communist and Kisan Sabha efforts to organise the agricultural labourers of eastern Thanjavur began seriously soon after the First Congress of the CPI held in Bombay in May 1943. The decision to concentrate in this vanguard agrarian area in Tamil Nadu was followed up in a concrete way after the meeting of the Central Kisan Council at Bombay in August 1943. For a discussion of some the objective and subjective conditions promoting the rise of a Kisan movement in this part of Tamil Nadu, see Saraswathi Menon, 'Certain Features of the Historical Development of Thanjavur Kisan Movement: Interplay of Class and Caste Factors', published elsewhere in this issue.

125 See *The Hindu*, February 23, 26, 27 and 28, 1946.

126 Barnett, pp 48-60.

127 Barnett, p 53.

128 See A R H Copley, "The Political Career of C Rajagopalachari, 1937-1954", Macmillan (India), Madras, 1978, pp 97-109.

129 *Ibid.*

130 Barnett, p 65.

131 Barnett, p 66.

132 C N Annadurai in *Dravida Nadu*, August 1947, cited by Barnett, p 68.

133 Barnett, p 69.

134 Barnett, p 69.

135 B T Ranadive, cited earlier, pp 85-86.

136 B T Ranadive, p 88.

137 *Ibid.*

138 *Madras Mail*, June 26, 1920, cited by Irschick, p 267.

139 See Irschick, pp 267-268.

140 Sitamparanar, *"Tamilar Talaivar"*, fourth edition, Erode, 1960, cited by Irschick, p 268.

141 Irschick, pp 268-269; Barnett, p 36; and Baker, 'Leading up to Periyar: the Early Career of E V Ramasami Naicker', in "Leadership in South Asia", edited by B N Pandey, Vikas Publishing House, New Delhi, 1977, pp 513-514.

142 For accounts, see Irschick, pp 269-271; and Baker, "Leading up to Periyar...", cited above, pp 515-516.

143 Irschick, pp 271-272.

144 See especially pp 29-33 and pp 281-286 in Copley, cited earlier.

145 Copley, pp 283-286.

146 *The Hindu*, April 11, 1921, cited by Irschick, p 337.

147 *The Hindu*, March 23, 1925, cited by Irschick, p 337.

148 *The Hindu* (weekly ed), September 15, and October 27, 1927, cited by Irschick, p 338.

[illegible] pmen[illegible] njavur

Kisan Movement

Interplay of Class and Caste Factors

Saraswathi Menon

Thanjavur district has been the area of the most advanced peasant movement in Tamil Nadu. In its struggle the peasantry faced a historically developed landlord class, powerful not merely by its land monopoly but further strengthened by caste — a structure of social relations which was closely adapted to the class structure and yet retained its own dimensions of oppression.

The manner in which the Thanjavur peasants and bonded labourers were historically bound by these structures and the experience of their struggle against them is significant for the development of the democratic movement in India.

FROM the days of their first contact with Thanjavur, British observers wrote of the prevailing monopoly in land exercised by a very small section of the population. A member of this privileged class would own thousands of acres of the most fertile land in the Cauvery delta area, often spanning several taluks.[1] In 1800, it was noted that a single landlord could decide the behaviour of the grain market in a single taluk.[2] Landlordism in Thanjavur has its roots in the past, in a form of landownership known traditionally as the *mirasi* system. The principle of communal ownership must have been strongly expressed during its early evolution.[3] Lands may have been cultivated in common, individual shares being apportioned when the produce was divided, after the State share was accounted for, and the village servants had received their annual 'keep' on behalf of the entire mirasdar community. Over time, waste and reclaimed lands alone appear to have been held in common, while arable land was either permanently distributed or redistributed after a fixed interval of years. As recently as in 1921, it was observed that there were villages in which land was periodically redistributed.[4] Even as late as in 1865, private sales of land by shares were recorded, "but these are quite exceptional areas and it may be said generally that the system of redistributing fields and with it most traces of the old communal ownership of village lands is dead throughout the district."[5]

This form of landownership was attended by an important social characteristic. Throughout India, landownership has usually been restricted to a few upper castes — in Thanjavur the mirasi system was linked to the sway of Brahmin landlordism. This provided for a peculiar influence of ideology over production relations, the caste system intervening in the division of labour and the organisation of production, and in this manner sharpening and rigidifying class oppression.

Under the feudal Cholas, groups of Brahmins were granted villages for their livelihood.[6] In time, this practice gave rise to the restriction of landownership to the Brahmin caste in such *brahmadeya* villages, to the exclusion of other castes. The ritual ban on Brahmins tilling the land, springing from the historical disdain of a privileged section of society for manual labour, encouraged the growth of multi-caste villages, where the Brahmins held land and the other castes were placed in a social and economic hierarchy of self-sustaining rights and services. The rigidity of this system sustained the Brahmins' ideological dominance over the lives of the people. Their caste assembly was unquestionably the decision-making body in the village. But in some villages, other upper castes also held land and in such cases early records note that two village assemblies would function — the Sabha (of Brahmins) and the Ur (of the other castes). The former decisively exerted more influence.[7]

In 1807, the Tanjore Committee had noted that "there is hardly a family of this colony which does not hold land on ordinary mirasi tenure in Tanjore".[8] Seventy years later, Brahmins, who formed little over six per cent of the district's total population, held over 25 per cent of the ryot pattas. Landownership by other castes, however, was not negligible. Many such landlord castes, such as the Moopanar, Vellalar, and Naidu, have held land granted to them by Maratha rulers. But, despite these trends, the overall dominance of the Brahmins is distinctive. Unlike the situation in other areas, "Brahminical Hinduism is here a living reality, and not the neglected cult shouldered out by the worship of aboriginal godlings... almost every village has a temple."[9]

Extensive landownership by more powerful temples, particularly in east Thanjavur, further strengthened the bond between ideological and economic dominance. Under the Cholas, temple land was subject both to State supervision as well as control by the village assembly, headed by the Brahmins. The difficulty of directly managing extensive temple lands was resolved by leasing first to Brahmins and then, since this caste was barred ritually from cultivating, subletting to other castes.[10] Temple landownership has thus served as one of the principal sources of subletting in Thanjavur. It further influenced the condition of the peasantry by its 'right' to vary rents widely.[11]

The early colonialists recognised the strength of communal ownership in land, and the first revenue settlements were made on the village as a whole and shares were allotted by village elders to individual mirasdars. The initial settlements aimed at establishing a close relationship with the traditional landlords. While the system retained certain aspects of the old revenue system, new features were incorporated. A fixed money rent was gradually sought to be introduced. Relations within the village community between the landlords and the working people had traditionally been in grain transactions. Only purchases of luxury commodities by the wealthy from towns had been made in cash. But the colonialists enforced a gradual monetisation of the rural economy.

The high assessments of the early Collectors deepened the misery of the cultivating peasantry and landless labour, who were squeezed of their meagre

share by the landlords. Under their "oppressive mode of taxation",[12] only the wealthiest mirasdars could meet the revenue assessment The ryotwari system of assessment was intended to ameliorate this condition, so that colonial revenue could be ensured In practice, however, the earlier rates of assessment were used as the basis for the new settlement, and an ever-increasing thirst for plunder, combined with the steady fall in prices of agricultural commodities, did little to improve the condition of the peasantry In a general survey of conditions in 1853-54, the distress of the peasantry in all districts of the Presidency was noted with the exception of Thanjavur However, as an early Collector had noted, here, "One inhabitant has all the enjoyments to be procured from a fertile country, while another cultivating the same soil obtains little more than he would were he the cultivator of a desert"[13]

The ryotwari system decisively undermined the dying village community Both the settlement and the assessment ran contrary to the traditional practices of the village community The former was now made on an individual basis, and the latter was fixed on land as against the produce Certain rights of the mirasdars were withdrawn — such as their right to waste land and extra emoluments for the upkeep of temples Landlordism itself was retained, however, in a different form In theory, ryot pattas were granted to cultivating landowners — the British arguing that private property had been developing within the earlier mirasi structure of land rights as reflected in cases of individual mirasdars owning a village However, the British had noted the growth of absentee landlordism even before the imposition of the ryotwari system, and the new settlement merely sanctified such holdings It is notable that, although the British spoke of protecting the interests of the cultivator, no laws relating to tenant protection were passed during the nineteenth century

During the first half of the nineteenth century, the mirasdars leased out their land to tenants (*pykaries*), who formed two categories — *porakudis* or tenants-at-will, with leases of an year, often immigrants from other villages and with no right of occupancy; and *ulkudis* who were more firmly based in the village community. Possibly residents of the village over generations, their right to continue the lease was hereditary. The British considered them quasi-proprietary, but also described them as semi-serfs[14] Their bond to the landlord was stronger and customary labour services were demanded of them.

Under the ryotwari system, indebtedness and alienation of the land of these small holders were intensified The breakdown of the customs of the village community was typified in the removal of the ban on outsiders cultivating village land As a result, the old-world distinctions between the different classes of tenants were erased and the ulkudis were reduced to tenants-at-will, losing their traditional security of tenure

The demolition of the village community had an important result — the growth of usurious power over the peasantry In the traditional system, land could not stand surety for a debt, and a debt was bound by customary practices Under colonial rule, a new comprehensive right was granted to the ryot to sell, gift and mortgage the whole or any part of his land The moneylender played an important role in the village He would intervene by buying the peasant's produce at special prices, wrenched by advancing seeds and implements on loan earlier, mediating in the extraction of rack-revenue As a market in land developed, the moneylender extended his grip to the land itself, and contributed in no little way to the growing tendency of alienating the peasant's land The conditions of the cultivators of small plots of land, whether they owned the land they cultivated or suffered further under different forms of tenancy, were miserable and steadily worsening As the relative security of the village community was shattered by colonial penetration, the excessive revenue demand swallowed their meagre surplus Traditionally, the large landlords had monopolised the market, as the cash nexus and market relations developed further during the nineteenth century, new market opportunities were annexed by the larger landlords The deepening crisis of the colonial economy was expressed in the drive of the peasantry off the land — to no alternative outlet in the warped pattern of development

On the larger mirasdars' estates, three methods of cultivation prevailed — *varam* or sharecropping, *kuthagai* or fixed rent, and the *pannayal* system. Varam was more widespread than kuthagai at the beginning of the nineteenth century. The share of produce granted to the tenant varied extensively between taluks. In many cases it was affected by the availability but at the beginning of this century it was said to average 20 per cent of the gross crop[15] The share often depended on the relative strength of the peasantry and the landlords and the more powerful landlords in the delta area of east Thanjavur wrested a larger share from the peasantry. A 1921 revenue settlement survey remarked on the persistence of the same customary share to the tenant, despite his worsening condition. "In only two villages out of nearly 200 did I find any recent change In one of these cases the porakudis had combined in a strike last year and successfully increased their share[16] Cultivation expenses were traditionally shouldered by the tenant, whose family also provided the principal labour on the land Advances taken from the landlord would form the core of a permanent debt which would only further deepen the tenant's dependence on the landlord

It is probable that a form of bondage containing historical elements of slavery developed over time, to contribute to the establishment of the pannayal system Instances of slavery have been noted during the Chola period, although it is clear that its practice was not on an extensive scale[17] But for a significant period of time mirasdars in Thanjavur have extracted labour on the basis of extra-economic pressure The pannayals are described thoughout the nineteenth century as living under extremely harsh condition, although they had won certain rights[18] Their main work was agricultural but there were no limits on the type and length of work extracted from them. The earlier village community headed by the mirasdars was traditionally obliged to provide labour to maintain local irrigation works and the pannayal's labour was deployed on such occasions Similarly, each mirasdar customarily had to provide labour to pull temple cars at festivals Pannayals would be despatched, a number of times during the year, often to a distant taluk Interestingly, for some time the British under the guise of respecting native customs not only condoned this odious practice but provided guards as escorts for the forced marches[19]

By the first half of the twentieth century, changes in the pannayal system — owing to colonial intervention — were clearly discernible. Cash wages

were gradually being introduced, but wages still varied markedly from one estate to another, and the variations contributed to keeping the pannayals submissive and separate. A new structure of debt slavery developed which intensified the vulnerability of the labourer. A labourer would by this system bind himself, his wife and unborn children to labour for a landlord from whom he might have borrowed Rs 25 or Rs 50 to get married.[20] The pannayal was entiled, in addition to a daily wage, to a tiny house-site and plot for backyard cultivation, but these perquisites could be withdrawn at the landlord's slightest whim and were used to maintain an extra-economic hold over the pannayal.

In the articulation of this system, the caste system has played a most pernicious historical role. The ideological constructs and the structure of social relations which the caste system imposes upon the people bear traces of features of a more ancient social formation. Concepts of consanguinity and commensality, seemingly totemic caste names and socially prescribed marriage alliances evoke tribal society. Yet, over time, the caste system — in response to more fundamental changes in society — adapted and even transformed itself Inextricably bound up with agrarian relations, it provided for the persistence of highly retrogressive features in the village community. Through its rigid divisions among the people, the caste system contained seeds of extra-economic oppression and, in fact, gave it a distinctive character

By rigidly separating a section of the people as 'untouchable', the caste system facilitated the creation of a tied labour force for the landlord class. The ritual ban on untouchables renting land further deepened the separation between the labouring caste and the land that they worked. The untouchables had to live in a hamlet distinctly set apart from the main village. Over and above their harsh conditions of work, they were branded with the mark of ritual pollution at birth. And, in addition to creating a labour force bound hand and foot, its function was further to emasculate them from struggle by attempting to make them fatalistic, servile, and a prey to ferocious exploitation and vicious punishment — "often meted out with a view to cow down and bring around the rebellious element."[21]

It was, however, this section of the working people who first began to protest, spontaneously and in sporadic actions, against their extreme economic and social vulnerability. During the late 1930s, Madras government files record the increase of petitions from mirasdars who complained of insubordination on their estates. In cases where the pannayals sustained their struggle, district officers had to intervene and arrive at a compromise wage agreement on a particular estate.[22]

The traditional assemblies of the untouchables, in addition to expressing certain internal features of caste, also provided the basis for militant collective action during the early years of struggle. Since all its members were wholly dependent on subsistence labour, segmentation and differentiation was much less within this caste than within any other village group. Moreover the landlords were used to dealing with them as a collectivity. Gough cites an instance during the late 19th century when Brahmin landlords in retaliation against the demand of a few Pallars for higher wages, expelled the entire caste from the village and replaced them by importing a new sub-caste.[23] The tendency, therefore, was for untouchables to speedily settle any internal differences lest the Brahmin should intervene. The existence of a regular forum was to be an indisputable source of collective strength. All the Harijan men would meet in their temple courtyard every new moon night, and as their militancy grew, the landlords learnt to fear these meetings.[24] There is evidence that such an occasion would be used to tyrannise and threaten the unguarded women left in the Harijan area.[25] In time, however, as the movement grew — and particularly as it sought to draw wider sections of the people into action — these traditional forms of collective organisation made way for the rise of broader mass organisations of the class- and caste-oppressed people.

It was in 1939 that the labourers of east Thanjavur were organised in independent labour unions on a sporadic basis. At the first meeting of the Agricultural Labourers Union (Vivasaya Thozhilalar Sangam), demands relating both to the economic and social vulnerability of the working people were raised. Higher wages, to be paid uniformly in all the taluks, were demanded; so also was abolition of compulsory labour service and of the traditional punishments inflicted on untouchables of whipping and being forced to to and drink cow dung and cow urine. From the beginning, amelioration of the economic condition of the labourers was linked to their social vulnerability as a caste.

The movement began to advance significantly after 1943, when the Communist Party of India planned to work actively in the area. To channel the spontaneous struggle of the labourers, Kisan Sabha offices were opened in many villages of east Thanjavur, particularly in Mannargudi Division, which was throughout this period a centre of inspiring struggle. The untouchables, who formed the bulk of the membership of the kisan sabhas, were encouraged to fight for higher wages, rights over the lands they cultivated, ownership over the service grants of land, and other rights. Between 1943 and 1946, the government was repeatedly forced to intervene and work out a compromise agreement between the mirasdars and the kisan sabhas. It is interesting that, at first, the mirasdars refused even to negotiate at a table with untouchable labourers.[27]

In the face of the rising peasant movement, the landlords began to hire labour from outside the area — not only to supplement local labour, as had been the practice earlier, but to replace the militant peasantry and starve them into submission. To co-ordinate their attack on the peasantry, the mirasdars had activised older associations formed in the 1920s to protest against a raise in the rates of revenue and formed new associations at the taluk and village level. In a new 'co-operative' system, imported labourers would work by rotation on all the big landlords' estates.[28]

The force of the mirasdars' retaliation was, in essence, a measure of the growing strength of peasant unity. By 1946, the struggle was no longer limited to Mannargudi Division. In addition to the demand for a higher wage to labourers and pannayals, the kisan sabhas protested effectively against the arbitrary control traditionally exerted by the landlord over the labourers and working tenants. A landlord was entitled to change his method of cultivation at any time: as a result, a pannayal would be forced to surrender his backyard plot and house-site and tenants would be evicted. The kisan sabhas during the high tide of the movement championed the cause of the sharecroppers too in order to strengthen the fight against landlordism.

The cruel condition of the innumerable sharecroppers in the region was comparable, in certain respects, to the oppressive existence of the pannayals. Often deeply indebted to the landlord, they were forced to perform labour services for him. They were traditionally expected to meet all the cultivation expenses but were allowed only 20 per cent of the crop. Drawn to struggle which had already reaped gains for the pannayals, by 1946 sharecroppers in villages in the taluks of Mayavaram, Kumbakonam and Nannilam, were demanding an increased share of the produce — from the traditional 20 per cent to 50 per cent. The convergent struggles of the labourers and sharecroppers, faced with the obduracy of the landlords in the area, left fallow nearly 30,000 acres of wet land with an average yield of 85,000 bags.[29] Kisan sabha leaders petitioned the government: "In several villages the varamdars have not been given their part of the share of the produce and the entire produce has been taken away by the mirasdars during harvest. Hence these people are made to starve Hired goondas are let loose on the peasants in several villages..."[30]

During the early stages of the movement, the participation in the struggle of new sections of the working people was a matter of alarm for bureaucrats A Magistrate involved in a dispute had noted "For the first time the padayachis [or hired labour] whose position is above that of the Harijans in the social scale but whose economic status is very similar to theirs seem to have made common cause with them, and it also appears that a type of labour leader has arisen in connection with the dispute."[31] The participation of the sharecroppers in the movement was significant since it challenged the structure of ideological and social barriers erected by caste between the caste Hindu peasantry and the untouchable labourers.

A later study describes the process by which a caste, predominantly of peasants, waited for their influential caste headman's decision before joining a newly formed labour union.[32] The caste assemblies of such castes firmly upheld the principles of hierarchy and separation by which the caste system and the practice of untouchability were justified. The participation of untouchables in a labour union was considered defiling and the caste Hindu peasantry was initially hesitant in joining the peasant movement. Traditionally, the headmen of their assembly had been appointed or at least approved by the landlords, and in the particular case mentioned above, the headman vetoed participation in the labour union. 'As the strength of the union grew, however, life made the caste Hindu peasantry more sympathetic to its struggles.'

The intensity of anti-untouchable sentiment among the caste Hindu peasantry of Thanjavur is essentially a reflection of the deep-rooted influence of ideology on agrarian relations — in a highly specific situation where landlordism has been linked (to a significant extent) historically with the Brahmin caste, the custodian of the ideological structure of varnashrama dharma.

It is this aspect of the caste system — varying with greater or less intensity in different parts of the country — which poses a challenge to the development of the democratic peasant movement. On the other hand, it would be interesting to explore the role certain caste organisations or assemblies have traditionally played in defending their members from the excessive oppression of the landlords. For instance, artisans who formed a special category by virtue of their role in the village community and their extensive contacts with their caste members in other villages would negotiate with the landlords to establish regions of work for different groups of artisans. Customarily, the Brahmin landlords could not evict a member of the artisan community without informing the entire community. In contrast, assemblies of castes which were made up predominantly of the peasants might not have been in a position to exert as much independence from the village community, headed by the landlords, to whom they were tied.

The attempts made by the kisan sabhas to widen the base of the movement and to draw the working tenants into struggle was regarded by the popular Congress ministry formed after the war with serious disfavour. Its initial inclination was that it was sufficient to allow the mirasdars to settle the problem without government intervention "The landlords will be able to cultivate the lands with labour imported ... this new experiment on co-operative lines is an experiment worth trying in the present circumstances in view of the attitude of the kisans. Of course the government cannot look on with equanimity the number of cultivators thrown out of employment."[33] But arguing that "the impression that land belongs to the cultivators must be erased from the minds of the people",[34] the Ministry soon came to regard the democratic struggle of the peasantry as a law and order problem to be quelled directly with violence. On the other hand, members of the Congress party clearly felt that it was losing control among a sizeable section of the rural people. In 1947, it attempted to build an organisation of Congress sabhas (particularly in Mayavaram taluk) to wean the working people away from the Communists. According to Collector's reports, they were successful only among the caste Hindu peasantry, while the untouchable labourers continued to support the Communists. The Congress negotiated an agreement on wages with the taluk administration, but the militant labourers refused to accept the landlords' interpretation of the agreement and forced the Congress kisan sabha to launch a strike although the leadership had throughout pleaded for 'non-violent' methods of agitation.[35]

In 1948, the challenge of the Left movement in different parts of the country was met with fierce police force and brutality. That year, the police and armed forces entered Telangana to crush the most advanced agrarian movement in the country. In 1949, the Communist party and many Left trade union and peasant organisations were banned in Madras Province. Notably, the use of force was restricted to areas where the Left movement was strong or influential, among them the eastern part of Thanjavur. The police were still present and kisan sabhas were still banned in Thanjavur when the Tanjore Tenants and Pannayals Protection Ordinance — a gain of the militant struggle — was promulgated in August 1952.

Although the kisan sabhas were able openly to function again only in 1953, Gough portrays the mood of the fighting untouchable labourers, during the period of repression. When police entered to survey the situation in a village, the high caste headman wishing to display his newly re-established control over the village summoned the elected headman of the untouchable landless labourers. "On hearing summons all the landless labourers of the village downed tools and marched to the landlords' street with the communist flag, fearing that their leader might be intimidated or beaten. When they saw

by police trucks, they angrily climbed into them, shouting that their lives were wretched and that they wished all to be taken to prison. In the ensuing melee the police drove off with 80 of them. They were sent to jail in Trichinopoly and held without trial for four months. A deputation of local landlords eventually went to plead for their release so that the harvest work could go on."[36]

The deep roots struck by the Communist-led kisan sabhas among the untouchable labourers during the period of struggle endured through the period of repression and in struggles of the post-independence era. The extreme vulnerability of this section of the people, which drove them to spontaneous struggle against a predatory landlordism, also hardened their unity and made their organisation firm. The loyal and dedicated work of the Communist organisers in this area impressed deeply upon this section of the labouring people the need for organisation and coherent struggle. Over time, this identification has been recognised in the popular title 'Pallar Katchi' or 'Parayar Katchi' (Harijan Party). Problems of the weakening of political organisation, and concentration, reformism, and other related problems which affected the kisan movement throughout India during the post-independence period, inhibited the rapid extension of the movement to other sections of the labouring people and, in fact, even to the western part of the district. Alien ideological influences — particularly those of the political organisations of the 'Dravidian Movement', the DMK and the AIADMK — have posed an active and complex challenge which remains to be effectively met.

In Thanjavur, among other factors, the caste barrier continues to be employed by the rural gentry to divide the agrarian masses. However, it would be highly misleading to assume that caste forms any kind of absolute barrier in the way of the developing agrarian [illegible]. And, meanwhile, this struggle based among a long-oppressed section of the people goes on, an inspiring contribution to the democratic and revolutionary movement in India, seeking to overcome the problems imposed by a complex of historical, political and ideological circumstances and expand its field of activity to the rest of the agrarian masses without whose organised involvement the kisan movement cannot develop further in this region.

Notes

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6 Sastri, Neelakanta, "The Culture and History of the Tamils", p 90.
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8 "Manual of Thanjavur District", Government of Madras, 1883, p 396.
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13 *Ibid*, p 260.
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19 "Thanjavur District Records", Volume 4205, pp 95-116.
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23 Gough, Kathleen, 'Caste in a Tanjore Village' in Leach (*ed*), "Aspects of Caste in South India, Ceylon and Northwest Pakistan", 1960, pp 47-51.
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31 Government Order No 1693, dated October 11, 1938, Development Department, Government of Madras.
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Economic Development Corporation

ECONOMIC DEVELOPMENT CORPORATION OF GOA, DAMAN AND DIU (EDC) has been providing to entrepreneurs a package of incentives and services and offering infrastructural assistance to speed up industrial development in the territory. It has adopted a catalytic role to help the units right from conception to the post-production stage. Total number of units set up with the assistance of EDC rose to 251 during the year ended March 1978, as against 194 a year before. The corporation took up Bicholim as a new growth centre with the setting up of an industrial estate by Goa, Daman and Diu Industrial Development Corporation. Through the efforts of business development division 106 commitment were made to the territory during the year. The investment catalysed through this year's commitments was Rs 5.07 crores with employment potential of 3,900 jobs. A project investigation division has been set up with the objective of identifying industrial projects viable in the territory. This division completed 10 pre-feasibility studies out of which five projects were chosen by entrepreneurs for implementation. As at the end of March 1978, total financial assistance rendered by the corporation in the form of share capital contribution and term loans — directly and in joint participation with MSE — reached Rs 3.30 crore-mark. Some 33 units were assisted and a total amount of Rs 67 lakhs was disbursed during the year, bringing the cumulative total of disbursement to Rs 1.16 crores. The industrial service division rendered assistance to different units in matters like obtaining water and power connections, telecommunication facility, housing assistance, etc. An electronic cell has been formed within the Corporation to make efforts in establishing electronics industry in Goa.

in Colonial Period

Bharat Patankar

Gail Omvedt

This paper attempts to survey the history of dalit struggles in relation to the national movement and the communist movement, and to bring to the fore the important role the dalit movement has played in the democratic movement of the country and is going to play in the new democratic struggles in the future.

Communists have to think seriously about the theoretical basis for an immediate practical solution to the problem of caste oppression. This issue is emerging on a national scale today and is taking new forms, where the masses of caste Hindu poor peasants and even agricultural labourers are participating in attacks on dalits under the leadership of rich farmers.

The problem is one of posing a real programme for agrarian revolution; for, what the rich farmers are proposing today (and what constitutes an important basis of their appeal to poor and middle peasants) is their own solution to the agrarian problem and unemployment — a capitalist solution of giving land to the (landed) tiller and employing the rest as agricultural labourers and in small industries.

A concrete alternative has, therefore, to be put forward — a programme which does more than simply ameliorate the condition of dalits as proletarianised agricultural labourers or give them 'waste' surplus land which keeps in view the specific nature of caste relations in the rural area and the need for building a revolutionary unity between dalits and caste Hindu toilers, between agricultural labourers and poor and middle peasants.

THIS article attempts to survey the history of dalit struggles in relation to the national movement and the communist movement, and to bring to the fore the important role the dalit movement has played in the democratic movement of the country and is going to play in the new democratic struggles in the future. Communists have therefore to think seriously about the theoretical basis for an immediate practical solution to the problem of caste oppression. This issue is emerging on a national scale today and is taking new forms, in part heralded by Kanjhawala and Marathwada, where the masses of caste Hindu poor peasants and even agricultural labourers are participating in attacks on dalits under the leadership of kulaks. The problem is one of posing a real programme for agrarian revolution, for, what the kulaks are proposing today (and what constitutes an important basis of their appeal to poor and middle peasants) is their own solution to the agrarian problem and unemployment — a capitalist solution of giving land to the (landed) tiller and employing the rest as agricultural labourers and in small industries. A concrete alternative has therefore to be put forward — a programme which does more than simply ameliorate the condition of dalits as proletarianised agricultural labourers or give them 'waste' surplus land and which keeps in view the specific nature of caste relations in the rural area and the need for building a revolutionary unity between dalits and caste Hindu toilers, between agricultural labourers and poor and middle peasants.

We examine here the dalit movement before Independence, keeping these questions in mind. We attempt to analyse developments in India as a whole, but there is a bias towards Maharashtra partly because of our limitations and partly because the dalit movement under Ambedkar has been the most thoroughly documented.[1]

Dalits in Indian Caste Feudalism

A central feature of the relations of production in the Indian feudal system was that they did not simply bind peasants and other producers to land controlled by feudal lords and to the service of feudal lords. Rather, they bound all toilers to specifically defined occupations and duties according to the kinship group of their birth. Thus, while in feudal societies in general peasants and artisans were such from birth and were considered by blood and birth to be capable only of performing manual work, in Indian feudalism a person born in (for example) a *sutar* family was held to the performance of specifically *sutar* work and was bound to marry only into another *sutar* family. As a result, two hierarchies developed in the traditional feudal system. One was a hierarchy of groups defined in terms of their position *in relation to the land* — ranging from landlords to nominally independent peasants to tenant cultivators in varying stages of semi-serfdom to field servants in varying positions of semi-slavery. The other was a *hierarchy of artisans and service workers* — ranging from certain priests etc at the top down the scale through goldsmiths, barbers, etc, down to weavers, washermen, leatherworkers and others at the bottom, and related to the controllers of the land through the *jajmani* or *balutedari* systems which defined their duties.

Overlaying this, was *the ideology of caste* based on notions of purity and pollution, hereditary transmission of qualities, and ultimately sanctioned by religious notions of service to and exchange with the gods.[2] In terms of this ideology, the bottom level of artisan and service workers were seen as *untouchable* due to the polluting nature of their particular work, such as handling leather, removing dead cattle from village grounds, roles in death and funeral ceremonies, etc. Thus the kinship groups which performed these tasks were defined as untouchable or impure castes and were generally forced to live in hutment settlements that were close to but officially outside the 'village' proper as seen by its other inhabitants. While all castes, except Brahmins, were polluting to those above them, the untouchable castes, in performing the essential tasks of removing the most

polluting elements of the entire society, represented a kind of absolute impurity or pollution that was the polar opposite of the Brahmin's absolute purity.

This, however, is not sufficient to define the structural position of dalits (let alone explain it), and the problem with so many usual analyses of caste is that in limiting their approach to the issues of service work and caste ideology they not only fall into an essential idealism but fail to see the *specific* position of the various dalit castes. To do this we have to further examine the relations of production on the land.

Generally speaking, traditional Indian villages varied between two basic types.[3] In the peasant cultivator or *ryotwari* village, usually found in less fertile and hillier areas, the majority of the popultion were toiling peasants, usually of one caste, who handed over a share of the poduce to representatives of the feudal State — deshmukhs, desais, deshpandes, jagirdars, taluqdars, etc. The State 'administration' was represented within these villages by officials, such as the headman (usually from the main peasant caste) and the accountant (a Brahmin) who had specific rights along with the right to hold rent-free land (*watans* or *inams*). This often allowed the officials to share in the feudal exploitation of the village. In addition, growing economic prospects in ryotwari areas made it possible for landlord estate to penetrate the villages further, as big families bought up *watan* rights as well as land.[4]

In the more fertile plains and river valley areas, *landlord* or *zamindari* villages were generally found. Such villages were controlled by a class of locally-based non-cultivating landlords, often derived from original conquerors of an area or from an earlier family group who had been given the village as a grant. These could be Brahmin or Rajput or high-caste non-Brahmins, and they subordinated the existing peasants as tenant cultivators. Such a class of local lords generally acted as a 'brotherhood', controlling the village and the labour of tenants and agricultural workers collectively, and the village officials of the ryotwari village did not have much importance.[5]

However, in both cases, besides the peasant cultivators, tenants, landlords, and feudal lords, a class of *untouchable field servants* also developed from one of the untouchable service castes. This caste may have had its traditional artisan duty, such as shoe-making or weaving or carrying away dead cattle: these varied, but at the same time its *balute* or *jajmani* responsibilities almost always included performing general menial labour for the village headman and higher State officials (that is, they were the main group bound to feudal labour, or *veth-begar* as it was known in India). Along with this, they performed field labour for the peasant cultivators and landlords and were often bound in a semi-slave status to particular families of cultivators or to the landlord brotherhood as a whole. The field servants were always drawn from *one* particular untouchable caste which was then the largest one in a particular region; such castes included the Mahars in Maharashtra, Malas and Madigas in Andhra, Holeyas in Karnataka, Pallars and Paraiyans in Tamil Nadu, Chamars in western north India, and so forth. Thus, while Chambhars in Maharashtra and elsewhere in south India were *only* leather-workers, Chamars in north India were also and more importantly field servants — their structural position was similar to that of Mahars in Maharashtra, not to the Maharashtrian Chambhars. These field servant castes were not considered by the general feudal ideology to have any rights at all to the land. Yet their own traditions often described them as ancient 'sons of the soil' subjugated by invaders and very frequently their caste duties included a power of decision-making on boundary disputes that implied some sort of primordial connection with the land.

It was the castes of untouchable field servants who were and continue to be the most rebellious of all the untouchable castes. They have provided the basis for most of the militant dalit movements discussed here. In almost all village studies of the contemporary period, there is a report of some attempt by the local untouchable field servants to resist their oppression and reject their degraded position — though such attempts were often failures. In contrast, the other untouchable artisan castes were more traditional, more accepting of the hierarchical order and very often used by the village exploiting classes against the rebellious field servants. The reason is not simply the numerical significance of the untouchable field servants, it is also that their work on the land — even in a position that was often one of semi-slave bound labour — gave them a crucial role in agricultural production that put them in a position which gave them a consciousness to mount at least some rebellion. In contrast, the untouchable, merely artisan castes (rope makers, leather workers, weavers, washermen, sweepers) performed services that could be more easily dispensed with if the peasants and landlords so desired.

In other words, it is the traditional relationship to the land in the feudal system that explains such things as the long-standing differences between Mahars and Matangs or Chambhars in Maharashtra, it also explains why Buddhism and the Republican Party have found a base among Chamars in north India, but not among Chambhars in Maharashtra, why some groups and not others start calling themselves 'Adi-Dravida', etc. An understanding of 'untouchability' *only* in terms of servitude to the land without looking at caste neglects the specificity of the Indian situation. on the other hand, an understanding of 'untouchability' that *only* looks at caste ideology and purity-pollution also faills to analyse the specific features of different groups and, in particular, the basis for the revolt of the exploited which has played the major role in transforming the system.

Finally, a crucial characteristic of Indian caste feudalism was the degree to which it institutionalised *hierarchy and inequality among the exploited* sections.

Within the system, broadly, the *exploiting classes* consisted of the feudal lords (representatives of the State and whatever local officials claimed the State's share of the produce as well as rising feudal families who took advantage of watans etc to build private estates), village landlords where they existed, merchants, and priests. In varna terms, these were roughly the *Brahmans*, *Ksatriyas* (or *Sat-Shudras* in the south where no true Ksatriyas were thought to exist) and *Vaisyas*. Utilising the varna system, however, is a complicated matter since feudal lords and village landlords sometimes had a caste kin relation with other groups of village cultivators. However, if people from 'low' — i e, peasant — background rose to feudal status they generally claimed a Ksatriya status and sought to break off relations with their former lower, kin.

The *exploited classes* included the 'independent' or tenant peasant cultivators, the untouchable field servants and the artisans and other service workers. Among these the peasant cultivators and most of the artisans were defined as *Shudras* in terms of the varna system, while the fields servants and the lowest, or polluting artisan-

service workers defined as impure or *untouchable*. It is the latter — untouchable service castes and untouchable field servants — that we define as dalits in this article. It should be noted that dalits, then, are not exactly equivalent to the category of 'Scheduled Caste' as defined by the government today. For one thing, Neo-Buddhists are still not counted as Scheduled Castes (whereas they are clearly dalits); on the other hand, it seems that in some areas the Scheduled Castes category includes lower level, semi-tribal groups (e g the Rajbanshis of Bengal) who were not dalits as defined here.[6]

It also has to be stressed that, while this traditional system of caste feudalism has left its stamp on the emerging rural class system of today, it is by no means equivalent to it. For instance, modern exploiting classes include rich peasants or kulak farmers who are often drawn from a stratum or section of the middle peasant (Shudra) castes who were among the traditionally exploited classes. Similarly, the term 'untouchable field servants' has been deliberately used because they were not at all the same as the agricultural labourers of today. Modern 'agricultural labourers' include most of the dalits but also include proletarianised members of other untouchable castes (and on this basis radicalism among these castes may proceed fast in the contemporary period) and of some of the peasant cultivators. The dalits in this class are, in most cases, no longer the traditional, bound, field servants and contemporary contract labour or year-labour (*saldar*) arrangements are not equivalent to the traditional bondage.

Colonial Rule and the Maintenance of Feudalism

The important question that emerges then is, what was the impact of British colonial rule on this system? Here it seems clear that, at least until the 1920s, when the struggle of the exploited classes began to make some impact, the main effect of the British Raj was to strengthen Indian caste feudalism.

First, the *political alliance* that British imperialism made with the rural landlords and feudal classes meant by and large a strengthening of their position. Even when new men and new groups gained control of the land (through buying up land or purchasing zamindaris) as a result of commercialisation, they maintained the traditional system of subordinating the exploited classes within the village. Participation in the modern market economy was limited to rural landlords and merchants; tenants from middle peasant castes simply turned over a share of their produce while the dalit field labourers continued to toil as before. Frequently, their traditional servitude became mediated through a relationship of debt-bondage, but the debt did not operate through any modern 'contract' system and particular families of dalits were, as before, considered the traditional servants of particular families of landlords and peasant cultivators. (To take one example, in Thanjavur, in spite of a century and a half of involvement in a commercial economy, it was only after Independence and the struggles of unionised dalit labourers that the traditional system of pannaiyal bondage came to an end, and was replaced by wage-labour forms of exploitation.) Generally, the *jajmani-balutedari* systems continued to operate without much change up until Independence.

British law helped to reinforce this system. For, though it formally discarded caste as a criterion for judgment in general criminal, civil, and commercial law, and formally gave the lowest castes equal access to the law, the policy of non-interference in 'social and religious customs' of the people — a policy stressed in the first statement of the Queen after India formally came under British rule in 1858 — made this relatively meaningless. Religious and ritual restrictions (e g, the exclusion of lower castes from temples) were enforced by the courts, defilement of religious restrictions was treated as a criminal offence and so punished, and courts refused to take action against upper castes who acted on their own to 'discipline' — i e, terrorise and punish — low castes who tried to rebel. Thus, while 'formally' dalits were supposed to have equal access to such public facilities as schools, wells, and roads, they almost always had no economic ability to take their case to court; if they did so, the court was generally not likely to direct effective police action to help them even if it decided in their favour; and if they rebelled on their own and the upper castes exerted social and economic boycott against them, the courts took no action to protect them. Exclusion of low castes from temples and the rights of conservative caste elders to descipline rebellious upper-caste 'reformers' were generally upheld by the courts on the grounds that these were 'private' religious matters. Thus the position of non-interference taken by the British officials and the law amounted in practice to upholding caste hierarchy.[7] Another major example of British working through the criterion of caste was that, when laws were passed in the Punjab to prevent alienation of land to 'non-agriculturalists', this category included not only merchants but also the dalit field labourers! Occasional judgments in support of untouchables were eclipsed by this general tendency, and it is clearly erroneous to see colonialism as imposing a 'bourgeois legal system' on India in terms of abstract enforcement of property rights in land.

What of the *economic* effects of colonial rule? It is often thought that colonialism had a 'dissolving' effect on the traditional village feudal order, that by opening up new avenues of employment and education to people of all castes it provided an opportunity for advance and for breaking traditional restrictions. In reality, the situation was much more complex, and the general effect was to maintain the feudal hierarchy.

It is well known by now that the new professions and occupations dependent on modern Western education were filled overwhelmingly by members of the upper castes — Brahmins in particular but also (depending on the area) by Kayasthas, Parsis, and other groups. It is not so well known — because historians and social scientists have relatively neglected to study the working class — that the same systematic discrimination was true of new industrial jobs. Recruitment to the new factories, plantations, and mines, did not take place as a result of a mass of 'semi-proletarianised' displaced and mobile village peasantry flooding into the cities and being randomly selected for employment. Rather, it was most often structured, through a system of labour contractors (jobbers, sardars, mistris, kanganis). These frequently controlled a gang of workers through debt bondage and recruited them in ways which were geared to the village feudal economy (i e, they both depended on and reinforced village hierarchies). Even where these did not exist, it was often the nature of caste feudalism that determined which groups could have access to certain jobs or which would be willing to take the most arduous employment. As a result, there was stratification among the working

class along caste lines. The most exploited and lowest paid plantation labour was provided overwhelmingly by Adivasis (from Chhota Nagpur to the Assam tea plantations) and dalits (from the Tamil Nadu Kaveri delta to the tea, coffee, and rubber plantations of Sri Lanka. Malaysia and other parts of outh India). Dalits, particularly the field servant castes, such as the Mahars of Maharashtra, also provided labour for such dangerous and low-paid jobs as military service (where this was open to them), the mines, and unskilled labour (gangmen) on the railways. In contrast, the more skilled positions in the new jute and textile factories were filled by middle-caste peasants and tenants (Marathas and Kunbis in the textile mills of Bombay, north Bihar peasants in Calcutta jute mills) as were more skilled positions and more organised positions (even coolies) on the railroads and elsewhere.

Thus from the very beginning, not only was the 'educated elite' composed of higher castes, but *the emerging Indian working class was divided along caste lines*. The old feudal order left its stamp on the emerging capitalist relations of production. In industry as well as agriculture, dalits came to occupy the lowest, most degraded, and most low-paid positions in the working class. The fact that at least some jobs were available outside the village (particularly those on railways, military, etc) gave them a position from which to organise and fight, but the division of the working class posed tremendous problems about the form in which this fight would be carried on.

Finally, in the realm of *ideology*, on the one hand British rule confronted Indians with new ideas of science, equality, and freedom, while on the other it presented them with the sophisticated forms of modern racism which proliferated in Europe with the need to justify colonial rule over third world peoples. In the 'Aryan theory of race', the upper castes (Brahmins, Ksatriyas and Vaishyas) were thought to be descendents of early Aryan invaders while dalits and adivasis were described as descendents of conquered non-Aryan peoples (Dravidians, Mongoloid, etc) and the middle-caste Shudras were considered to be of mixed race in the north and of Dravidian origin in the south. With this went the idea of the cultural superiority of the Aryans and their dominant, if not exclusive, role in defining 'Indian culture'. This theory, originated by Europeans and forming the basis of the way British writers of censuses, gazetteers, etc, understood caste, was picked up by the Indian educated elite who used it on the one hand to justify their own claim to equality with the British (as equally 'Aryan') and on the other to justify their class rights to exploit the 'inferior' lower castes. Thus, traditional, religious-based, notions of the hereditary distinctions between castes were strengthened, if transformed, and were given the backing of 'science' in this modern form of racism.

It is thus not really surprising that it was Ambedkar, of all the delegates to the first Round Table Conference who most fiercely condemned the British government: "Our wrongs have remained as open sores and they have not been righted, although 150 years of British rule have rolled away. Of what good is such a government to anybody? It was a government which did realise that the capitalists were denying the workers a living wage and decent conditions of work and which did realise that the landlords were squeezing the masses dry, and yet it did not remove social evils that blighted the lives of the down-trodden classes for several years".[8] And as he told a dalit conference prior to this, "It is only in a Swaraj constitution that you stand any chance of getting political power in your hands without which you cannot bring salvation to our people".[9] Yet, for dalits more than for any other section of the Indian population, the issue of how the national movement was to be united with the anti-feudal movement and how thoroughly the anti-feudal movement itself would be carried through, was of life and death importance.

Anti-Feudal Tasks of the Indian Revolution

The *specific* characteristics of Indian caste feudalism and the way it was transformed and yet essentially maintained by British colonial rule defined the *specific* anti-feudal tasks of the Indian revolution. We will outline these here as the basis for evaluation and analysis of the movements that took place in twentieth century India.

(1) The most basic anti-feudal task, *the land question*, took on extremely complex features as a result of the Indian caste feudalism. Because of the way in which hierarchical relations were maintained within the village and among the exploited classes themselves, and because of the way in which productive work for the land was institutionalised through the *jajmani/balutedari* system, it was insufficient to look at the land question simply in terms of abolition of landlordism (zamindari, talukdari, khote, inamdari, or whatever). Similarly, the slogan of 'land to the tiller' was abstract and insufficient in the Indian context — and even erroneous, if it was taken to imply that revolutionary land reform could be achieved through giving a cultivating tenant the right to the land. For the fact was that much of the land had *two tillers* — the cultivating middle-caste peasant, whether tenant or ryot, and the dalit field servant, whose connection to the land (if not recognised 'right' in it) was equally long-standing. The very inequality among the exploited institutionalised through the feudal caste hierarchy meant that the need for creating unity in the context of resolving the land question was crucial. It is hard to see how this could be done without a specific programme of constituting poor peasant committees (including dalits as well as caste Hindu toilers) who would have the responsibility of seizing and distributing the village lands and instituting necessary programmes of co-operative and collective agriculture. Otherwise, 'abolition of landlordism', and even the most radical version of 'land ceilings', would simply leave the land in the hands of middle caste peasants at the cost of fully proletarianising the dalit field labourers.

(2) Feudal forced labour in India took the specific form of *veth-begar* which was institutionalised, again, through the caste system, with various duties falling on specific artisan castes but the most arduous manual labour duties falling upon the dalits. Here, again, particular caste-defined responsibilities within the village were connected with the requirements of performing forced labour for higher level landlords and state officials. In practice, the full-fledged abolition of *begar* required the abolition of the *jajmani/balutedari* system.

(3) The creation of a new democratic culture is a crucial anti-feudal task which, in India, required a specific fight against the Brahmanic Hinduism which upheld caste feudalism and against the modern forms of racist ideology which served to back it up and an effort to create the unity of the exploited in the process of this fight.

(4) Finally, because of the way in which the new working class was

formed from within the feudal system, it not only had to lead the central agrarian tasks of the fight against feudalism but also had to fight against the adapted feudal relationships within its own ranks — the caste division of labourers and the Brahmanic culture.

The Rise of Dalit Movements

Though attempts were begun by the dalit castes from the late 19th century to organise themselves, the various sections of the dalit liberation movement really began to take off from the 1920s, in the context of the strong social reform and anti-caste movements which were penetrating the middle-caste peasantry and the national movement which was beginning to develop a genuine mass base. The most important of the early dalit movements were the Ad-Dharm movement in the Punjab (organised 1926); the movement under Ambedkar in Maharashtra mainly based among Mahars which had its organisational beginnings in 1924; the Namashudra movement in Bengal; the Adi-Dravida movement in Tamil Nadu; the Adi-Andhra movement in Andhra which had its first conference in 1917; the Adi-Karnataka movement; the Adi-Hindu movement mainly centered around Kanpur in UP; and the organising of the Pulayas and Cherumans in Kerala.[10]

In most of the cases the Montagu-Chelmsford reforms provided a spark for the organisation of dalits but the crucial background was the massive economic and political upheavals of the post-war period. The movements had a linguistic-national organisational base and varied according to the specific social characteristics in different areas, but there was considerable all-India exchange of ideas and, by the 1930s, this was beginning to take the shape of all-India conferences with Ambedkar emerging as the clear national leader of the movement. The founding of the Scheduled Castes Federation in 1942, and its later conversion into the Republican Party, gave dalits a genuine all-India political organisation — though this remained weak except in certain specific localities and did not by any means constitute the entire dalit movement.

The social reform and anti-caste movements played an important nurturing and facilitating — though often an ambivalent — role in relation to the dalits. Thus the movements in Maharashtra and Madras to a significant extent came out of, and were influenced by the non-Brahmin movements in those areas, especially their radical sections — the Satyashodhak Samaj and Self-Respect movements. The Punjabi Ad-Dharm leaders had nearly all been previously in the Arya Samaj. Brahmo Samaj upper-caste reformers helped to instigate and aid the Namashudra movement and the Adi-Andhras. Dalits in Kerala were influenced and helped by the Ezhava-based movement under Sri Narayana Guru.

In nearly all these cases, the ambivalence in the relationship and the reason why dalits in the end found it necessary to organise on their own, came from the fact that the caste-Hindu-based movements failed to create a really radical anti-caste unity among dalits and lower-middle caste Hindus. The Arya Samaj and non-Brahmin movements in particular aspired to create such a unity and did succeed to an extent in establishing a basis for radical action among sections of the middle-caste peasants. But this proved insufficient. Even here, there was an important difference: the northern-based Arya Samaj never really challenged the 'Aryan' notion or '*chaturvarnya*' as such; rather, it sought to 'purify' the lower castes, whereas the non-Brahmin movements mounted a thorough-going ideological challenge to the whole notion of caste hierarchy as such and sought to create a mass unity on the basis not only of modern secularism and scientific thinking but also in terms of being once-united original inhabitants of the country (the 'Aryan theory' turned upside down).

Thus, whereas the Punjabi Ad-Dharm movement broke with the Arya Samaj both organisationally and ideologically (though the Arya Samaj itself continued to foster some anti-untouchability activities), the dalit movements of the south and west accepted and even carried forward the general ideology of the broader non-Brahmin movements but criticised the middle-caste non-Brahmins for betraying this ideology and falling prey to Brahmanic culture as well as to pure self-interest in gaining government jobs and posts. And this criticism was not wrong. For, the middle position of the non-Brahmins — in particular those whose claims to land and access to higher education gave them the potential of becoming the privileged classes in the developing capitalist society — made their opposition to feudalism an ambivalent one. Thus they became 'anti-Brahmin' more than 'anti-caste'. And, in the important case of Maharashtra, by the time the non-Brahmin peasant movement joined the national movement it did so by almost surrendering to the upper-caste and bourgeois leadership of the National Congress, not by maintaining its own social radicalism or any separate peasant organisation. The isolation and 'separatism' of the dalit movements was thus forced on them.

Thus, in Maharashtra, Ambedkar's movement developed with support from leaders such as Shahu Maharaj and with many activists coming from the Satyashodhak movement and out of schools founded by non-Brahmin leaders. Ambedkar frequently referred to himself as a 'non-Brahmin' (not simply as 'untouchable') scholar, and became a spokesman in the legislative assembly for all the non-Brahmin ('backward' and 'depressed classes' in British terminology) groups. His Marathi speeches often used the *shetji-bhatji* terminology of the Satyashodhak movement. Yet he consistently criticised the opportunism of non-Brahmin leaders and, in the end, after the non-Brahmin movement was absorbed into the Congress party under Gandhi's leadership and its radical elements forgotten, the separatism in Ambedkar's movement came to dominate.

In Madras, educated dalits were part of the Justice Party; but a rift grew after the party won power, partly stimulated by disputes in a textile mill strike and partly due to charges that the Justice Party was not giving sufficient representation to them but was monopolising posts for higher caste non-Brahmins. M C Rajah, the most prominant untouchable leader, withdrew with his followers, though after this many participated in E V Ramasami's Self-Respect movement which represented the more radical thrust of the non-Brahmin movement.

In Punjab, the young educated Chamars who founded the Ad-Dharm movement had first been in the Arya Samaj, attracted by some of its ideals which held open the promise of purification (*shuddhi*) to the low castes, then became disillusioned by the control of upper castes in the movement and rejected completely the paternalistic implication of *shuddhi* that untouchables *needed* to be 'purified'. The pattern of these regional configurations needs to be more thoroughly studied.

But, in contrast to the *ambivalence* of the dalits' relations with caste-Hindu-based anti-caste movements, their relationship to the national movement was, even worse, an *antagonistic* one. The

fact was that, with the notable exception of Kerala where the Congress leaders themselves undertook anti-caste campaigns, almost everywhere the Congress leadership was in the hands of upper-caste social conservatives who were often not simply indifferent to dalit demands but actively resisted them. Thus dalit spokesmen were inclined to argue that "British rule was preferable to Brahmin rule" and to look for any means — special representation, separate electorates, alliance with Muslims — that might prevent them from being swamped by caste Hindu nationalists. It has to be stressed that this alienation from the organised national movement (the Congress) was not just the result of the self-interest of a few leaders but was a widespread opinion wherever dalits were organised on militant lines, and that the Congress leadership up through the time of Independence did almost nothing to heal the split and build up dalit confidence and unity. Though dalits under Ambedkar did take a nationalist position, it was as a result of their own conviction that Independence was necessary.

Ideologically, in spite of their very diverse origins, it is remarkable how many themes the dalit movements shared in common. Central to their thinking was the *adi* theme, a definition of themselves as the original inhabitants of the country, a claim that their own inherent traditions were those of equality and unity, and a total rejection of caste (*chaturvarnya, varnashrama dharma*) as the imposition of the conquering Aryans who used this to subjugate and divide the natives. Very often, this went with a rejection of Hinduism as the religion of the invaders and the main support of caste society. Ambedkar's movement was the most important one that did not stress such an *adi* identity, yet the theme was still a strong one among Mahars. Ambedkar himself, in initiating the later conversion to Buddhism was in a way doing the same thing — rejecting Hinduism and attempting a return to an 'original' and equalitarian Indian religion. Along with this went a strong secular and rationalist stress on equality, the necessity of modern education, the rejection of traditional superstition and traditional ritual subordination.

These movements then organised struggles in various ways over the rejection of all the forms of feudal bondage imposed on dalits. The most spectacular mass campaigns in the 1920s were efforts at the ritual level, i e, to break down the restrictions barring dalits from use of common temples and water tanks. The biggest, and very carefully planned, campaigns took place in Maharashtra (the Mahad tank satyagraha of 1927 which culminated in the burning of the *Manusmriti*, the Parvati temple satyagraha of 1928, and the Kalaram temple satyagraha in Nasik of 1930-35) and in Kerala (the Vaikom temple road satyagraha of 1924-25 and the Guruvayoor satyagraha of 1930-32). (The differences here are crucial too: the Kerala satyagrahas were planned by radical Congressmen of varying castes and met with some success with the Travancore temple entry declaration of 1936; the Maharashtra satyagrahas were planned primarily by dalits though with some caste Hindu support, met with no success, and were finally halted by Ambedkar on the grounds that he had no wish to integrate into Hinduism anyway.) But it seems that, wherever dalits organised militantly, there was always some direct action or threat of it after Ad-Dharm rallies "people would swarm into the village bathing tank and use it in defiance of upper caste prohibitions"[11] and, during early Adi-Andhra conferences caste Hindus closed temples completely for fear of entry attempts.[12] Also at a symbolic level was the adoption of particular forms of dress in defiance of feudal 'consumptuary' rules in which the upper castes tried to prohibit untouchables from wearing fine clothes: the followers of the Ad-Dharm wore red turbans and sashes which, up to then, had been only a high-caste colour; low castes in Tamil Nadu and Kerala claimed the right to cover their breasts which they had not been allowed to do previously, and so forth.

In terms of economic relations, the movements and struggles centered around two themes. On the one hand was the growing refusal to perform the traditional caste duties, carrying away dead animals, playing music at funeral ceremonies, performing forced labour for village headmen and government officials, a battle that was fought in countless ways under varying auspices in countless villages and never totally won. Ambedkar's long struggle to abolish the Mahar *watan* was an expression of this.

This was the direct fight against feudal forms of bondage within the village. Related to it was the struggle for education and employment; for, by and large, dalits saw their opportunity, the positive alternative to the negative fight against feudal bondage, in escaping from the village to 'modern' industrial and service employment. (*Why* this was true is usually understood in terms of the middle-class nature of dalit leadership, but just as true was the weakness of the general peasant movement and its inability to pose the land question in such a way that dalits could see a real possibility of gaining within the village.) Thus the movements were highly involved in founding schools, hostels, and other educational associations; and they consistently demanded fellowships, positions in existing educational institutions and reserved government jobs. The final outcome of this was the system of 'concessions' which has become so controversial today. It is important to note that such concessions were necessary, because existing caste discrimination (caste and kin-based recruitment pattern and the cultural as well as economic disabilities of the low castes) had resulted in a heavily divided working class. Breaking down this division, fighting the feudal relations that had stamped themselves on the emerging classes of the capitalist system, was necessary to *build* the unity of the working class and of the Indian people in the fight against colonial rule. But the nationalist leaders and the working class leaders (the communists) rarely saw it this way. As a result, rather than the class itself fighting to build its unity, or the people organised under national leadership taking up consciously the fight against feudal relations, the dalit movement was isolated and, instead of becoming a vanguard part of the anti-feudal and anti-imperialist movement, fell into the position of asking for concessions from the nationalists as well as from the British.

This, then, brings us to the relation of the dalits to the national and communist movements, and the related question of how the issues of *power* and *land* were posed in colonial India.

Dalits and the National Movement: The Issue of Power

"We want to become a ruling community", was a saying of Ambedkar, and in fact the drive to achieve power or a share in power was seen by him and by many not simply as the negation of the extreme feudal subjugation of dalits but as the basis for achieving any other kind of gain. But, because the

national movement did not consciously organise to build alternative revolutionary systems of power in which dalits would find a place, this demand for a share in power became expressed in the demand for special, separate representation within the bourgeois parliamentary forms being institutionalised in India. An additional motivating fact was the strong feeling among dalits that they must represent themselves, that caste Hindus could not be trusted to represent them (nor for that matter could the British government), that the nature of caste and class conflict was so great that no caste Hindus could speak for their interests.

The conflict took specific form in the dalit demand for *separate electorates* (constituencies only of dalits choosing dalit representatives to the parliament) *versus* the original nationalist unwillingness to concede anything until finally a 'compromise' of *reserved seats* (dalit representatives chosen by general, i e, caste Hindu plus dalit, constituencies) was forced on them. The issue here was different from that of separate electorates for Muslims because there was at no point a dalit demand, or the possibility of a demand, for a separate homeland. Rather, the question was one of *how* to achieve the unity of the Indian nation. Gandhi's firm opposition to separate electorates, too, had nothing to do with the threat to Indian unity but rather the threat to *Hindu* unity and came from his religiously motivated insistence that dalits were part of the Hindu community. It might also be added that the idea of separate electorates, or 'functional' representation of specific social groups or classes, was one that went beyond bourgeois democratic forms entirely and in a sense could be seen as an aspect of proletarian democracy, whereas reserved seats not only allowed caste Hindu control of dalit political representation (as Ambedkar so bitterly and effffectively established in "What Congress and Gandhi Have Done to the Untouchables") but also proved an ideal method for the bourgeois State to absorb and negate the dalit movement, giving dalits some semblance of power within the bourgeois framework but at the cost of giving up militancy. The issue, however, was very rarely seen in this way. Instead, considerations of power prevailed (the upper class/caste drive to control the legislatures through control of Congress, and the fact dalits did not simply have the same political clout as Muslims); the demand for separate electorates was seen by most non-dalits as one leading to separatism and disunity.

Since the conflict between dalits and the Congress nationalists was embodied in the relation between Ambedkar and Gandhi, especially over the issue of separate electorates climaxing in the 'epic fast' of 1932, it is worth examining this in some detail. Ambedkar, unlike most dalit spokesmen, was not throughout a proponent of separate electorates. Though, along with nearly everyone else, he called for them in 1919 in testifying before the Southborough Committee, during the 1920s he turned away from them. Apparently believing they would lead to disunity, he argued against them before the Simon Commission. The 1920s, it should be noted, was not only the decade of the real upsurge of dalit movements as mass movements; it was also the greatest period of co-operation between Ambedkar and caste Hindu social radicals (i e, the non-Brahmin movement). This may well have given Ambedkar some confidence that separate electorates were not necessary. The Nagpur Conference of Depressed Classes in 1930, just before Ambedkar left for the first Round Table Conference, was in a sense a landmark: Here Ambedkar became the first major dalit leader to state forcefully the need for Independence as the minimal basis for solving dalit problems, and he stated publicly that he would be satisfied with reserved seats as long as there was adult suffrage.

Then, at London, he completely reversed his position and asked for separate electorates (at this conference too, it should be added, with the Congress absent he was the most forceful spokesman for Indian Independence). By the time of the second Round Table Conference this attitude had hardened to produce the major confrontation with Gandhi. Why?

Two reasons that have been suggested are that the unanimous dalit opinion, aside from Ambedkar, was in favour of separate electorates, and that Ambedkar felt bound to represent this; and Ambedkar's personal experience of Gandhi's hardline and even arrogant attitude[13] which rejected not only separate electorates but even reserved seats. To this it may be added that, by 1930-31, the mass of the Maharashtrian non-Brahmins were moving into Congress in a form that meant an essential abandonment of their own independently based social radicalism and a (temporary) acceptance of upper-class, upper-caste Congress leadership.

What then of Gandhi? Here it is worth noting that, when Ambedkar and Gandhi met for the first time in 1930, Ambedkar not only felt he had been treated rudely, but Gandhi himself admitted that he had not known that Ambedkar himself was a dalit but thought rather that he was a Brahmin social reformer aiding the untouchables! In other words, Gandhi had not only done substantially nothing himself on the issue of untouchability up to this time, but he betrayed a crucial ignorance of the movement which had been going on for over a decade and of its leadership. Indeed he unwittingly betrayed his assumption that dalits themselves were incapable of doing much on their own or of producing their own leadership.

Ambedkar, therefore, insisted on separate electorates. Gandhi insisted equally adamantly that dalits were Hindus and must be represented by Hindus as a whole (and was met on his return from London by a black-flag demonstration of 8,000 Bombay dalits).[14] The British Communal Award gave Ambedkar his separate electorates; and Gandhi undertook his fast-to-death in protest. Here again it has to be stressed that this first fast over the 'issue' of untouchability was not a fast against the British for nationalist causes or against the oppressive caste system, but was a fast against dalits themselves to force them to give up their demands. Ambedkar conceded — knowing that if Gandhi died there would be massive reprisals on his people throughout India — and the result was the Poona Pact of September 25, 1932, which as a compromise gave dalits the reserved seats that Ambedkar had demanded in the first place. For dalits and for Ambedkar, the lesson was clear: not a faith in the ability of satyagraha to 'change the hearts' of caste Hindus, rather that only by fighting for their rights would dalits win anything at all.

After 1932, Gandhi made 'untouchability work' a major programme of the Congress and for many a crucial moral part of the Indian national movement. And yet Gandhi's essential paternalism and insistence that above all dalits were Hindus remained in the choice of the term 'Harijan', in the insistence that caste Hindus and not dalits should control the Harijan Sevak Sangh. However 'radical' Gandhi's own views on caste became (in approving of inter-dining and inter-marriage, for example), he never dropped the belief in *chaturvarnya* or the idea that children should follow their fathers'

professions, themes that stood in direct contradiction to the anti-feudal principles of the dalit movement. Even worse, anti-untouchability became identified with the Gandhian, that is the conservative, wing of the Congress and remained a distraction and diversion to the radicals within Congress (and for that matter the communist Left) who never developed a programme of their own on the issue of caste.

It seems fair to say that, essentially, the British raj did nothing to transform caste feudalism or to alleviate the worst aspects of untouchability. Whatever steps were taken came in the transition period between the wars when concessions were being given to Indian nationalists. And whatever steps the Indian nationalist leadership took came as a response to dalit struggles. In 1917 — after the first 'depressed classes' conferences were organised in Bombay, and dalits as well as non-Brahmins made prosposals for separate electorates — the Congress reversed its policy of excluding 'social reform' and passed a resolution urging upon "the people of India the necessity, justice and righteousness of removing all disabilities imposed by custom upon the Depressed Classes". In the 1920s, the *governments* of Madras and Bombay (controlled or influenced by non-Brahmin organisations) passed resolutions confirming the rights of dalits to equal use of government facilities, schools, and wells; so did several progressive princely states. These did little, however, to provide reinforcement, and remained almost totally ineffective. In 1931, the Karachi Congress session propounded a programme of fundamental rights which called for equal access for all to public employment etc, regardless of caste, and equal right to use of public roads, wells, schools, and other facilities. Temple entry bills were introduced between 1932-36 in the Central Assembly, Madras and Bombay legislatures and generally met with opposition from both the government and conservatives in Congress. Baroda and Travancore states proclaimed temple entry in 1933 and 1936. In 1938, after Congress legislatures were elected, temple entry bills were passed in Madras and Bombay.[15]

But the full and formal 'abolition of untouchability' had to wait until Independence. In 1946, the Scheduled Caste Federation fought for the reserved seats but lost heavily to 'Congress Harijans' in strongly nationalist and caste-Hindu-dominated constituencies. As a result, the movement suffered a blow and dalit demands were ignored in the final settlements and in the traumas of the Hindu-Muslim holocaust. The Scheduled Caste Federation then launched satyagrahas in Bombay, Pune, Lucknow, Kanpur, and Wardha, demanding that the Congress make known their proposals for giving rights to dalits; the satyagraha forced the abrogation of the Pune session of the Bombay legislative assembly and a compromise meeting with Ambedkar in July.

Against this background, the Constituent Assembly met. Its resolution that "Untouchability in any form is abolished and the imposition of any disability on that account shall be an offence" was in line with the development of the Congress movement in the last 25 years.[16] But the system of 'protective discrimination' — i e, reserved positions for Scheduled Castes and Scheduled Tribes in government service and educational institutions — was not at all in line with Congress (or Gandhian) thinking and so was, even more clearly than the nationalist response to dalit struggles, a result of the dalit movement itself.

Dalits and the Left: The Issue of Land

The relation between the dalit movement and the emerging communist and Left movement was, unfortunately, little better than that with the national movement. The Left evolved no programme of its own, regarding the abolition of caste. And, in regard to working class organising, a history of antagonism was built up. The major exception was in fighting feudalism in agrarian relations where the All India Kisan Sabha (AIKS) programme did make an important contribution. This, however, remained partial and isolated from the organised dalit movement.

In terms of the working class, the position of dalits as unskilled workers in the most dangerous and difficult to organise jobs put them in the position of potential antagonism to other working class organising — in the sense that they were often ready to act as strike-breakers in the hope of getting higher-level jobs (the same phenomenon could be seen elsewhere where groups were excluded and so given no opportunity to develop working class solidarity, e g, among US blacks prior to World War I), and in the sense that they were inclined to form separate unions.

Thus dalit willingness to return to work first in a dalit-caste Hindu 1921 mill strike in Madras provoked violence and a conflict with the Justice Party. Dalits were part of the major 192 Bombay textile strike which brought communists to the leadership of the working class movement. But when a second strike was called in 1929, Ambedkar not only opposed it but attempted to actively organise dalit strike-breakers. His reasons were the special hardships imposed on the economically weaker dalits by the earlier strike and the fact that the working class leaders had taken no stand regarding the barring of dalits from the better-paid weaving department.[17] On the other side of what proved to be an enduring hostility between Ambedkar and the communists, it has to be emphasised that the communists concentrated their attempts on militant economic gains, on organising the working class in its fight for survival, rather than attempting to put it in the leadership of the anti-imperialist and anti-feudal struggles. The latter, as we have emphasised, meant not simply that workers should give leadership to a peasant movement but that the working class itself should fight to break down the feudal *within* it that held dalits down. Yet nothing was done by AITUC on the caste issue and in the Bombay textile industry, where "the red flag was planted in the Indian working class" 50 years ago, dalits remain barred up to the present from (non-automated) weaving departments.

The most central aspect of the anti-feudal struggle for dalits and for other toiling peasants was, however, the land issue and village economic relations. Here, the work of the Kisan Sabha becomes crucial. By the late 1930s and 1940s, the AIKS had become a force in several areas — most especially Bihar, Andhra, Kerala, UP (in a sense, for, Kisan Sabhas here remained outside the AIKS for a long time) — and made a conscious and revolutionary effort to evolve an all-round anti-feudal programme that would be in the interests of poor as well as middle and rich peasants.

But the gaps were crucial. The top AIKS leadership was almost entirely of non-peasant origin; even though peasants came to be crucial as cadres these were overwhelmingly drawn from caste Hindu middle-rich peasants even at a time when the AIKS was attracting more and more poor and low-caste peasants; partly perhaps because of

this and partly because of the strenuous pace of organising, there was little formulation of the Indian problem in Indian terms and abstract class categories were simply borrowed, usually from European thinking. The AIKS did not pass a resolution on untouchability until 1945,[18] and never really considered cultural level struggles of importance (this applied also to the role of women). Opposing feudal 'forced labour' was a major element of Kisan Sabha programmes but this was never analysed in its specific expression through caste bondage.

This, in itself, may not have been of overwhelming significance. After all, the fact that forced labour was actively opposed was of crucial significance to the dalit toilers who took part — and were apparently a major part of the Telengana rebellion. This may be one of the reasons for the enthusiastic mobilisation of dalits, who reportedly provided the major element of the armed squads.[19] The most important failure of the AIKS was at a different level: It lay in the way it formulated the land question itself.

For the AIKS, 'land to the tiller' was the central anti-feudal demand, and it was expressed mainly in terms of *abolition of landlordship* (zamindari, taluqdari, khoti, jenmi, malguzari, etc). Along with this, ryotwari peasants were to be freed from indebtedness to money-lenders and from government over-assessments. Lower-level feudal relations within the village seemed to be invisible to the AIKS. A category of 'agricultural labourers' was identified and this presumably included almost all dalit toilers, but they were seen in European terms as peasants dispossessed of the land. The Kisan Sabha leadership was ambiguous about their inclusion, but where they argued for unity of interest between 'kisans' and 'agricultural labourers' it was in terms of the fact that middle-poor peasants were rapidly becoming impoverished, losing lands, and becoming landless labourers. The special, traditional, position of dalit field servants with their hereditary connection to the land was simply not taken note of.

A 1947 AIKS resolution on the abolition of landlordism stated: "All agricultural labourers must have a minimum wage. All other tillers of the soil must get proprietary rights in it under their direct cultivation, and cultivable waste land must be distributed among poor peasants and agricultural labourers".[20] Thus, while dalits here were somewhat ambiguously seen as 'tillers' they were *not* considered to have any rights in the land at all; only their wage interests were to be protected and their land hunger satisfied by leftover — i e, 'waste' — land. Thus, in spite of the participation of poor peasants and landless toilers in Kisan Sabha agitation, it is *not surprising* — because only middle-caste cultivating peasants were seen as having rights in the land — that the end result was land reforms which even in their most radical version (e g Kerala) have benefited rich peasants. 'Land to the tiller', then, systematically excluded dalits.

On the other side, the dalit movement itself also took up the issue of land, but in an equally partial way. Campaigns against *veth-begar* and specific menial and degrading caste duties (carrying away dead cattle, serving officials) were, as noted above, an important part of the movement and were, of course, equivalent to the AIKS opposition to 'feudal forced labour'. But generally these were undertaken by the dalit movement in such a way that the alternative was seen, not as revolutionary land reform in the villages or transformation of the villages, but rather as moving from the villages altogether to new jobs in industry and service. The inability to see any real opportunity for advance within the village was, of course, realistic in the absence of a revolutionary movement.

No direct struggles for land for dalits were apparently taken up before Independence, but as far as Ambedkar at least was concerned it seems the issue of land was always present. Again, though it was a question of looking beyond the village, in one of his earlier meetings he argued that dalits should look for land for colonisation. In later meetings, he considered the possibility of settlements in Sind.[21] The climax of this, however, came in 1942 at the conference which founded the Scheduled Caste Federation when a resolution was passed on separate *village settlements*. This was a demand that dalits from all the villages in one area (later sometimes specified as a taluka) should be given land (to be provided both from unoccupied government land and from land bought up by the government for the purpose) so that they could form independent settlements of their own.[22] This has come to be known as the 'dalitstan' demand. But the term is something of a misnomer for it is not really a demand for a dalit *homeland* but rather a way of *posing the land question* for dalits. In contrast to the Kisan Sabha, here it is implicit that dalits *do* have rights to land, and not only to 'waste'. But the emphasis is still on moving away from the villages; and, because this land demand was not linked to a proposal for agrarian revolution, it served instead to pose the interests of dalits against those of all caste Hindus and appeared as a totally utopian proposal around which it was impossible to organise struggles. Yet the continual survival of the idea undoubtedly lies both in the land hunger of dalits and their continued feeling of insecurity as a village minority.

Ambedkar's final thoughts on the land question, however, were on very different lines. Urging State Socialism, he argued that "Neither consolidation [of land holdings] nor tenancy legislation can be of any help to the 60 millions of untouchables who are just landless labourers. Only collective farms can help them. ... Agriculture shall be a state industry. Land will belong to the State and shall be let out to villagers without distinction of caste or creed and in such a manner that there will be no landlord, no tenant, and no landless labourer."[23] For an avowed anti-communist and a stern critic of Indian 'socialism' it was an impressive programme. What was lacking, of course, was an idea of how it might be achieved.

In the end it seems that, however anti-communist or anti-nationalist dalit leadership might be, the dalit movement remained consistently radical on the land question. It was Ambedkar who proposed a bill and led a march in 1936 for the abolition of the *khoti* system in the Konkan, and attempted to arouse Mahars in opposition. In Bengal, the Namashudras allied with Muslims against the Hindu *bhadralok* nationalists — not simply on opportunist grounds but on a programme of which the central feature was abolition of zamindari, and the Scheduled Castes withdrew their support when this programme was reneged upon.[24] The organised dalit movement was inevitably a radical force for agrarian revolution and not just for the abolition of 'cultural' aspects of caste bondage. But, in the absence of integration into an all-round peasant movement, this force could have little impact in the rural areas before Independence.

Conclusion

One of the most striking features of the anti-feudal movement in colonial India was its fragmentation — a fragmentation which reflected the divisions among the exploited sections that were so characteristic of Indian caste feudalism.

While social reform and anti-caste movements arose throughout India, and all provided some kind of ground for dalits to begin to move ahead, the non-Brahmin movements of south and west India posed a genuine possibility of a radical movement against caste traditions that could unify both caste Hindu toilers and dalits. Their ideology itself and the principles of their most radical organisations — the Satyashodhak Samaj and the Self-Respect movement — posed a thorough challenge to caste hierarchy and in fact provided the central ideological themes for the dalit movements. But such unity did not materialise as the more conservative wing of these movements gained strength among caste Hindu peasants and educated sections.

It might have been expected that a national movement, dominated by bourgeois and upper-caste forces would prove resistant to dalit demands and respond only in a nominal and co-opting way. Most serious really was the failure of the Left to provide a radical and unifying anti-feudal alternative The communists organised the working class in its struggle for survival and at points this organisation aided the lowest sections of that class, but they failed really to put the working class politically in the leadership of the anti-feudal movement and as a result the class remains divided and the organisation benefited mainly its skilled and more upper-caste sections.

Kisan Sabha organising, in its areas of strength, benefited dalits more directly The fight against feudal forced-labour struck at bondage within the village, the organisation of agricultural labourers, which had its beginnings in the 1940s, also involved a challenge to feudal servitude: as a Kerala landlord put it, "His body and his father's body are my property and he dares to ask for wages Is it rights?[25] The demand for giving cultivable waste land to agricultural labourers and poor peasants, though a partial one, proved to be the main form around which dalit struggles for land took place, particularly after Independence. And yet this was insufficient. In failing to pose the land issue in a July revolutionary and thoroughgoing way, the Kisan Sabha gave no defence against the real alternative programme to what became an essentially bourgeois land reform and offered no way to prevent its most militant agricultural labourer unions from being caught in the trap of economism in the post-Independence period. The connection between agrarian revolution and the wage-based organising of labourers remains problematical.

Indian communists thus failed to formulate a programme for a revolutionary anti-feudal movement which could unify the exploited, which could take up cultural and political as well as economic issues, and which could pose a real *alternative* to bourgeois land reform ('abolition of zamindari'), bourgeois notions of 'uplift' of depressed groups, bourgeois separation of 'cultural' and 'economic' factors, and bourgeois strategies of creating and absorbing an educated elite among the downtrodden sections.

This was not simply a case of being relatively weak, or of being unable to take *leadership* of the national movement away from bourgeois upper-caste nationalists. It may well have been impossible to organise a struggle for a full-scale agrarian revolution or do more than fight on partial demands linked to it. The problem was that the agrarian revolution was never really posed. The Left was unable to appear before the people as anything more than devoted organisers of the working class on economic demands and (with the exception of 1942) more militant anti-imperialists.

It was in this context that the dalit movement developed before Independence as an isolated revolt of the weakest and most oppressed sections of the population. The isolation had serious consequences; for it meant that, instead of organising as the most revolutionary section of a unified movement, dalits developed a separatism in which they 'made demands of' nationalists as well as the British. A hostility developed to communism and class analysis (which was put forward in such a way as to appear to dalits to exclude considerations of 'caste' as such), which continues to have serious consequences today.

Still the achievements of the dalit movement are impressive, and are too often overlooked. They have given birth to a tradition of struggle in many areas, not only on cultural and ritual issues but on breaking feudal bonds. They have mounted powerful pressure on the national movement resulting in constitutional provisions for reservations and laws making untouchability an offence; unsatisfactory as these have been, they have still provided weapons in the hands of low-caste organisers. They have created a deep-seated conviction of equality and self-confidence which is inevitably making itself heard. If this has not yet achieved a revolutionary transformation in the life of the most exploited sections of society, it is because of the incompleteness of the revolutionary and democratic movement itself. If this is to go forward, the dalit movement will inevitably be a part of it.

Notes

[We would like to thank those who have contributed to this initial formulation in particular Datta Chakre.]

1 There are still limited studies of the existing dalit movements and some existing works have been unavailable to us. But among important sources are the 'tribes and caste' studies of the British period (Thurston, Blunt, Enthoven etc) which give some ethnographic data on the various castes. Contemporary village studies which give detailed data about social relations in the villages studied are also very useful, whatever may be the theoretical bias of the authors. The most useful collection on dalits, though somewhat dated, is J Michael Mahar, *ed*, "The Untouchables in Contemporary India" Tucson, Arizona: The University of Arizona Press, 1972. Among these, in terms of the dalit castes studied, can be included: J Michael Mahar, 'Agents of Dharma in a North Indian Village', in Mahar, "The Untouchables ..."; Oscar Lewis, "Village Life in Northern India", Vintage Books, 1975 M C Pradhan, "The Political System of the Jats of Northern India", Oxford University Press, 1966. (all on the Chamars); Andre Beteille, "Caste, Class and Power", Bombay: Oxford University Press, 1969; Kathleen Gough, 'Harijans in Thanjavur' in Gough and Sharma, *ed*, "Imperialism and Revolution in South Asia", New York: Monthly Review Press, 1973, and 'Colonial Economics in Southeast India', *EPW* March 26, 1977 (both on the Pallas in Tamil Nadu); Joan Mencher, 'Continuity and Change in an ex-Untouchable Community of South India' in Mahar, "The Untouchables", and 'The Caste System Upside Down, or The Not-So-Mysterious East' in *Current Anthropology* December 1974; and Marguerite and Stephen Barnett, 'Contemporary Peasant and Post-Peasant Alternative in South India: The Ideas of a Militant Untouchable' in *Annals of New York Academy of Sciences*, 1978, (on the Paraiyans in Chingleput district,

Tamil Nadu); T Scarlett Epstein, "Economic Development and Social Change in South India", India: Manchester University Press, 1962 (*on the Holeyas or Adi-Karnatakas*), F G Bailey, "Caste and the Economic Frontier", Manchester University Press, 1957 (the Pans of the Kondmal Hills, Orissa); and Jan Breman, "Patronage and Exploitation", University of California Press, 1974, and 'Mobilisation of Landless Labourers Halpatis of South Gujarat' in *EPW*, March 23, 1974 (on the Dublas or Halpatis of Gujarat).

Studies of specific dalit movements are still rare, but *include* Eleanor Zelliott's many works on the Mahars; a forthcoming book by Mark Juergensmeier on the Ad-Dharm movement in the Punjab and Owen Lynch, "The Politics of Untouchability", Vintage Books, 1966, on the Chamars/Jatavs in Agra.

2 See Louis Dumont "Homo Hierarchicus", *1970*, and McKim Marriott and Ronald Inden, 'Caste Systems', "Encyclopedia Britannica", 1974

3 For a useful discussion, see Eric Stokes, "The Peasant and the Raj" (Cambridge University Press, 1978), Introduction and Chapter 2.

4 These types were often modified however, for instance, as Frank Perlin shows for 17th century Maharashtra, feudal states were *often organised* by big families buying up various types of watan and inam rights, it is thus crucial to look beyond the purely formal definition of rights for any complete analysis

5 For an excellent description of such a system see Gough, 'Colonial Economics in Southeast India'.

6 See e g Swami Mitra, who records over 100 villages where two-thirds of the population were Rajbanshi and Pods who were not only sharecroppers but also jotedars, this, of course, is not a 'dalit' type of situation, 'Sonarpur A Peasant's View of the Class War' in *South Asian Review* October 1975. The situation in Bengal in many ways seems anomalous and needs closer study.

7 Marc Galanter. 'The Law and Untouchability' in Mahar, "The Untouchables"

8 Quoted in Dhananjay Keer, "Dr Ambedkar Life and Mission" Bombay: Popular Prakashan, 1954, p. 150.

9 *Ibid*, p 142

10 See, Mark Juergensmeier, 'Ad Dharm: Origins of a Revolutionary Religion' and 'Myth and Mobilisation: The Religious Symbols of Untouchables' (part of forthcoming book, University of California Press); Eleanor Zelliott, Learning the Use of Political Means: The Mahars of Maharashtra' in Rajni Kothari, ed, "Caste in Indian Politics", Orient Longman, 1970, and 'Gandhi and Ambedkar' in Mahar, *ed*, "The Untouchables", C B Khairmode, "Dr Bhimrao Ramji Ambedkar" (Bombay: Baudhjan Panchayat Samiti) (Marathi biography of Ambedkar), J H Broomfield, "Elite Conflict in a Plural Society Twentieth Century Bengal" (University of California Press, 1968) (contains limited information of the Namashudras) and V R Shinde *'Purva Bangaluantil Asprushya Vargachya Ucc Shikshanaci Pragiti'* in "Shinde Lekhsangraha" (Pune 1963, Marathi) Marguerite and Stephen Barnett, 'Contemporary Peasant and Post-Peasant Alternatives', Uma Ramaswamy, 'Scheduled Castes in Andhra: Some Aspects of Social Change'. *EPW*, July 20, 1974 and 'Self-Identity among Scheduled Castes' November 23 1974, V R Abbasayalu 'Scheduled Caste Elite' (Hyderabad 1978) and Francis Houtart and Genevieve Lemercinier, 'Socio-Religious Movements in Kerala part I', *Social Scientist*, June 1978.

11 Mark Juergensmeier, 'Ad Dharm Religion of the Untouchables', *Times of India*, October 12, 1975.

12 Abbasayalu, "Scheduled Caste Elite", pp 35-37

13 See Zelliott, 'Learning the Use of Political Means . . .' On the evolution of Gandhi's views of caste see Dennis Dalton, 'The Gandhian View of Caste and Caste after Gandhi' in Philip Mason *ed*, "India and Ceylon Unity and Diversity" (Oxford University Press, 1967)

14 Keer, pp 191-2.

15 Galanter, 'Untouchability and the Law'.

16 Keer, pp 375-391 and Leela Dushkin, 'Scheduled Caste Politics', in Mahar, "The Untouchables".

17 Khairmode, Volume III, Keer, pp 128-9.

18 M A Rasul, "A History of the All India Kisan Sabha", Calcutta, May 1974, p 123. Also on the Kisan Sabha see Maiteya Ghatak, 'The Agricultural Labourer: A Case Study from Bengal', *National Labour Institute Bulletin*, May 1977, D N Dhanagare, "The Politics of Survival: Peasant Organisations and the Left Wing in India' *Sociological* Bulletin, March 1975 'Peasant Protest and Politics — The Tebhaga Movement in Bengal' *Journal of Peasant Studies*, and 'Social Origins of the Peasant Insurrection in Telengana', *Contributions to Indian Sociology*, Number 8, 1974

19 Dhanagare, 'Social Origins ', p 112, 128

20 Rasul p 147.

21 Keer, pp 63, 127.

22 For the full resolution see Vasant Deshpande, "Towards Social Integration", Pune: Shubhada-Saraswat 1978, pp 167-69

23 Keer, p 389.

24 Broomfield, pp 295-310.

25 Quoted K C George, "Immortal Punnapra-Vavalar" New Age Press pp 17-18

Trade Unionists in Tunisian Prisons

SOME of Tunisia's most distinguished trade union leaders are now languishing in the Civil Prison in Tunis, according to Amnesty International. Among them is Ismail Sabhani who, until the time of his arrest in January 1978, was the Secretary General of the Tunisian Federation of Metalworkers. He is now serving a sentence of five years' imprisonment with hard labour, after being tried with other trade union leaders by the State Security Court in Tunis in October 1978. (Altogether, 30 members of the Executive and Administrative Committees of the General Union of Tunisian Workers — UGTT — faced charges of conspiracy against the internal security of the State.) Sabhani was arrested after the UGTT had called a one-day strike on January 26, 1978.

The one-day general strike, which led to the arrests of the trade union leadership and thousands of their members, was the culmination of union criticism of the Tunisian government's economic policies. In January 1977, a social pact had been agreed to by the unions and the government. The government would improve working conditions and guarantee fair wages; the unions undertook to encourage increased productivity and not to strike. But by the end of the year, prices of basic commodities, including food, rose while wages failed to keep pace Dissension within the government of prime minister Hedi Nouira led to the formation of a new cabinet in December 1977 which adopted a harsh line in dealing with trade union opposition to government policy.

At the State Security Court trial, the state prosecutor demanded the death penalty for all the 30 defendants The original 76 lawyers for the defence withdrew from the court in protest against the conduct of the trial, 24 of the defendants were convicted, and the sentences ranged from 10 years imprisonment with hard labour to a six months' suspended sentence At least 12 other trade unionists are still awaiting trial before the State Security Court.

Caste and Class in Maharashtra

Nalini Pandit

Classes in Marxist theory are not mere economic categories. They are living social groups whose attitudes and responses are determined by historical and cultural factors. The materialistic interpretation of history does not imply an exclusive emphasis on the economic factor to the comparative neglect of others. The purpose of formulating a social theory is to understand the attitudes and responses of different social groups to particular programmes.

Any simplistic all-India generalisations about the mode of production and the nature of social classes, though essential, are bound to be inadequate. For them to be realistic and purposeful, they have to be based on detailed studies of the specific social structure in the different regions of India.

This paper attempts to analyse the changing nature of caste relations and their significance for class conflict and social change in Maharashtra over the last 150 years.

AN insight into the dynamics of social change is a pre-condition for conducting a revolutionary struggle in any region. The basic framework for such an understanding was laid down by Marx through his materialistic interpretation of history and the theory of class struggle. This basic framework, however, has to be applied to the historical experience of each individual society to arrive at an understanding of its specific laws of social change. In recent years, Marxist theorists have conducted a debate over what is the mode of production and socio-economic formation in our country. But India in its territory and population can be compared to Europe minus the Soviet Union. Each region in this subcontinent has a subnational identity which was shaped by regional, cultural, and political forces over a period of many centuries. A sense of unity amongst the people of a region and a feeling of its distinctiveness from other regions was fostered by pride in the regional language, by the regional literature created by the various religious sects, and by the social rituals peculiar to that particular territory. These regions could not develop into nations in the European sense of the term, owing to the absence of economic change. That economic transformation started in India as a result of British rule. The British, by the nineteenth century, brought India under one political rule for the first time in its history. One common market encompassing the whole of India was established through the suppression of highway robbers, the development of transport and communications, the abolition of all internal trade barriers, and the institution of one common currency. The economic unification of the country prepared the ground for the growth of capitalism in India. However, owing to the different historical and cultural factors, the development of capitalism in the different regions remained extremely uneven. This gave rise to different classes in India which individually, had no homogeneity. Each of these classes comprises different regional and communal groups formed on the basis of caste distinctions, co-operating and competing with each other. Caste has been a basic constituent of our social structure since ancient times and it has continued to influence the attitudes, behaviour, and inter-relations of different groups upto the present. The class structure of each region reflects the influence of caste hierarchy in that region. This fact has to be given due consideration in the discussion by Marxists on socio-economic formations in India.

It should be acknowledged that classes in Marxist theory are not mere economic categories. They are living social groups whose attitudes and responses are determined by historical and cultural factors. The materialistic interpretation of history does not imply an exclusive emphasis on the economic factor to the comparative neglect of others. The purpose of formulating a social theory is to understand the attitudes and responses of different social groups to particular programmes. Any simplistic all-India generalisations about the mode of production and the nature of social classes, though essential, are bound to be inadequate. For them to be realistic and purposeful, they have to be based on detailed studies of the specific social structure in the different regions of India. This paper attempts to analyse the changing nature of caste relations and their significance for class conflict and social change in Maharashtra over the last 150 years.

Cast-Structure or Superstructure

Is caste a part of the class-structure or is it a superstructure? The answer to this question depends on how we define the terms 'class' and the 'superstructure'. It is erroneous to identify caste with class. For example, Morris Ginsberg in the Encyclopaedia of Social Sciences (old series) defines classes in the following manner. "Classes in modern societies may be described as groups of individuals who through common descent, similarity of occupation, wealth and education have come to have a similar stock of ideas, feelings, attitudes and forms of behaviour and who, on any or all these grounds meet one another on equal terms and regard themselves, although with varying degrees of explicitness as belonging to one group".[1] If this definition of class is accepted, all distinction between class and caste will be blurred and there will be as many classes as castes in Indian society. People belonging to one caste have necessarily a common descent as caste is based essentially on birth. The occupation, the pattern of consumption, and even the language and social mores being defined by caste, it is but natural that the people of one caste should have a similar stock of ideas, feelings, attitudes and norms of behaviour. Marxists, however, cannot subscribe to this definition of class. For them, class is defined by its relationship to the means of production. There are basically two classes in any community, those who own the means of production and those who work on them, the exploiters and the exploited. Caste, therefore, will have to be distinguished from class and the relationship between the two independently ascertained.

On the other hand, there are people, who look upon caste merely as a part

— the superstructure which will eventually disappear with a change in the base itself. This view of structure and superstructure is rather unscientific. Superstructure, according to Marx, does not imply a mere apparel or hood which can be tied or untied at will. It is dialectically related to the structure as cause and effect. The economic system and the class structure might determine the nature of social and political institutions and ideologies in any epoch in history; but once these institutions arise and the associated ideas imprint themselves on the masses they become as 'real' as the economic system itself. They have their own independent existence alongside of the economic system, and both act and react upon each other. Secondly, a new economic order does not arise after effacing entirely the vestiges of the old order. The new economic order is born from the womb of the old society and inherits many of its peculiar features. The study of the socio-economic formation in any country, therefore, is the study of these peculiar features associated with the class structure of that society.

Also, there is no empirical evidence to show that the influence of caste is really declining. There is a greater freedom nowadays in food habits and clothing. Education has ceased to be a monopoly of the few and is now widespread, covering all classes. Customary restrictions on freedom of occupation have been removed, and inter-caste marriages though still extremely rare do not provoke the same antipathy and resentment as they did in the past. Nevertheless, it is wrong to assert that caste is no longer an effective force. The chances of a person attaining a higher status and income still depend on his caste. Caste is still a matter for consideration when appointments are made to important posts in the private and the public [illegible] Though love marriages between [illegible] belonging to different castes [illegible] tolerated, a large majority of men and women marry within the confines of their own caste. Because of the growth of democratic politics, caste has emerged as an important instrument in the business of vote collection. Caste consciousness is essentially in-group feeling and, though the [illegible] of expression in rituals, dress, and behaviour as well as the religious sanction supporting it are on the wane, the consciousness of a large majority of our people is still determined by their caste. The basic ingredients of this consciousness and their influence on the outlook of different social groups should, therefore, invite the attention of social scientists.

Social Structure in Maharashtra in Pre-British Period

The origin of caste in ancient India is still shrouded in mystery. The confrontation of different ethnic groups, the clash between patriarchal and matriarchal societies, the hereditary occupation and guild restrictions, the ideas of magic and pollution, and the policies followed by different rulers, must have contributed to the growth of the caste system in this country. Hindu society, which developed over a period of more than 2,000 years, although spread over different regions of India had many common features — such as the supremacy of the Brahmins, the segregation of the lowest castes, hereditary occupation, caste solidarity, and lack of social intercourse among the different castes; yet the specific nature of political power, systems of revenue collection, and ideology of the dominant religious sects in each territory, influenced caste relations.

Maharashtra consists of four different regions; the coastal strip of Konkan, Western Maharashtra, Vidarbha and Marathwada. Among these there is some regional variation. Until the reorganisation of states in the Indian Union, Vidarbha was attached to Madhya Pradesh and Marathwada formed a part of the erstwhile state of Hyderabad under the Nizam. Economically and socially, these two regions have remained backward compared to Western Maharashtra which came under British rule much earlier. Even so, there exists considerable homogeneity in Maharashtra as a whole.

The Marathas are the largest peasant caste of Maharashtra. They form a sizeable majority in every region. Unlike the peasants in Karnataka or Andhra Pradesh, the peasants here are not divided into two or three major castes. Amongst the different regional religious sects in Maharashtra the Varkari sect was the most influential and it continued to be popular till the seventeenth century. The morality and tolerance which this sect preached, the religious equality and brotherhood it fostered and the pride in Marathi language and culture which it generated are supposed to have reduced caste barriers and created something similar to a national consciousness in the Marathi speaking people. In this way it prepared the background for the rise of Maratha power in the seventeenth century. Unlike the Jains or the Lingayats, the Varkari sect never turned into a caste. That explains why, despite religious differences and political conflicts, the unity of the Maratha caste was never endangered. The dominance of one big peasant caste provides the basis for the enduring political stability in Maharashtra in the days of democratic politics.

At the lower end of the social scale, there were three main untouchable castes, of which the Mahars formed the largest single group. It is said that the boundary of Maharashtra is coterminus with the spread of the Mahar caste. The Mahar in the past usually was a balutedar and a petty government servant in the village. Due to the absence of any traditional occupation, the Mahars were ready to go in search of employment wherever it was available. Many of them were recruited in the armies of the Peshwas and later into those of the East India Company. The Company, in its effort to build a modern army, made education compulsory for its recruits and thus opened an avenue for the Mahars to enter the modern age. The superannuated Mahar officers and their children — living in separate settlements and liberated from the shackles of the village economy — were the pioneers of the movement for the emancipation of untouchables in Maharashtra.

One important feature of Maharashtra's caste structure is the absence of an indigenous trading caste of any significance except a small Vani caste in some parts of Konkan. The traders and money-lenders in this region were migrants from the neighbouring territories. In the eighteenth century, with expansion of trade and finance as a result of Maratha conquests, the Maratha rulers invited traders from other areas to come and settle in important towns. To this day, the bourgeosie in Maharashtra belong to the same trading communities that control the economic life of other states of India.

The elites in medieval Maharashtra were mainly from the Maratha, Brahmin, and Kayastha Prabhu castes. The Deshmukhs or the Zamindars in this part of the country were largely from the high-status Maratha families. Under the Adilshahi and Nizamshai kingdoms, many Deshmukhs rose to the

position of court noblemen and commanders. Some of those who distinguished themselves rose to be Jahgirdars and a few such as Shahaji or Jadhavrao could even be king-makers. The Brahmins, in addition to being priests, were appointed as diplomats and administrative officers. The Kayasthas were commanders of forts. Their formal training enabled them to act both as civilian and military officers.

In the reign of Shivaji, a balance of power was maintained amongst the different castes at the court and in the administration. But after Balaji Wishvanath was appointed Peshwa or Prime Minister by Shahu, grandson of Shivaji, this balance of power was disturbed. Within a few years, the Peshwas usurped all political power, and used it for caste aggrandisement. The Peshwas brought young Chitpavan Brahmin boys from Ratnagiri to Poona, offered them educational facilities at State cost and absorbed them in the administration. Brahmins were now appointed army commanders. Jahgirs and inams were bestowed upon them. The revenue on land owned by Brahmins and the customs duties on goods they imported were reduced. Considerable sums of money were distributed among learned and not-so-learned Brahmins as *dakshina* from the State treasury[2] This concentration of religious, political and economic power in the hands of one small caste was bound to arouse the jealously and resentment of other castes. The Maratha army commanders such as the Scindias, Gaikwads, and others, carved out independent States for themselves on the periphery of the Peshwa's kingdom. The Deshastha and Saraswat Brahmins and Kayastha Prabhus migrated to these kingdoms which offered them opportunities for employment and promotion. The suspicion and antagonism bred by this narrow sectarian policy led to conflict between Brahmins and non-Brahmins in Maharashtra.

Caste and Class under British Rule

A modern capitalist sector gradually emerged from the womb of the old economic order under the impact of the British rule. The rate of growth of this sector remained extemely low due to British imperialist domination. Different provinces in India were conquered by the British at different times, and this fact determined the nature of their economic development. Within each province, the opportunities for each individual for entering the modern sector were determined mainly by his caste. The old social order was characterised by the uneven economic and cultural development and unequal life chances for different groups within the community. This inequality continued in the new system. The disarmament of India and suppression of local armies by the new rulers led to the decline of the old ruling classes. The Brahmin diplomats and administrators attached to different local princes lost their means of livelihood when the princes were subjugated by the British. But their long well-established tradition of learning helped the Brahmins to avail themselves of the facilities afforded by new educational institutions set up by the British rulers. Within a few years, they could monopolise the avenues of employment opened out by government departments, educational institutions and commercial establishments. A few of them entered the new professions of lawyers, physicians, and journalists. With the spread of education, many persons of the non-Brahmin castes also obtained the requisite qualifications to enter these occupations. But they could not compete successfully with the Brahmins who were firmly entrenched in these fields for some decades before their entry. Even to this day, most of the posts at higher level of administration in the public and private sectors are held by Brahmins. The Brahmins also continue to dominate the intellectual and cultural life of Maharashtra.

Unlike in Northern India, the British introduced the ryotwari system of land revenue in Maharashtra and recognised the rights of the old cultivating classes in land. But the class relations in agriculture were bound to change under the rule of the new colonial State. With the introduction of private property in land, the growth of the money economy and the development of the means of communications, the beginnings of the process of transfer of land, from the hands of the cultivating classes to the hands of the traders and money-lenders, could be observed by about 1870. It was through this process that the money-lenders slowly turned into landlords. A very large percentage of these absentee landlords and traders came from the marwari trading communities; but the Brahmins were also conspicuous in their ranks. The setting up of the British courts of law, and the principle of 'sanctity of contract' which they were supposed to uphold, helped to inflate considerably the importance of village land records. The suppression of territorial armies had reduced the power of the village headman who was generally one from amongst the Maratha peasants. On the other hand, the Brahmin village accountant, being a keeper for land records and the only literate person in the village community, found himself in a position of power that would enable him to grab the land of the cultivator. When disputes came to be settled in a court of law, the Brahmin lawyer, the Brahmin sub-judge and the Brahmin mamlatdar often ranged themselves on the side of the Brahmin money-lender much to the detriment of the cultivator's interest. Tris concentration of power at the lower rungs of the bureancratic ladder, and its use for ignoble selfish ends, evoked resentment and anguish among the cultivator. If it did not assume the form of collective fury against the Brahmins, it was because the Brahmin's person was protected by religious sanction.

Caste Interests and Ideology of Different Groups

The educated middle class of Brahmins was extremely small in size but was united by caste bonds, economic interests, and a keen nostalgia for lost political power. In the power vacuum created by the decline of the old ruling classes and the weakness of the indigenous bourgeosie struggle for survival under the pressures of foreign competition, the educated middle class gained an importance out of all proportion to its size and economic strength. The social and political life of Maharashtra in the nineteenth century bears the imprint of the aspirations and achievements, the limitations and weaknesses of this Brahmin middle class. The dominating position of this class was undermined only by the rise of the industrial bourgeoisie after the First World War.

English education threw open for the upper caste intellectuals in Maharashtra a window on the outer world. Their study of English constitutional history, classical political economy, the social philosophy of Bentham, Mill and Spencer, and the religious teachings of the rebel Protestant sects, developed in them an awareness of modern social values. They began to examine their society through Western eyes. The achievements of the Europeans in modern science, their

religious tolerance and the freedom of the individual in social and economic affairs, struck them as impressive enough to make them want to emulate them. The development of democratic political institutions and the superior techniques of production and economic organisations in the European countries made a strong appeal to them. Slowly, they came to realise that, unless feudal fetters were broken and new social values assimilated, no social progress was possible. M G Ranade — a judge — was the chief spokesman of this group of liberal social reformers. He defined social reform as "a change from constraint to freedom, from credulity to faith, from status to contract, from authority to reason, from unorganised to organised life, from bigotry to toleration, from blind fatalism to a sense of human dignity". With this end in view, he encouraged the establishment of different associations such as the 'Society for the Propagation of Widow Remarriage', a school for women, the Sarvajan'ka Sabha, the social conference, etc. The programme which the social reformers advocated covered such modest reforms as the prohibition of the tonsure of widows and of child marriage. They demanded that the age of consent for intercourse within or without marriage be increased, that widow remarriage be allowed, and female education encouraged. This programme amounted to a reform of the family system and better treatment of women rather than total social reform as such. But the educated middle class, and the commercial bourgeoisie from which these social reformers arose, could not accept even such limited reforms because their own status and privileges, as Brahmins, were based on the hoary traditions of the past. Abolition of caste inequality could not even be put on the agenda of social reforms. By the end of the nineteenth century, the issue of social reform receded into the background, and the educated classes turned their attention to obtaining more political concessions from the British.

Revivalistic Nationalism

Tilak was the leader of the anti-social-reform group of middle class Brahmins, most of whom had received modern education. He largely succeeded in convincing his followers that social progress was not a practical proposition under the alien rulers and that political reform should get precedence over social reform. He appealed to his followers to concentrate their energies on political propaganda and agitation. The British could be persuaded to give political concessions, Tilak believed, only if the Indians persistently and unitedly pressed for them. He felt that social reform being a domestic matter was bound to antagonise certain social groups and would divide the Indian public opinion which he was so assiduously trying to build up. Moreover, Tilak thought that there was nothing basically wrong with the Indian social system. It did help India to survive the onslaught of alien political rules and cultures, whereas the civilisations of ancient Greece and Rome crumbled under the blows of foreign invasion. The main cause of India's defeat was not its social and cultural backwardness but the lack of technical knowledge and the disunity which helped the British play one local ruler against another. National unity was the need of the hour. Social reform could well wait till India had achieved its political independence.

Tilak was the first political leader in Maharashtra who realised the importance of articulate public opinion as a weapon to pressurise the British in the granting of political concessions. Through his speeches and writings, he continuously roused the people to combat the British. But since he represented a class which was not willing to share its privileges and power with the masses, he tried to mould national unity through evolving national symbols and ceremonies. He initiated the public Ganapati and Shivaji festivals. In the second half of the nineteenth century, Maharashtra had witnessed a renaissance of classical Sanskrit learning.

After the establishment of the University of Bombay in 1857, Indian students were introduced for the first time to the researches made by Western scholars in Eastern philosophy, Sanskrit literature, and ancient Indian history. A large number of Sanskrit works on different subjects were translated into Marathi. Native scholars embarked upon their independent studies of medieval Marathi literature and history. The eulogies showered on ancient Indian learning by Western philosophers ad Indologists helped to remove the inferiority complex created among the first generation of educated Indians by the initial influence of Western civilisation. This was now replaced by an excessive pride in India's heritage and civilisation, a development that was extremely congenial to the mental make-up of the educated middle-class Brahmins who were longing for a return to past privileges and power. Tilak based his nationalism on a deep respect for the universalistic Hindu Philosophy, the cultural heritage of ancient Aryans, the regional identity of Marathi-speaking people, and their sense of pride in the military exploits of the Maratha armies under the Peshwas. Despite the indomitable courage and idealism of Tilak and the self-sacrifice he willingly made for the national cause, this sentimental nationalism did not muster many adherents to the extremist party from the non-Brahmin masses of Maharashtra. The party remained essentially confined to middle-class Brahmins. The revivalistic nationalism of Tilak has continued to be the mainstay of the ideology of the Brahmin middle class of Maharashtra to the present day.

Phule and the Satyashodhak Movement

The last quarter of the nineteenth century witnessed the emergence of an educated middle class and a petty bourgeoisie from the the ranks of the non-Brahmin castes in Maharashtra. Through English education, they also learnt the liberal social values and, having imbibed them, they proceeded to challenge the old social order. Many of the non-Brahmin intellectuals who came forward in this period were educated in the English schools opened by the Protestant missionaries of the Free Church Society. Unlike the Jesuits and other Catholic missionaries who had come to India with the Portuguese and who compromised with the medieval caste system, the Protestant missionaries commenced their effort at conversion with an attack on Hindu religion and the traditional social order. The special targets of their attack were the customs of sati and infanticide, the cruel treatment meted out to upper caste widows, the ideas of religious pollution, and untouchability. The Puritans had revolted against the religious bigotry and the church hierarchy in their own country. Their insistence on the right of each individual to have direct communion with the Almighty was a typical feature of that sect. It is no wonder, therefore, that the Indians who were deeply impressed by such a philosophy should express serious objections to the caste hierarchy and to Brahmin privileges.

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Phule opened a frontal attack on the caste system. He asserted that the Vedas, Puranas, and other religious books of the Hindus, did not represent divine relations but were simply products of upper-caste intellectuals interested in upholding their caste privileges and in the exploitation of the common people. He tried to show, however crudely, that the history of India is a history of the Brahmin upper castes trying to dominate by means fair and foul the common people, the shudras, and the ati-shudras — i e, the untouchables. The shudras, he said, for the first time in Indian history now had an opportunity to overthrow the hated yoke of Brahmin domination. Divine dispensation had, as it were, bestowed on them the rulers who were sympathetic to their cause. They should now liberate themselves from the age-old traditions and superstitions and unitedly fight for their religious and social rights.

With this end in view, in 1873, he established the Satyashodhak Samaj and raised the banner of revolt. The Satyashodhak Samaj encouraged the non-Brahmin castes to perform different religious rituals without the intervention of Brahmin priests. His supporters were mainly the urban non-Brahmin traders and contractors of which Telugu Malis formed a significant proportion. Phule sympathised with the misery of the agriculturists and urged the British government to ameliorate their lot through the introduction of compulsory primary education, provision of credit, and other facilities. Lokhande, the editor of *Deenbandhu* and the father of the Indian trade union movement, was a leader of the Satyashodhak movement in Bombay. However, in Phule's time the Satyashodhak movement was confined to a few urban centres and had little impact on the non-Brahmin peasantry in Maharashtra.

A new chapter opened in the history of the non-Brahmin movement in the first decade of the twentieth century when Shahu Chhatrapati, the ruler of Kolhapur and a descendent of Shivaji, became its acknowledged leader. Shahu's interest in social reform originated in a personal experience of the time when the Brahmin priest in the royal household had refused to perform the religious rituals according to Vedic rites on the ground that the ruler was not a Kshatriya. A heated dispute ensued between the Maratha landed gentry claiming Kshatriya status and the Brahmins who opposed them on the ground that after the annihilation of Kshatriyas by Lord Parshuram no Kshatriyas were left in Maharashtra. The 'extremist' nationalists sided with the conservative Brahmins and fanned the flames of caste antagonism.

Shahu was sympathetic to the aspirations of the untouchables and worked in his own way for the eradication of untouchability and the advancement of the scheduled castes. However, the main thrust of his effort was to encourage the formation of a modern elite from among the non-Brahmin peasant castes. He assisted students to get higher education, encouraged the educated people to settle in the higher professions, supported non-Brahmin journalists and encouraged promising candidates to participate in the politics of the then Bombay Presidency. Though sympathetic to social reform, he was personally more inclined towards the Arya Samaj, which believed in the sanctity of the Vedas and in the continuity of tradition, than towards the heretical teachings of the Satyashodhak Samaj. The non-Brahmin elite under Shahu defied the supermacy of the Brahmins in the religious and social fields.

However, both when Phule and Shahu Chhatrapati were prominent on the political scene the non-Brahmin leaders remained loyal to the British government. They contended that only the Brahmins stood to benefit from political rights and political reforms. The acquisition of power by the Brahmin politicians would help perpetuate caste domination. The non-Brahmins, they said, should concentrate their energies on social reform where the foreign rulers would assist them. These conflicting attitudes to the problems of social and political reform reflect the caste and class interests of the Brahmin and non-Brahmin elite in this period.

Non-Brahmins in Politics

The First World War helped to rouse political awareness among the wider strata of the Indian population. The British government had declared the progressive realisation of responsible government, as the aim of their policy in India. The growth of democratic institutions create new aspirations in the non-Brahmin elite that could envisage its majority in any elected legislative body. A non-Brahmin political party was formed. Satyashodhak propagandists went from village to village arousing the peasants to resist actively the Brahmin domination. Despite the Congress call for non-co-operation with the British Raj, the non-Brahmin party contested the elections to the provincial legislative assemblies and a few of its leaders even held ministerial posts under diarchy. With political power in sight, however, the enthusiasm for social reforms diminished. Phule's dream of a united revolutionary movement of the Shudras and the untouchables proved to be ephemeral and the non-Brahmin party gradually disassociated itself from the movement for emancipation of the nutouchables which was taking shape under the leadership of Ambedkar.

With the emergence of Gandhi as a national leader, all-India politics was taking a new turn. Gandhi tried to form a united front of different classes and castes under the leadership of the bourgeoisie against the British imperialist power. His satyagraha proved to be more efficient technique for mobilising public opinion and for pressurising the British. His constant reference to the welfare of the downtrodden as the only justification for the demand for Swaraj endeared him to millions of his countrymen. He openly opposed caste inequality and untouchability. Upholding the dignity of labour, he induced scores of his devoted followers to work in the villages for constructive programmes. The new generation of non-Brahmin elites, therefore, realised that their long-term interests lay in joining the Indian National Congress and, under the leadership of Keshavrao Jedhe, they took the plunge in 1930 by responding to the call of civil disobedience.

Brahmins and the Hindu Mahasabha

Gandhi's non-co-operation movement, however, was anathema to a large section of the Brahmin educated middle class of Maharashtra. The boycott of legislatures, government posts, educational institutions and courts of law could deprive them of their means of livelihood. They ridiculed Gandhi's ideas as irrational and impracticable. The growth of democratic politics was disturbing to them as it would lead to their subordination to the non-Brahmin majority. Gandhi's advocacy of social reform was too bitter a pill to swallow and so, at the time the non-Brahmins joined the Indian National Congress, the Brahmin educated classes in Maharashtra left it to join the Hindu Mahasabha. The rise of Fascist parties in Europe in the 1930s was a beacon light which

they were only too eager to follow, and the Rashtriya Swayamsevak Sangh was formed with the brown shirt as uniform. After his release from detention, Savarkar became leader of the Hindu Mahasabha and he pursued with vigour the policy of opposing the Congress, on the ground that it was pro-Muslim. The gulf between the non-Brahmin majority in the Congress and the Brahmin-dominated Hindu Mahasabha kept widening, producing great bitterness. When Gandhi was assassinated in 1948 by a Brahmin, this bitterness erupted into anti-Brahmin riots. To this day, the Brahmin middle class and petty-bourgeoisie have retained their fidelity to the Hindu communal forces in Maharashtra.

Not all Brahmins, of course, supported the communal parties A sizeable minority with a liberal background continued their association with the Indian National Congress, and provided Gandhi with constructive workers devoted to work in the villages. They won for Congress the spontaneous support of the poor. The success of the Russian revolution fascinated the intellectuals in the undeveloped colonial countries and introduced socialist ideas. The Communist and the Congress Socialist parties came into existence. The leadership of these Leftist parties was drawn mainly from the upper-caste intellectuals and the party's following was drawn from the industrial proletariat. After Independence, the intellectuals of the non-Brahmin castes also established a socialist party — namely, the Peasants and Workers party But when the Indian National Congress accepted socialism as its credo, there was little to distinguish the other democratic parties from the Congress. The Leftist political parties have been functioning only in a few big towns and cities, with hardly any foothold in the rural areas. The Congress, since Independence, has been essentially in Maharashtra, a party of Maratha peasants, united by strong caste bonds. Under the leadership of Y B Chavan, it remained more or less liberal in outlook. It accommodated promising young men from other non-Brahmin castes who could show some caste following. No opposition party was able to make any inroads into this Congress stronghold till the general election of 1977.

After the establishment of adult franchise, the Brahmins who formed an insignificant minority in the whole population were thrown out of the political field. The decline of Brahmin power has reduced the severity of the Brahmin *versus* non-Brahmin conflict. The implementation of land reform drove out from the village the absentee landlord, many of whom were Brahmins. Owing to the growth of industry and the Indianisation of bureaucracy, many opportunities were opened for technicians and administrators most of which were seized by the Brahmins who invariably possessed the requisite technical qualifications Some have even started their own business firms and have become entrepreneurs All Brahmins, however, do not belong to the bourgeoisie. A large proportion of them belong to the lower middle classes, working as clerks or primary and secondary teachers

Caste influences are still very deep-rooted, and educated Brahmins suffer from the complex that job reservation for the scheduled castes and the political leverage of the Marathas keep them away from those posts which they deserve to occupy on the basis of their qualifications This feeling comes to the surface in times of crisis, such as the recent Marathwada riots. However, the Brahmins are not much of a political force today The Jan Sangh could not win in Maharashtra any parliamentary seat in the general elections The Hindu communal forces, however, have secured a new lease of life after the victory of the Janata party in the elections of 1977 and 1978 Yet, the fact that the Janata party could form a ministry in Maharashtra only after the defection of Sharad Pawar bears testimony to its own feeble rural support

Scheduled Castes and the Struggle for Independence

After Independence, the main battle lines have been drawn between the caste Hindus on the one hand and the scheduled caste Mahars or Buddhists on the other. Unlike the Marathas, there was no landed gentry nor any tradition of political power for the scheduled castes. They belong to the lowest strata of the rural population, being poor farmers and agricultural labourers. But the ryotwari system has saved them for the abject servility from which their brethren suffered in the North, In medieval times, the Mahars were recruited to the Maratha armies and that tradition continued under the East India Company and the Crown. The modern army gave the Mahars the opportunity to enter the modern age When Lord Kitchner became the Commander-in-Chief of the Indian army in the last decade of the nineteenth century, he discontinued the Mahar recruitment on the plea that the Mahars did not belong to the martial races of India The Mahars reacted by sending a memorandum to the government requesting it to reconsider its view. Thus began a political movement which served as a precursor to the movement for the emancipation of the untouchables, which took a keen edge after the First World War.

The scheduled caste struggle for their religious and social rights started in 1923, when Ambedkar returned after completing his higher studies in England and the US and established the Bahishkrita Hitakarini Sabha. In the first phases of the movement, the programme consisted of assertion of the rights to public places and entry into Hindu temples. A satyagraha was organised in 1927 for drawing water from a public tank at Mahad in Kolaba District, followed by satyagrahas for entry into temples in Pune and Nasik The invitation given by the British government to Ambedkar and Rao Bahadur Raja to participate in the Round Table Conference in 1930 as representatives of the scheduled castes served to promote in them a consciousness of their political power and to bring the issue of scheduled castes to prominence in the political field

Unlike non-Brahmin leaders who gave precedence to social reform over political reform, the scheduled castes now decided to discontinue their movement for religious and social equality and concentrate on the demand for political rights The consideration which weighed with them was that a struggle for social and religious rights was bound to rouse the indignation of the caste Hindus and provoke them to hostile action The scheduled caste people were too small in numbers and too weak and unorganised to withstand such an offensive Secondly, the strategy that the caste Hindus adopted in the face of scheduled caste satyagraha was the obtaining of a stay order from the Court on the ground that the said places were private property and that the scheduled castes did not even have the customary right to their use The untouchables in such cases could achieve their end by resorting to civil disobedience which would create a law and order problem and antagonise the British authorities. The scheduled caste leaders. therefore, turned their

attention to the political field. However, they refused to make common cause with the Indian National Congress Instead, they relied on the British Government to provide them the safeguards which they thought essential for protecting their interests from caste Hindu majority in the emerging political set-up.

At the Round Table Conference, Ambedkar made a demand for separate electorates for the untouchables. The 'Communal Award', which followed, provoked Gandhi to declare a fast unto death and a compromise was reached on the basis of reserved seats and joint electorates. This failed to satisfy the scheduled caste leaders, and they continued to press for additional safeguards. The constant pressure from the scheduled castes worked as a counterweight to the conservative and revivalist forces in the Congress and helped the Congress leaders to take a secular and democratic stand. However, the reliance of the scheduled castes on the British government and their opposition to the Indian National Congress opened a gulf between them and the anti-imperialist progressive forces, which is difficult to bridge even 30 years after Independence. The Mahar leaders indicted the Congress for being indifferent to the distressing conditions of the scheduled castes and advised their followers to beware of Gandhi The Congress, in its turn, supported the Chamars to capture the reserved seats and caused an estrangement between the two scheduled caste communities

Buddhism vs Marxism

Ambedkar was educated in British and American universities in the heyday of Liberalism. Freedom of speech and expression, of faith and religion, equality before law, and democracy, remained the basis of his social philosophy to the end of his life. Historically, Liberalism has evolved as the philosophy of the rising bourgeoisie. It cannot be a tool for the most downtrodden sections of society in their struggle against exploitation The invisible hand of perfect competition cannot maximise the welfare of agricultural and industrial labourers, who need not the formal equality before law but the actual equality of opportunity. Socialism is the natural creed for the exploited classes of the community, and Ambedkar slowly veered to some form of democratic socialism in the last years of his life In his book "States and Minorities" published in 1947, he advocated nationalisation of land and of basic industries as solutions to the problem of economic inequality. He also maintained that nationalisation of land and basic industries should be made an integral part of the democratic constitution.[3]

However, despite his secular outlook, he could not sever all his moorings in religion. In his search for an alternative to Hinduism based on inequality by birth and untouchability, he turned to Buddhism as an ideal religion. He embraced Buddhism in 1956, and encouraged thousands of his followers to do the same. His interpretation of Buddhist religious texts in his book "Buddh and his Dhamma" is on the lines of his liberal philosophy. Yet, it is no substitute for a radical ideology.

Ambedkar was a staunch believer in democratic values and practices. Yet he feared that, in the Indian society characterised by discrimination based on caste, democracy would in actual practice turn out to be domination of the scheduled castes by the caste Hindu majority. Socialism is nothing but the extension of the democratic principle to the social and economic fields. It is defined as a government by the workers and the peasants. But, unless caste distinctions disappear, a government of the workers would also mean a rule of caste Hindu workers. The scheduled castes might not be allowed to participate in it. This view was strengthened by the indifference shown by Indian Marxists to the eradication of the evils of the caste system. It was further supported by the actual experience of the trade unions which not only tolerated but often insisted on discrimination in employment and division of work in the factories on the basis of untouchability. Similarly Marxism, to Ambedkar, it appeared, was inconsistent with the tenets of democracy. It was based on violence. Ambedkar's writings do not display any close familiarity with Marxist classics. Nevertheless, after his conversion to Buddhism, he proclaimed that Buddhism was Marxism purged of violence.[4] Such juxtaposition of Buddhism and Marxism has produced a lot of confusion among Buddhist intellectual circles. And vested interests find in it a handy tool to check the spread of Marxist thinking among the Buddhists. The conversion to Buddhism has assisted the Mahars to liberate themselves mentally from the shackles of the old hated religion. It has, however, placed a wedge between the Buddhists and the other scheduled castes in Maharashtra.

Caste or Class Organisation?

The practical problem having a bearing on ideology continues to be of the kind of organisation that is more suited to the struggle of the scheduled castes against their oppression. Economically the poorest, educationally backward, and with a strong feeling of social inferiority generated by the ideas of *karma* and rebirth, the scheduled castes are rather too weak and unorganised to have direct confrontation with the caste Hindu majority on their own. They need support from the other progressive forces. The only possible support to them can be drawn from other exploited classes in the community and the Leftist parties representing their cause. Ambedkar was aware of this. But, in the peculiar political situation in India in the two decades before Independence, he could not decide between building up a caste-based and a class-based party. The British government in its efforts to halt the advance of the nationalist forces claimed to be the champion of the minorities in their struggle for safeguards in the future constitution of India. A caste-based party was, therefore, under Indian conditions not only easy to organise but also likely to carry some weight with the government. On the other hand, in domestic politics based on elected legislatures and responsible governments, a party of a small minority like the scheduled castes would be swept off in the polls and so fail to produce any impact on the government of the country.

Ambedkar thus adjusted his tactics to the situation. At the Round Table Conference and the negotiations over the Poona pact he acted as a spokesman for the scheduled castes. Within a few years, when elections were declared to the provincial legislative assemblies in 1937, Ambedkar took the help of a few Leftist intellectuals and formed a broadbased Independent Labour Party with a socialist platform. Despite the Congress opposition the party could secure 18 seats in the Bombay legislative assembly. But the Congress ministries resigned in 1939, and all power was again vested in the hands of the governor. During the period of the Second World War, Ambedkar was invited by the governor general to be a member of his executive council; the Independent Labour Party met a natural demise When again negotiations started between the Congress and the British government over the transfer of power, Ambedkar established

the Scheduled Caste Federation and demanded safeguards for their protection. The Federation even organised satyagraha in some important towns to attract attention to their demands.

In the first general elections in the Republic of India held in 1952 the Scheduled Caste Federation fared badly, failing even to secure the reserved seats, and Ambedkar himself who contested the reserved seat form the double-member constituency of Central Bombay suffered a crushing defeat. A few days before his death in 1956, he advised his followers to dissolve the Scheduled Caste Federation and establish the Republican Party of India on liberal democratic lines. But in the absence of a towering personality like Ambedkar, the party failed to attract members from other castes and remained confined to the Buddhist followers of Ambedkar. The fear of submersion by a caste-Hindu majority in a class-based party still haunts the different radical political groups among the Buddhists and acts as a barrier to their entry. At the same time, the inherent weakness of their position leads the Dalit Panthers to assume pseudo-radical postures and make symbolic demands which provoke rather than attract the sympathetic or neutral elements from even the poorest strata of the caste Hindu population.

Caste and Class after Independence

With increasing commercialisation, a differentiation in peasantry slowly came about in Indian agriculture. A class of Kulaks has arisen in the irrigated sugarcane and cotton areas of the state. Though the Green Revolution could not spread owing to lack of irrigation facilities, capitalist values have made inroads in the rural areas. The economic and political power of the rural rich has increased in the 30 years after Independence. After the Rural Credit Survey of 1954, the Reserve Bank of India injected vast funds in the co-operative movement, Maharashtra, having a more developed co-operative credit structure than other states, was in a position to benefit from this policy. These funds have gone into the hands of the rich farmers who dominate the co-operative societies. With assistance from the state government the co-operative sugar factories have proliferated in Western Maharashtra. The Panchayati Raj institutions established after 1960 offered the dominant classes in the rural areas an opportunity to control the administrative apparatus too. They also dominate the educational institutions whose number rapidly increased with the increase in the popular demand for education. This increasing concentration of power in the hands of the rural rich belonging to the major peasant castes is an important feature of rural life in Maharashtra, today.

The other side of the picture is the increasing consciousness about civil and political rights amongst the scheduled castes particularly the Buddhists. The long tradition of political movement and the social consciousness it created have helped the Mahars to avail themselves of the concessions offered by the government in the educational field. The educated scheduled caste men are now competing with the caste Hindus for administrative posts and other jobs in industry. This increasing competition from the scheduled castes combined with large-scale unemployment is the main cause of the widespread social tensions in the underdeveloped regions of Maharashtra such as Marathwada.

With the growth of education in the towns, new ideas and moral values spread gradually to the rural areas. The social life of an Indian village is still centered round the village temple. The conversion to Buddhism induced the Mahars to sever the bond which bound them to the feudal order. They have given up the flaying of dead cattle and other such degrading tasks allotted to them by the traditional division of labour in the village economy. They now depend for their earning mostly on wage-labour. The emancipation of the Mahars from the feudal yoke, their rejection of Hindu religion, their desire to improve their economic lot, and the resistance which they show to social oppression, have enraged the dominant caste and class groups and has exacerbated the class conflict in the village.

Caste Conflict and Marxist Parties

The caste background of different social groups has created many problems for the Marxist political parties. A large number of Marxist party leaders are recruited from middle class Brahmin families as the Brahmins were in the forefront of the political struggle. But a Brahmin, though a Marxist intellectual, finds it more difficult to overcome the caste barriers than those of class. Marx expected Socialists to be declassed and every middle class intellectual is made aware of his class bias from the time he joins the Communist party. But there is no mention of caste in the classical Marxist textbooks as they were written against the background of Western historical experience. Caste is not, however, a group which one can join by acquiring income or wealth. It is hereditary and right from birth a Hindu inherits a whole cultural tradition. A person's physique, his likes and dislikes in food, his language, the manner of speech, and his whole bearing, show the impress of his caste heritage. Except for those who are completely Westernised and thus alienated from Indian society, no individual can efface the influence of his caste upbringing. Amongst the Brahmin Marxists, caste influence might take various forms. On the intellectual plane it is expressed in a greater affinity towards Tilak's revivalist nationalism than towards Gandhi's liberal humanism. The revivalists argued that political reform should get priority over social reforms and all problems created by religious orthodoxy and social inequality could be postponed till political independence. The implicit belief of the Marxist, that a proletarian revolution would solve the problem of untouchability and caste inequality, is equally unrelated to the realities of the Indian situation. All Marxist theory and practice, even though avowedly revolutionary, is strictly confined to the economic sphere. The social, religious and even the cultural aspects of social life are generally ignored. Communism is not looked upon as an all-round movement for the fundamental reconstruction of the whole social order on the basis of new moral values but is taken to mean only a reformation of the economic system and the relations of production. This total indifference towards the problems created by social inequality is one reason why Communists have failed to attract the lower castes towards them.

A typical upper-caste intellectual or trade union leader is unable to overcome easily the overbearing superiority and exclusiveness, veiled though it is, fostered by his caste background. Its outward form is intellectual snobbishness and the inability to move with others on a footing of equality. The mode of his behaviour and intellectual powers being far different from the labourers, he cannot act as one amongst equals. The wide gap between leaders and followers impedes the evolution of leadership from below.

On the level of the individual village, caste and class many a time completely coincide. The upper class of traders, moneylenders or kulaks generally belong to some higher or middle level caste cluster and the landless labourers are either untouchables or tribals. Marxist movements in the rural areas of Maharashtra have been confined to the tribal pockets. As the landlords belong to a different caste than the labourers, tribal loyalty, cohesion, and organisation can be used to wage a class struggle. This is amply illustrated by the Warli revolt in the Thana district under the guidance of CPM leader Godavari Parulekar. But the consciousness of the labourers remains essentially tribal and comes in the way of spreading the movement to other areas. For the same reason, the organisations of the agricultural labourers cannot be co-ordinated with other organisations of the proletariat at the state level. The tribals who have not yet lost their independence of spirit and who have not imbibed the Hindu philosophy of fatalism can perhaps be more roused to revolt than the depressed classes in Hindu society. But they cannot form the vanguard of revolution. For, they are too backward culturally and too much isolated from others to give effective leadership to other classes.

The Brahmins generally belong to the bourgeoisie and the scheduled castes on the whole to the most exploited sections of society. It is, however, the caste loyalties of social groups which have arisen from the middle-level peasant castes that create real obstacles to the growth of revolutionary consciousness. Marx characterised the industrial proletariat as the vanguard of the revolution, since, according to him, it had nothing to lose but chains and a world to win. This characterisation is wholly true of no class in the Indian Society. Each caste, however low it might be in the caste hierarchy has [illegible] group which it believes to be [illegible] than itself in rank and prestige [illegible] therefore, unwilling to give up its [illegible] to superiority on that count. [illegible] industrial labourer joins his fellow [illegible] belonging to diverse communal [illegible] the factory in fighting for [illegible] and bonus against his [illegible]ers. Yet, he does not wish to [illegible]d the privileges of caste. The [illegible] who insists on the workers [illegible] the old practices is afraid of being unpopular and of rousing the antagonism of the majority. So, even in factories with Leftist trade unions, caste injustices continue. And let the city worker go back to his village for rest or worship of family idols, he will use all his energies to fight against his caste enemies and to show the untouchable 'his proper place'. His caste loyalty can be easily roused at the time of elections and he would vote for his caste fellow irrespective of the political party. The narrow economism of the trade unions has deep roots in the caste affinity of the worker.

The peasants in any country are by nature averse to social change. But in the caste of India their conservatism is further strengthened by their feeling of caste loyalty to the Kulak. The institutions which have naturally sprung up or been deliberately fostered by the States in rural India, such as the Panchayati Raj political institutions, the co-operative organisations, and the educational bodies, have helped the kulaks to mobilise the caste loyalties of the middle and small peasants. It is, therefore, becoming extremely difficult to mobilise them on a class basis. The willing co-operation given by the small peasants, the natural allies of the landless agricultural labourers to the dominant class groups in the atrocities against Buddhists is the most disturbing feature of the recent riots in Marathwada.

Caste is too restrictive a social group and caste feeling is closely associated with mixed feelings of superiority and inferiority. As such, it should have no place in future Indian society. Yet it has been exploited in a most opportunistic manner by all political parties in their competition for votes in the context of parliamentary democracy. Marxist realism is essentially different from this opportunism. It bases itself on the knowledge of the real factors in the existing situation, making at the same time an attempt to dialectically overcome them. Theoretically, this implies that the Marxists should give up their narrow economism and work on all fronts for a basic transformation of Indian society. The problems created by religious bigotry, sway of tradition, and social inequality, were tackled in Western Europe in the renaissance, the reformation, and the social struggles associated with the industrial revolution. Indian society is yet to take such a leap. In India, social inequality is extremely deep-rooted, much more so than the economic inequality and unless a party devotes its energies and exerts simultaneously for a social and cultural revolution, its success on the political and economic front would help only a few upper caste groups amongst the peasants and workers, leaving out the more depressed other social groups. This fear itself has kept the depressed classes away from the Marxist parties.

In the words of Ambedkar, "Men will not join in a revolution for the equalisation of property unless they know that after the revolution is achieved they will be treated equally and that there will be no discrimination of caste and creed. The assurance of a socialist leading the revolution that he does not believe in caste, I am sure, will not suffice. The assurance must be the assurance proceeding from much deeper foundation, namely the mental attitude of the compatriots towards one another in their spirit of personal equality and fraternity. That the social order prevalent in India is a matter which a socialist must deal with, that unless he does so, he cannot achieve his revolution and that if he does achieve it as a result of good fortune, he will have to grapple with it, if he wishes to realise his ideal, is a proposition which in my opinion is incontrovertible."[5] Marxists can ignore this warning only at their own peril.

Notes

1 "Encyclopaedia of Social Sciences", Volume III, p 536.
2 M G Ranade, "The Miscellaneous Writings", Manoranjan Press, 1945, pp 351-352.
3 B R Ambedkar, "States and Minorities", Thakkar and Company, Bombay 1947, p 32.
4 B R Ambedkar, "Buddha and Karl Marx", M D Panchbhai, Nagpur
5 B R Ambedkar, "The Annihilation of Caste", p 12

Glass-Lined Equipment

GLASS - LINED EQUIPMENT has shown better results for the year ended June 1978. Sales have increased from Rs 35 lakhs to Rs 55 lakhs and gross-profit is up from Rs 8 lakhs to Rs 9 lakhs, reflecting contraction of margins. After making provision for depreciation and investment allowance, net profit is lower at Rs 4 lakhs (Rs 5 lakhs). This has been utilised to wipe off the loss of Rs 1,70,260 brought forward from the previous year and to write off preliminary expenses to the extent of Rs 66,976 and provide Rs 1.50 lakhs for preference share redemption reserve. This year's target of sales is Rs 75 lakhs.

Representation

A Preliminary Assessment of India's Thirty-Year Experience with Reserved Seats in Legislatures

Marc Galanter

Although Indian Intellectuals, including some eminent social scientists, have passed severe judgments on compensatory discrimination policies, it is only in the last few years that systematic research on their effects has been undertaken. And unfortunately very little of it has touched on the subject of reserved seats in legislatures.

For purposes of deciding whether reserved seats should be extended or terminated, the collection and analysis of data about their performance is only a first (though essential) step. The policy decision involves at least three major sorts of questions beyond the estimation of costs and benefits up-till now.

First, once a pattern of costs and benefits is ascertained, there is the question of whether it can be expected to continue in the future.

Second, since the goals and dangers of the compensatory discrimination policy are multiple, an evaluation of costs and benefits requires that some kind of weights and priorities be assigned to these goals or dangers. These can be supplied only by a vision of a future society that unites the desirable with the possible.

Third, evaluation must be comparative. Acceptance or rejection of the package of benefits and costs believed to be associated with reserved seats must be compared with the costs as well as the benefits anticipated to arise from any alternative that is believed to be preferable.

THE Indian effort to secure equality by means of preferential treatment or compensatory discrimination is unique in scope and extent. As Lelah Dushkin observes, "nowhere else is so large an underprivileged minority granted so much special treatment . . ."[1] Preferences are of three basic types: first, reservations, which provide easier access to valued positions within important social institutions. The most important preferences of this type are reserved seats in legislatures, reservation of posts in government service, and reservation of places in academic institutions (especially coveted higher technical and professional colleges). To a lesser extent, the reservation device is also used in the distribution of land allotments, housing and other scarce resources. Second, there are expenditures of government resources in behalf of the beneficiaries — i e, scholarships, grants, loans, land allotments and provision of other special facilities such as legal aid. Third, there are special protections, such as measures designed to protect "untouchables" from discriminatory treatment and exemption from liability to having one's land subject to execution

The benefits of "compensatory discrimination" are extended to three major classes of beneficiaries.[2] First, there are those castes designated as Scheduled Castes on the basis of their historic connection with "untouchability". They numbered nearly 80 million (14.6 per cent of the population) according to the 1971 Census. Second, there are the Scheduled Tribes who are distinguished by their tribal culture and physical isolation and many of whom are residents of specially-protected Scheduled Areas. They numbered more than 38 million (6.9 per cent of the population) in 1971. Third, there are the "Backward Classes" (or, as they are sometimes called, "Other Backward Classes"), a heterogeneous category, varying greatly from state to state, comprised for the most part of castes (and some non-Hindu communities) low in the traditional social hierarchy, but not so low as the Scheduled Castes.[3]

For the most part, these preferences have been distributed on a communal basis. Members of specified communities are the beneficiaries of a given scheme and all members of the community, however prosperous, are entitled to the benefits. However, some schemes use a means test to supplement the communal one — only members of the listed communities with incomes below the specified ceiling are eligible. In a few instances, the communal test has been replaced by an economic one — income or occupation or a combination of the two — and a few schemes use tests neither communal nor economic.

I

Legislative Reservations

The Constitution specifically provides reserved seats for the Scheduled Castes and the Scheduled Tribes in the Lok Sabha (lower house of Parliament)[4] and the Vidhan Sabhas (lower houses of the state legislatures).[5] No seats are reserved in the upper houses, central or state. There are no reservations in legislatures for the Other Backward Classes or for any minority groups.[6]

All of the other Constitutional provisions for preferences are merely authorisations empowering the state to make special provision for disadvantaged groups. But legislative reservations are specifically provided in the Constitution itself.[7] Seats are reserved in proportion to the population of Scheduled Castes and Scheduled Tribes to the total population of each state. Thus in 1976, 78 (14.4 per cent) of the 542 seats in the Lok Sabha were reserved for Scheduled Castes and 38 seats (7 per cent) for Scheduled Tribes. Of the 3,997 seats in the Vidhan Sabhas, 540 (13.5 per cent) were reserved for Scheduled Castes and 282 (7 per cent) for Scheduled Tribes.[8]

These reservations do not involve "separate electorates", i e, the representation of a particular group by legislators chosen by an electorate composed solely of members of that group.[9] The

TABLE 1: PERCENTAGE OF SCHEDULED TRIBE POPULATION BY LOK SABHA CONSTITUENCIES (1962)

ST as Per Cent of Population	Type of Seat			
	ST Seats	SC Seats	General Seats	Total
0- 9.9	0	71	330	401
10-19.9	1	3	29	33
20-29.9	4	1	16	21
30-39.9	3	0	6	9
40-49.9	5	0	3	8
50-59.9	9	0	2	11
60-69.9	4	0	1	5
70+	5	0	0	5
Total	31	75	387	493

Source : Hart Data

TABLE 2: PERCENTAGE OF SCHEDULED CASTE POPULATION BY LOK SABHA CONSTITUENCIES (1962)

SC as Per Cent of Population	Type of Seat			
	SC Seats	ST Seats	General Seats	Total
0- 9.9	4	22	113	139
10-19 9	25	8	210	243
20-29.9	33	1	61	95
30-39 9	10	0	3	13
40-49.9	3	0	0	3
50+	0	0	0	0
Total	75	31	387	493

Source : Hart Data

TABLE 3. COMPARISON OF CONCENTRATION OF SCHEDULED CASTES AND SCHEDULED TRIBES IN LOK SABHA CONSTITUENCIES RESERVED FOR THEM

Percentage of SC or ST in the Constituency	Percentage of Constituencies with Concentration of the Group between	
	SC Constituencies	ST Constituencies
0- 9.9	5 3	0
10-19.9	33.3	3 2
20-29.9	44 0	12 9
30-39.9	13.3	9 7
40-49.9	4.0	16 1
50-59.9	0	29 0
60-69.9	0	12 9
70-1000	0	16.1

Source : Hart Data

...are "reserved" in the sense that ...ates who stand for them must ... to the specified groups, but the ... electorate participates in choosing among candidates so qualified. Separate electorates for Parliament and the State legislatures are specifically out...ed by Article 325, which provides ... person shall be excluded from ...oral roll on grounds of religion, ... or caste.[10]

The Constitutional provision of reserved seats is complemented by statutory provision to enhance political participation by Scheduled Castes and Tribes Smaller election deposits are required from members of these groups and candidates for reserved seats enjoy more permissive residence requirements [11]

Unlike the general authorisation of special treatment and the provision for reserved posts in government service, the reserved seats in legislatures are subject to a constitutional time limit It was originally provided that such reservations should expire ten years after the commencement of the Constitution.[12] In 1959 these provisions were extended for another ten years,[13] and in 1969 for yet another ten [14]

Ten years ago, during the debate on the last extension, M R Masani regretted the absence of "a scientific study of the effects of [reservations] for the past twenty years. . ."[15] As it becomes thirty years there is still no comprehensive study of these effects This article attempts to assemble some of the information that is available, to identify the problems of drawing conclusions from that information, and to formulate a tentative assessment of the working of the reserved seats.

RESERVED CONSTITUENCIES

During the 1950s, most of the reserved seats were in double-member constituencies, in which one of the seats could be filled only by a member of the "privileged" group and the other was open to general competition.[16] Double-member constituencies were abolished in 1961.[17] This abolition seems to have been inspired principally by the concern of politicians with the greater difficulty and expense of campaigning in a double-sized district [18] This was compounded by some resentment of the infrequent but well publicised instances in which the unreserved "general" seat as well as the reserved seat was won by Scheduled Caste or Scheduled Tribe candidates,[19] who were able to compete for both seats while their opponents could compete only for the unreserved seat [20] New single-member constituencies were designated for the 1962 elections [21]

The demarcation of constituencies and designation of those reserved for Scheduled Castes and Tribes are entrusted to a Delimitation Commission, which consists of a retired Supreme Court Judge, a sitting High Court Judge and the Chief Election Commissioner.[22] In each state, the Commission is assisted by ten non-voting associate members (5 Members of Parliament and 5 Members of the Legislative Assembly) nominated by their respective Speakers [23] The Courts are constitutionally barred from intervening in the process of delimitation or allotment of seats.[24]

Generally, constituencies are formed on the basis of contiguity, communications, absence of natural barriers, cultural and ethnic homogeneity. After they are formed, certain constituencies are selected as reserved. In the case of the Scheduled Tribes seats there is a single standard for selection — concentration of the Scheduled Tribe population [25] Since typically the tribal population lives in areas of concentration the constituencies reserved for them contain a high proportion of Scheduled Tribes.[26] In 1962, the Scheduled Tribes comprised more than 50 per cent of the population in 18 of the 31 Lok Sabha constituencies reserved for them.[27] Conversely, most of the major concentrations of Scheduled Tribes population are located in reserved constituencies. Of the 29 constituencies in which Scheduled Tribes comprise over 40 per cent of the population, 23 are reserved. Thus the reserved seats encompass the bulk of the Scheduled Tribes population — perhaps close to 70 per cent. These constituen-

TABLE 4: ELECTION OF SCHEDULED CASTES AND SCHEDULED TRIBES TO NON-RESERVED SEATS IN LOK SABHA

Election	Total Seats	Reserved for SC	Reserved for ST	Non-Reserved	Non-Reserved Filled by SC	Non-Reserved Filled by ST	Source Chandidas, et al 1968: 253 and RCSCST, as below
1952	489	72	25	392	5(1)	1(0)	1955 : I, 95
1957	494	76	31	387	*7(3)	3(2)	1959-60 : II, 24
1962	494	76	31	387	*2	2	1961-62 : II, 75
1967	520	77	36	407	0	1	1966-67 : 26
1971	522	77	40	405	1	4	1971-73 : 244
1977	542	78	38	426	2	1	1975-77 : 20-21

Note : Figures in parentheses are the number of non-reserved seat victories which were general seats in double-member constituencies
* Total includes one Buddhist(not eligible for reserved seat nor listed in RCSCST). Other Buddhists may have occupied general seats subsequently.

TABLE 5: ELECTION OF SCHEDULED CASTES AND SCHEDULED TRIBES TO NON-RESERVED SEATS IN VIDHAN SABHAS

Election	Total Seats	Reserved for SC	Reserved for ST	Non-Reserved	Non-Reserved Filled by SC	Non-Reserved Filled by ST	Source Chandidas et al 1968: 717 and RCSCST as below
1952	3234	471	192	2571	5*	2*	1953 : 107
1957	3201	470	221	2411	7*	9*	1958-59 : I, 13
1962	3296	480	262	2553	12[16]**	13	1962-63 : II,
1967	3467	496	248	2723	4(20)**	8	1966-67 : 26
1969-70	3563	503	262	2798	0	1	1969-70 : 92
1970-71	3625	510	262	2853	3	2	1970-71 : 122
1971-73	3771	516	321	2943	0	14	1971-73 : 244
1973-75	3800	517	325	2958	4***	--	1974-75 : 194
1975-77	3977	540	282	3155	NI	NI	1975-77 : 20

* Figures noted in source as corrected from earlier report.
** Dushkin 1972 : 197 gives these higher estimates including Buddhists who would not be included in the RCSCST count.
*** Noted in source as previously elected.

cies are, not surprisingly, more isolated and much less urban than are the general constituencies.

In the case of seats reserved for Scheduled Castes, the Commission is instructed to apply two standards — concentration of Scheduled Caste population and dispersal of reservations. The Delimitation Act instructs the Commission to locate seats reserved for Scheduled Castes "in different parts of the State and . . . as far as practicable, in those areas where the proportion of their population to the total is comparatively large".[28] The Delimitation Commission achieves this by first reserving the constituencies with the highest concentration of Scheduled Castes — usually not much more than 20 per cent — and then selecting the others by the dispersal criterion. Since the Scheduled Caste population, unlike the Tribes, is rather evenly dispersed, the constituencies reserved for them contain far fewer Scheduled Caste members. Among the 76 Lok Sabha constituencies reserved for Scheduled Castes in the 1962 elections, there was none in which they comprised a majority of the population and only 13 in which they comprised as much as thirty per cent.[29] The bulk of Scheduled Castes constituencies contain between 10 and 30 per cent of Scheduled Castes. Thus, the vast majority of Scheduled Castes — perhaps 75 per cent — live outside the constituencies reserved for Scheduled Castes. Of the 111 Lok Sabha constituencies where Scheduled Castes comprised more than 20 per cent of the population, in 1961 only 46 are reserved, while 29 constituencies with less than 20 per cent are reserved.

Like the Scheduled Tribes constituencies, those reserved for Scheduled Castes tend to be political backwaters — slightly less urban, with less newspaper circulation and a slightly greater percentage of agricultural labourers.

The same pattern of concentration of Scheduled Tribes and dispersion of Scheduled Castes reappears in the reserved seats in the state legislatures. In Andhra Pradesh for example, Scheduled Castes make up only 21 per cent of the population of the constituencies reserved for them (and 13 per cent of the population of the general constituencies). But Scheduled Tribes comprise 43 per cent of the population of the constituencies reserved for Scheduled Tribes and only 2 per cent of the general constituencies.[30]

Designation of a constituency as reserved usually encounters opposition.

> While everyone expressed anxiety that the Scheduled Castes and the Scheduled Tribes should get their full quota of reserved seats, very rarely indeed would anybody (unless he himself belonged to any of these castes or tribes) agree to any seat being reserved for them in a constituency in which he was personally interested.[31]

The selection of reserved constituencies gives rise to the bulk of the objections to the proposed delimitation. As the Election Commissioner reports,

> generally speaking the vocal sections of the public objected to their own areas becoming part of a reserved constituency and put forward ingenious suggestions for reshaping two or more constituencies so that some particular constituency would be a general constituency.[32]

However, these objections rarely bring about a change. The courts will not provide any relief so long as the Delimitation Commission has taken into account the factors specified by the Delimitation Act.[33] Proposals for rotation of reserved constituencies have been rejected and their location has remained relatively stable.[34]

NON-RESERVED SEATS

Of course, Scheduled Caste and Tribe candidates may stand for non-reserved seats. However, they have been notably unsuccessful in winning elections to them. In the first six Lok Sabhas, only

the extent to which [illegible] have been implemented or their effectiveness.

Table 6 : Number of Scheduled Castes and Tribes in Rajya Sabha.

[illegible]	Total Seats	SC	ST	Source (RCSCST except where noted)
1953	216	7	4	1953 : 107 [1953 : 160]†
1954		6	5	1954 : 158-9
1955		7	5	1955 : I, 96
1956		5	3	1956-57 : II, 17
1957-78		6	3	1957-58 : II, 25
1958-59	220(1958)	7	4	1958-59 : I, 13 (1958 : 49)†
1959-60		10	3	1959-60 : II, 11-12
1960-61		11	3	1960-61 : I, 273
1961-62		11	2	1961-62 : II, 75
1962-63		12	2	1962-63 . I, 152
1963-64	224(1963)	12	3	1963-64 : I, 162 [1963 : 35]†
1964-65		13	3	1964-65 : 143
1965-66		13	3	1965-66 : 180
1966-67		10	2	1966-67 : 26
1967-68		10	2	Desai 1969 : 91
1968-69	228(1968)	13	5	Do. (1968 : 42)†
1969-70		13††	5††	1969-70 : 92
1970-71		NI*	NI*	
1971-72		NI	NI	
1972-73		NI	NI	
1973-74	243(1973)	31**	1**	1973-74 : 279 [1973 : 38]†

* According to RCSCST the House discontinued the keeping of records of SC and ST members. No subsequent information available except as noted.

** As reported by the Minister of State for Home Affairs. Noted as partial information including members from major parties only.

† Figures on total seats are taken from Ministry of Information and Broadcasting, "India : A Reference Annual" as shown in brackets.

†† Noted in sources as previous years' figures.

a handful of candidates from Scheduled Castes or Tribes filled unreserved seats.[35] In the lower houses of the State legislatures, the record is no more heartening, even though the smaller constituencies mean that local concentrations of population and resources should offer more opportunities for political success. An approximate count of Scheduled Caste and Tribe victories in unreserved seats is given by Table 5.

There is no reservation of seats in the indirectly-elected upper houses at both Centre and states. The Rajya Sabha at the Centre is elected by proportional representation by the members [illegible] the State Legislative Assemblies.[36] [illegible] number of Scheduled Caste and Scheduled Tribe members in the Rajya Sabha is shown in Table 6.

The upper houses (Vidhan Parishads) [illegible] state legislatures that have [illegible] are chosen by a more complicated [illegible], combining election by the [illegible] house, special qualified constituencies and governmental nomination.[37] [illegible] too, the number of Scheduled [illegible] and Tribes has remained fairly [illegible] shown in Table 7.

[illegible] is no constitutional require[illegible] statutory provision for reser[illegible] of political appointments within [illegible] legislatures [illegible] the government, such [illegible] ministerships[38] or member[illegible] on [illegible] committees. However, [illegible] early become a convention to have [illegible] least one Scheduled Caste cabinet minister at the Centre and in each of the states. The number of Scheduled Caste ministers at the Centre and the number of Scheduled Tribe ministers in the states has slowly risen, as indicated in Table 8.

Reservation of seats on elective bodies at the local level is not specifically provided by the Constitution, but such arrangements are allowed by Article 15(4) and nearly all the states provide such reservations by election, co-optation or nomination in various local bodies and in panchayats. In 1963, seats in local bodies were reserved for Scheduled Castes on the basis of population in Assam, Gujarat, Kerala, Maharashtra, Mysore, Punjab, Rajasthan and Uttar Pradesh. All of the other states except for West Bengal provided for some other form of representation in these bodies.[39] There is little data available on the extent to which these reservations have been implemented, much less on how effective they are.

Similarly, most of the states have made some provision for representation of Scheduled Castes and Tribes in panchayat bodies. In 1966 all the states except Bihar, Jammu and Kashmir, Orissa and West Bengal reserved seats in gram panchayats and most states provided for reservation or co-optation of members of these groups in the higher tiers of panchayat institutions.[40] But again there is no information about

II

Assessing the Benefits and Costs

There is no lack of assertions about the beneficial or detrimental effects of the reserved seats, and of the whole policy of compensatory discrimination. Yet any attempt to evaluate the working of reserved seats quickly founders for lack of evidence. Reliable data on the effects of these measures are sparse and spotty. But if the evidence is insufficient for a definitive evaluation, it does permit us to make a tentative assessment of the working of reservations in the legislatures.

I propose to begin this assessment by sketching the main arguments for and against legislative reservations. By sensitising us to the full range of issues at stake, this listing permits us to sort out the available evidence and helps us to formulate the questions that would inform a more conclusive account. Table 9 presents an illustrative array of the full range of claims that are made as to the various ways in which the reserved seats allegedly help or hurt the protected groups, others, and India as a whole. This list may be thought of as a specification of more general assertions about the costs and benefits of the whole policy of compensatory discrimination. (An attempt to sketch a more general list may be found in the Appendix.)

Rough and redundant as it is, this anthology of claims will provide us with a checklist that will help in devising appropriate standards for evaluating specific schemes. For convenience each claimed benefit is paired with the opposite claim of cost. It would simplify matters if each of these pairs represented points on a single dimension that could be unambiguously measured. Unfortunately, the most [illegible] can be claimed for them is that each is a composite of sometimes reinforcing but occasionally conflicting qualities that may conveniently be grouped together. Since the lines between the claimed effects are not always distinct, some overlap and redundancy is unavoidable. It was necessary, for convenience in labelling, to devise some rubrics that are not found in ordinary talk of these matters, imparting a somewhat stilted quality to the list. These claims are listed here in an order that proceeds roughly from the most focused and immediate to the most capacious and remote, from those which speak of impacts primarily on

TABLE 7 : [illegible] CASTES AND SCHEDULED [illegible] BY V[illegible] PARISHADS

Year	Total Membership (No of States)	SC	ST	Source (RCSCST except where noted)
1953	509 (10)	5	1	1953 : 107 [1953 : 160] †
1954		8(2)	1	1954 : 158-9
1955		8(2)	1	1955 : I, 196
1956		8(2)	1	1956-57 : II, 17
1957		9(3)	4	1957-58 : II, 25
1958-59	780 (10) [1958]	14(4)	4	1958-59 : II, 56 [1958 : 64]†
1959-60		16(3)	4	1959-60 : II, 12
1960-61		19(3)	5	1960-61 : I, 274, II, 290
1961-62		10(5)	5(1)	1961-62 : II, 276
1962-63		12	3	1962-63 : I, 152
1963-64	750 (10) [1963]	12	7	Desai 1969 : 91 [1963 : 51]†
1964-65		17	7	1964-65 : 143
1965-66		12	9	1965-66 : 63
1966-67		15	10	1966-67 : 26
1967-68		16	10	Desai 1969 : 91
1968-69	703 (9) [1968]	16	10	Do. [1968 : 43]†
1969-70		18	9	1969-70 : 92
1970-71		10(3)	6(1)	1970-71 : 122
1971-72		12(3)	6(1)	1971-73 : 244
1972-73	534 (7) [1972]	NI	NI	[1973 : 44]†
1973-74	(Bihar only)	5(2)	2(1)	1973-74 : 279
1974-75	(Four states only with 294 seats)	23(3)	3(1)	1974-75 : 194

Note: Figures in parentheses indicate nominated members where this is known.
† Figures on membership are taken from Ministry of Information and Broadcasting, "India: A Reference Annual" as shown in brackets.

the beneficiary groups to those which concern the shape and career of the whole society.

Recitation of this catalogue raises questions both of its status and of the author's stance. As to the first, it is clearly not a set of explanations of why these policies were adopted, although such goals undoubtedly played a part. It is a set of standards for judging these policies. But whose standards? Obviously they are the author's, but I would claim that they are more than the author's — a claim supported by their provenance, for they are refinements and generalisations of arguments found in current Indian discourse about these policies. I would claim further that the list encompasses most of the standards that would occur to a disinterested policy-maker. (By this mean a policy-maker concerned with these policies *per se* rather than with their implications for his political fortunes.) In this accounting of costs and benefits I have put to one side those benefits (and costs) that accrue to individual actors from supporting or opposing a particular programme (apart from some that enter incidentally under the heading of diversion). This is not because I suppose that policy-makers omit consideration of the personal and political gains and losses that such positions entail. The course that policy takes is very much shaped by this second level of costs and benefits. But although any given actor may have his own schedule of priorities and his own admixture of second-level objectives, almost all would share at least some part of the goals implied by these standards. That actors differ in their priorities and goals as well as in their estimates of fact does not reduce the usefulness of exposing and articulating standards for judging these policies.

The remainder of this article is an attempt to assemble information relevant to these arguments. The heavy emphasis on representation is not meant to attribute an overwhelming primacy to that factor. Nor is it implied that all of these dimensions are to be accorded equal weight in evaluating legislative reservations in themselves or the overall working of compensatory discrimination policies. Presumably specific schemes in different fields (education, housing, etc) or for different groups (Scheduled Castes, Scheduled Tribes, Other Backward Classes) have a different mix of intended effects. And, presumably, the relative weight to be assigned to those effects (and to unintended by-products) will vary among various participants and observers. These standards may help us to identify divergent goals as well as common ones.

REPRESENTATION OR MISREPRESENTATION

We may safely conclude that the presence of the Scheduled Castes and Tribes in legislative bodies is accounted for largely by the provisions for reserved seats. Very few members of these groups have been successful in open competition. (Tables 4 and 5) Even their presence in bodies where there is no reservation (upper houses, cabinets) is due largely to the political base provided by reservations. Thus reservations do provide for a substantial quantitative presence that would otherwise be lacking.

We cannot infer that without reservations, representation would be reduced to the present level of success in non-reserved seats. Their geographical concentration would assure the Scheduled Tribes at least a modicum of representation even in the absence of reservations. The more dispersed Scheduled Castes would undoubtedly obtain far fewer seats than they now enjoy, but we should not conclude that they would have none at all. If there were no reservations, some of the political talent among the Scheduled Castes now competing for reserved seats would compete for non-reserved seats. Parties would then need appealing candidates in areas with heavy concentrations of Scheduled Castes; perhaps slate-makers would be less moved by the sense of "they already have their share" that now seems to affect the giving of tickets. (And of course, some representation would be provided by legislators from other groups who would be accountable to constituencies with sizeable numbers of Scheduled Caste voters.)

Perhaps the best indication of the scale of representation that might be expected in the absence of reserved seats is provided by some data on elections to local bodies where no reservations were in force. In the early 1960s local bodies in West Bengal with a total of 1,081 members contained only 41 Scheduled Caste members (3.8 per cent) and 16 Scheduled Tribe members (1.5 per cent).[41] Among the 66 Presidents and Chairmen there were 3 Scheduled Caste members and 1 Scheduled Tribe. (According to the 1960 Census, 19.84 per cent of the population of West Bengal were Scheduled Castes and 5.91 per cent were Scheduled Tribes.)[42] A similar picture is presented by some fragmentary data from Gujarat where only 35 (0.5 per cent) of 6863 Sarpanches were from the Scheduled Castes.[43] The electoral experience of India's other large and (mostly) low status minority, the Muslims, does not offer additional reassurance.[44]

The effect of reservation of seats on

Table 8 : Scheduled Caste and Scheduled Tribe Ministers

	Centre								States								Source
	M		DM		PS		Total		M		DM		PS		Total		(RCSCST)
	SC	ST	SC	ST	SC	ST	SC	ST	SC	ST	SC	ST	SC	ST	SC	ST	
1948	2	0	*	*	*	*	*	*	10	3	0	0	*	*	*	*	
1949	2	0	*	*	*	*	*	*	10	3	1	0	*	*	*	*	1951 : 179
1950	2	0	*	*	*	*	*	*	10	3	1	0	*	*	*	*	
1951	2	0	*	*	*	*	*	*	10	3	4	0	*	*	*	*	
1952	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
1953	1	0	1	0	1	1	3	1	14	5	4	0	4	3	22	8	1953 : 252, 4
1954	1	0	1	0	1	1	3	1	13	4	7	2	4	3	24	9	1954 : 336,7
1955	1	0	1	0	1	1	3	1	15	3	7	3	4	3	26	9	1955 : II, 26 ff
1956-57	1	0	2	0	0	1	3	1	*	*	*	*	*	*	*	*	1956-57 : I,9
1957-58	1	0	1	0	1	1	3	1	14	3	7	5	4	8	25	16	1957-58 : II
1958-59	1	0	2	0	0	1	3	1	14	3	10	6	2	5	26	14	1959-60 : I,1
1959-60	1	0	2	0	0	1	3	1	14	4	8	4	2	5	24	13	*Do*
1960-61	1	0	2	0	0	1	3	1	*	*	*	*	*	*	26	15	1960-61 : II, 1
																	1961-62 : I, 1
1961-62	*	*	*	*	*	*	5	2	*	*	*	*	*	*	28	11	*Do*
1962-63	*	*	*	*	*	*	5	2	*	*	*	*	*	*	30	14	1962-63 : I, 1
1963-64	1	0	4	0	2	2	7	2	18	18	7	7	0	2	25	27	1963-64 : I, 16
1964-65	*	*	*	*	*	*	7	2	*	*	*	*	*	*	24	24	1964-65 : 144

Key
M = Ministers
DM = Deputy Ministers
PS = Parliamentary Secretaries
* Information not available

the quality of representation is even more difficult to assess. How well served are the residents of the reserved constituencies? And, apart from them how well served are the members of Scheduled Castes and Scheduled Tribes — a great majority of the former — who reside outside the reserved constituencies? In what sense do the reserved seat legislators represent them? Does the presence of their fellows in reserved seats assure that they are better served by their own representatives? Finally, is the nation as a whole well served by these legislators? What effect do they have on the working of the legislatures?

In assessing the quality of representation afforded by these representatives, we must recall the structural constraints imposed by the arrangements for reserved seats. Reserved seats were provided on the ground that the nation as a whole has an interest in affording these groups more representation than they would gain spontaneously in the political process. Presumably this implies a recognition that in the short run there will be some divergence of interests and outlook — at the least on questions of priorities — between these groups and the rest of the population. (Where no major divergence of interest and outlook anticipated, the reserved seats might be supported on some other grounds than representation. While other goals — notably integration, acceptance, redistribution and incubation do play a part — it is generally assumed that representation is the basic argument for reserved seats.) Presumably separate electorates would accomplish this more directly and forcefully. But separate electorates were decisively rejected in favour of joint electorates with reserved seats.[45] Thus in order to promote integration and acceptance, the reservations are designed in a way which filters and muffles the representation of the interests of the Scheduled Castes and Tribes in so far as they diverge from the interests of other groups. The reserved seat legislator — especially from the Scheduled Castes — is responsible to and dependent upon a constituency made up overwhelmingly of non-members of his group. Thus the reservations insure representation to distinctive community interests only to the extent that it can be secured by communal loyalty against the pull of political motivations. Representatives who occupy reserved seats can be expected to elevate the interests of Scheduled Castes, etc, over those of their constituents only to the extent that one assumes the Scheduled Caste representatives will be more responsive to the pull of ascriptive ties than to the expediencies of gaining and holding office. But to the extent that these reserved seat legislators are assumed to be responsible and prudent politicians, this arrangement serves as a filter to keep the divergent interests of these groups from being expressed too directly or forcefully. This is especially the case with the Scheduled Caste representatives, whose constituencies are populated overwhelmingly by others.

Assessment of the quality and effectiveness of the representation afforded by the reservations would entail examination of the reserved seat legislators' voting behaviour, their sponsorship of legislation, their role in party affairs, in cabinets and committees, their participation in questioning and debate, and their activities "behind the scenes". No investigator has undertaken such an assessment. Hence we have to attempt to piece together a tentative picture from the fragmentary evidence that is available.

From a handful of studies we may draw a composite portrait of the Members of Parliament who occupy reserved seats.[46] They are younger and more rural in residence than their fellow legislators; fewer have professions (other than landholding) and they have less formal education. The median age of reserved seat MPs is in the early forties; that of their fellows in general seats is in the early fifties. The disparity in age has remained constant over successive Lok Sabhas, but the gap in educational attainments has narrowed appreciably. In the Third Lok Sabha, for example, roughly 60 per cent of occupants of general seats held bachelor's or higher degrees, compared to 30 per cent of Scheduled Caste MPs and 35 per cent of Scheduled Tribe MPs. In the Fifth Lok Sabha, 53 per cent of Scheduled Caste and 37 per cent of Scheduled Tribe MPs were degree holders, while the general seat MPs remained at about 60 per cent.[47] Similarly the occupational and residen-

tial profile of reserved seat legislators seems to be becoming more like that of the MPs in general seats. But those in reserved seats continue to be younger. They are younger when they are first elected to Parliament and, unsurprisingly, come there with less legislative experience at the state level.[48] From a single study we may surmise that similar disparities might be found in state legislatures.[49]

It is widely believed that reserved seat legislators are less articulate, less assertive and less independent than their fellows. From data on the Third Lok Sabha collected by Henry Hart, we may distill a tentative picture of the parliamentary activity of reserved seat Members of Parliament. Even apart from the limitations of the present analysis,[50] it would of course be illegitimate to take this picture as reflective of current conditions. And it should also be emphasised that we would be on shaky ground generalising from data on Parliament to conclusions about the working of reserved seats in the state legislatures. Nevertheless the data does enable us to see the legislative reservation device in action, and it may provide a useful baseline for comparison with later or state data.

The Hart data supplies some evidence for the view that reserved seat holders were as a group less active parliamentarians than those elected to general seats. Lok Sabha members in reserved seats were less likely to hold party office (Table 10) or to serve on select or standing committees (Tables 11-12) or to hold ministerships. During any one of these years, an average of 12.5 per cent of the general seat legislators were ministers, compared to 8.9 per cent of the holders of Scheduled Caste seats and 2.2 per cent of holders of Scheduled Tribe seats.

The reserved seat legislators participated less in debate — indeed almost half were silent, compared to a quarter of the general seat holders (Table 13). On Hart's index of overall parliamentary activeness, the Scheduled Tribe reserved seat holders were somewhat less active and the Scheduled Caste reserved seat holders far less active than the occupants of general seats (Table 14). Together the Scheduled Caste and Tribe representatives occupied over 21 per cent of the seats, but they made up only 10.1 per cent of the most active stratum of the Lok Sabha — and 35.3 per cent of the least active stratum.

However, these forms of participation do not offer a full measure of the way in which legislators work to shape

TABLE 9 : ASSERTED BENEFITS AND COSTS OF RESERVATION OF LEGISLATIVE SEATS FOR SCHEDULED CASTES AND SCHEDULED TRIBES

	Benefit		Cost
(1)	**RE-DISTRIBUTION** Reservation of seats effects a direct channelling of valuable resources to SC and ST. Good jobs, patronage, personal influence, access to high places, prestige and all the benefits that go with being a legislator are provided to the SC and ST in a much greater measure than they would otherwise enjoy.	*vs*	**DIVERSION** The resources provided directly by reservations do not spread to the benefit of the SC and ST, but are confined to a small privileged group within them, narrowing and distorting the representative character of the reserved seat holders.
(2)	**RE-RESENTATION** Reserved seats cause the presence of those who effectively represent the interests of the SC and ST, interests that would otherwise be underrepresented and neglected. Especially, the presence of the reserved seat legislators helps to insure that resources and attention are deployed to attend to the special needs of SC and ST.	*vs*	**MISREPRESENTATION** Reserved seat legislators do not represent the interests of the SC and ST accurately or effectively. New narrower interests which diverge from those of the SC and ST are created by legislative reservations.
(3)	**INTEGRATION** Reservation of seats affords a level of participation in political life that engenders among the SC and ST feelings of belonging and of having a stake in the system, thus promoting their political and social integration into Indian society.	*vs*	**ALIENATION** By emphasising their sparateness, reserved seats school SC and ST to regard themselves as outside Indian society and reduce their feelings of (and opportunities for) common participation.
(4)	**ACCEPTANCE** Reserved seats induce in others an awareness that SC and ST are significant actors in Indian public life, who are capable of acting in responsible roles and whose interests must be taken into account.	*vs*	**REJECTION** Frustrated and alienated by what they regard as unwarranted preference, others are educated to regard the SC and ST as separate and distinct sections of the population who enjoy their own facilities and have no claim on general public facilities and opportunities.
(5)	**INTEGRITY** Reserved seats promote pride, self-respect and a sense of self-sufficiency that will enable SC and ST to participate fully in public life as willing partners.	*vs*	**MANIPULATION** Reserved seats subject the SC and ST to manipulation by others aggravating their sense of dependence. By singling them out for special treatment, reserved seats undermine their sense of dignity, self-sufficiency and political efficacy.
(6)	**INCUBATION** By providing an arena protected from outside competition, temporary reservations stimulate the acquisition of political skill, experience, confidence, ties and other resources. Reservations thus help to promote the kind of vigorous and skilled leadership needed by the SC and ST leadership capable of flourishing in open competition.	*vs*	**OVER-PROTECTION** The artificially protected sanctuary of reserved seats blunts the development of political resources by protecting politicians from vigorous competition.
(7)	**MOBILISATION** Reserved seats provide an institutional base for organised action, enhancing the capacity of the SC and ST to engage in concerted efforts to address their common problems.	*vs*	**ENERVATION** The artificial protection of reserved seats and the relations of dependence they foster reduce initiative, blunt the development of skills and reduce capacity for sustained, organised effort by the SC and ST
(8)	**STIMULATION** The presence of reserved seat legislators promotes awareness of and creates political incentives for responsiveness to the needs of the SC and ST.	*vs*	**SEDATION** The presence of reserved seat holder encourages others to disavow direct responsibility for the well-being of the SC and ST.

(Continued)

TABLE 9 CONTINUED

	SELF-LIQUIDATION These benefits may be viewed as mutually reinforcing. Their cumulative effect will be to render unnecessary any special provision for reserved seats. In this view, representation (assisted by redistribution) by amplifying mobilisation and stimulation will promote the advancement of these groups to the point that their interests converge with those of the wider public; incubation will promote a vigorous political leadership capable of representing them without special insulation from competition; as they become politically self-sufficient and more integrated, they will gain acceptance and enjoy integrity that will make it possible for them to function without reservation.	vs	SELF-PERPETUATION Alternatively, reserved seats may be viewed as producing a set of mutually reinforcing negative effects. In this view, misrepresentation and diversion create new narrow vested interests; over protection and enervation blunt the development of political leadership that could supply effective representation; these arrangements promote divisiveness, preventing integration, promoting rejection by others and undermining the integrity of the SC and ST.
(10)	FAIRNESS Reserved seats redistribute opportunities for participation on a scale that would be unimaginable in their absence, offsetting a maldistribution of such opportunities stemming from accumulated and unjust past disadvantages.	vs	UNFAIRNESS Reserved seats bestow and restrict opportunities for participation in ways that are arbitrary and unconnected with desert or culpability.
(11)	SECULARISM By reducing invidious disparities between communal groups, reserved seats lead over the long run to the reduction of the salience of communal identity in public life.	vs	COMMUNALISM Reserved seats by recognising and stimulating claims based on communal identity, increase the salience of communal identity in public life.
(12)	DEVELOPMENT Reserved seats contribute to national development by promoting the incorporation of excluded groups into national life.	vs	STAGNATION Reserved seats impede development by skewing legislative priorities from developmental tasks to ineffectual redistributive measures.

government action. It appears that the reserved seat holders had as much contact with constituents, both by touring and (except for Scheduled Tribe legislators) by letter. There is no indication, though, that they had a particularly large amount of contact with Scheduled Castes or Scheduled Tribes outside their constituencies. Reserved seat holders were themselves oriented to issues of Scheduled [illegible] and Scheduled Tribes. The de[illegible] of their constituents, as reserv[illegible] legislators reported them, were [illegible] intensely "communal" than those [illegible] by other members of Parlia[illegible] But the pattern, as Table 15 [illegible] a very mixed one, for a siz[illegible] of Scheduled Caste [illegible] "communal" de[illegible]

[illegible] that they were less [illegible] these demands in [illegible] or [illegible] work. [illegible] with mini[illegible] [illegible] did transmit [illegible] extent than legislators, they dealt almost exclusively with constituency matters rather than with general issues, as shown in Table 17.

We may conclude that the occupants of reserved seats were probably less influential than other legislators in shaping policy. This is confirmed by their own subjective impression — far fewer of them felt that they were effective advocates of their views (Table 18).

Obviously one must be extremely cautious in extrapolating from this data about the Third Lok Sabha to more recent performance under changed conditions, much less to conditions that might prevail in the future. Since the reserved seat legislators have come to resemble their fellows in terms of education, occupation and urban residence, there may also be a convergence in legislative behaviour. Or it may be that changes in political alignments have accorded reserved seat legislators a greater voice and elicited new patterns of participation. And one may, of course, wonder whether the most important sorts of representation are accurately depicted in terms of the measures of participation that we have employed.[51]

Low rates of participation do not imply a proportionate absence of effective representation of the interests of Scheduled Castes and Tribes. Presumably the activities of reserved seat legislators are concentrated on matters which affect these groups,[52] and their effectiveness in representing the interests of these groups should be most evident in dealing with matters which contribute directly to their welfare; (1) establishing programmes of which they are the beneficiaries; (2) insuring deployment of resources to these programmes; (3) pressing for better administration of these programmes; (4) resisting cut-backs and premature termination of such programmes. Although I have no systematic data, there is impressionistic evidence to suggest that, in the Lok Sabha at least, reserved seat legislators have been prominent and influential in matters concerning the working of the preference policy. Expenditures for Scheduled Caste and Tribe schemes have continued to rise — in contrast to those for the Other Backward Classes. The reserved seat legislators demonstrated their political prowess by killing the 1965 Lokur Committee report which called for the de-scheduling of some tribes and castes. The dissatisfaction of the reserved seat members was instrumental in bringing about the government's first defeat in the Lok Sabha in 20 years, a stunning snap vote on a 1967 motion that the constitutional safeguards for Scheduled Castes and Tribes were not being fully implemented.[53]

This new assertiveness was followed by government's repudiation of the Lokur recommendations, appointment of new deputy ministers from among the Scheduled Castes, liberalisation of the rules for reservations in promotions in government services, increasing the reservations in direct recruitment, and (after years of promises) making converts to Buddhism and Christianity eligible for post-matriculation scholarships and increasing the reservations in direct recruitment.[54]

The presence of the reserved seat legislators, if not in itself likely to raise the level of benefits, does seem to serve as a warrant of the continuation of these programmes at their existing levels. Furthermore, their presence in such numbers provides a quantitative basis for Scheduled Caste and Tribe participation in leadership at the cabinet level; it is unlikely that there would be many persons from these groups in cabinets were it not for the reserved seats. It appears that the

TABLE 10: LOK SABHA MEMBERS HOLDING PARTY OFFICES

Number of Party Offices	Type of Seat		
	General	SC	ST
1	15.0	9.3	12.9
2	14.5	2.6	6.5
Total	29.5	11.9	19.4

Source: Hart Data

TABLE 11: MEMBERSHIP ON SELECT COMMITTEES OF LOK SABHA

Number of Committees	Type of Seat		
	General	SC	ST
0	43.2	53.3	64 5
1	30 0	40.0	25.8
2	26.9	6 7	9 7

Source: Hart Data

TABLE 12. MEMBERSHIP ON STANDING COMMITTEES OF LOK SABHA (MEAN FOR YEARS 1962-64)

Number of Standing Committees	Type of Seat		
	General	SC	ST
0	69.1	74.5	71 0
1	16 5	15.1	12.9
2	14.4	10 6	16 1

Source Hart Data

TABLE 13 PARTICIPATION IN DEBATE BY OCCUPANTS OF GENERAL AND RESERVED SEATS IN LOK SABHA 1962-64

Frequency of Members Who in Any Year Participated in Debate	Type of Seat		
	General	SC	ST
Not at all	27.4	44.9	47.3
Once	15.6	25.3	22 6
2-5 times	29.6	19.1	23 7
6 or more times	27.4	10.7	6.4

Source: Hart Data

initiation and expansion of programmes for these groups is associated with the presence of group members in cabinet posts. The first reservations in government service were established by the efforts of the first Scheduled Caste member of the Viceroy's cabinet. Job reservations were first extended from initial appointments to the promotion stage under the auspices of the next Scheduled Caste politician became minister. Similarly, at the state level : the first extension of reservations to the promotion stage occurred when a Scheduled Caste politician became chief minister of Andhra; the ascension of a Scheduled Caste Home Minister in Madras was followed by a dramatic increase in the vigour of prosecution under the Untouchability (Offences) Act.[55]

The potential leverage enjoyed by the occupants of reserved seats varies with the balance of party power in the legislatures. The more evenly balanced the party alignment, the greater the potential impact of the reserved seats.[56] The erosion of single party dominance and the trend toward more evenly balanced legislatures seems to portend an increase in the potential of the reserved seat legislators to influence public policy.

INCUBATION vs OVER-PROTECTION

While available data do not allow us to draw any conclusions about the degree of successful incubation, they suggest there is little over-protection. Reserved seat legislators, as we noted before, are younger and less educated. They have proved able to retain their seats in successive elections; this may reflect not only increased political skill but the still limited supply of political resources to challenge them — an explanation which accords with the fact that there are fewer candidates in reserved seat contests There has been no increase in the success of Scheduled Castes and Tribes in competition for non-reserved seats (which reflects rejection by others as well as the fact that to those eligible to stand for them, reserved seats represent an attractive return for limited political resources). If incubation is taking place — and there is some indication that there has been a great growth in political skills, experience, ties etc — it is very doubtful that it has reached a point where many could successfully compete without the reservations.

REDISTRIBUTION vs DIVERSION

Reserved seats clearly have a substantial redistributive effect. Not only through their law-making activities, but through their ability as legislators to intercede, obtain contracts and distribute patronage, reserved seats produce a substantial flow of resources to *these groups.*[57] *Not least among* these resources is official attention. As one of the respondents in Aggarwal and Ashraf's Haryana study expressed it,

> If reservation in elections is withdrawn Harijans will lose influence. Today if I have any serious problem I can go to a Harijan MLA or MP. He understands our problems fully. Officers listen to our problems only when they know that our MLA or MP is a Harijan.[58]

If one doubts that the effects are consistently so dramatic it is certainly plausible that they are significant.

I have no basis for estimating how widely these benefits are spread or whether they are, as often alleged, confined to a narrow segment within the more numerous and politically dominant Scheduled Castes and Tribes.[59] The demands put forward by Scheduled Caste legislators are disproportionately attentive to those of their fellows who already have something[60] (e g. the great attention to higher government posts) and are in a position to make demands on them, but there is no evidence that this is more the case with them than with their fellow legislators.

STIMULATION vs SEDATION

In the 1969 debate on extension of the Constitutional provisions for reserved seats, M R Masani made the interesting observation that "this reservation . . has put the conscience of the upper class and the upper castes to sleep ".[61] Reserved seats, as the most visible component of the policy of compensatory discrimination, may indeed be responsible for some diminution of non-governmental concern for the Scheduled Castes and Tribes. Thus Lelah Dushkin reports a general tendency to assign responsibility for these groups to government, absolving other elites of any responsibility for their betterment.[62] The educated public vastly overestimates the amount and effectiveness of preferential treatment and the viability of legislators in reserved seats may reinforce this perception of indiscriminate indulgence and erode the support that compensatory discrimination formerly enjoyed.[63] While it is plausible that there would be more non-governmental action in the absence of institutionalised compensatory discrimination, it seems highly unlikely that the total resources diverted to these groups would be as great. (The mix might be less favourable to the upper end of the scale, though, and it is arguable, but unproven, that such 'voluntary' aid would be more effective than that afforded by the government.) And if reserved seats erode public support for preferential treatment, they must be credited with

TABLE 14 : PARLIAMENTARY ACTIVENESS (HART SCALE)* OF MEMBERS OF LOK SABHA

Parliamentary Activeness Score (4=most active)	Type of Seat			
	General	SC	ST	Total
1	33 (8.5)	10 (13.3)	8 (25.8)	51 (10.3)
2	130 (33.6)	34 (45.3)	10 (32.3)	174 (35.3)
3	135 (34.9)	27 (36.0)	7 (22.6)	169 (34.3)
4	89 (23.0)	4 (5.3)	6 (19.4)	99 (20.1)
	387 (100)	75 (100)	31 (100)	493 (100)

Note : Figures in parentheses are percentage.
Source : Hart Data
* This scale is a weighted composite of data on participation in debate and question period; committee membership and holding of party office; cabinet membership; and seniority.

TABLE 15: SUBJECTS RAISED BY CONSTITUENTS CONTACTS WITH MEMBERS OF LOK SABHA

Subjects raised	Type of Seat		
	General	SC	ST
"Communal" only or first	4(3.1)	7(35)	7(53.8)
Some "communal" but not first	108(82.4)	7(35)	6(46.2)
No "communal"	19(14.5)	6(30)	0(0)
N=	131	20	13

Note : Figures in parentheses are percentages.
Source: Hart Data, Interview Sample.

one massive accomplishment : the presence of Scheduled Castes and Tribes in every legislative setting in sufficient numbers so that issues of concern to them cannot be dismissed or ignored indefinitely.

INTEGRATION *vs* ALIENATION

Reserved seats are clearly integrative in several ways. The holders of reserved seats tend to be members of national political parties. Those who aspire to fill them are constrained to campaign for the votes of those outside their group — this is especially the case with Scheduled Castes. Satish Saberwal observes that reserved seats do not promote separatism since they require candidates to aggregate broad multi-caste support. (Separatist sentiment, he finds associated with despair of gaining acceptance.)[64]

Rank and file members of the Scheduled Castes and Scheduled Tribes, it is sometimes asserted, are alienated by being treated separately in the administration of compensatory preferences. There is undoubtedly some distress associated with identifying oneself as recipient, although it is not clear whether it is because of the existence of separate facilities or from the personal rejection that is expected to follow upon such identification. This is probably less so with reserved seats in legislatures than with educational and job benefits. Whatever sense of alienation is conveyed by reserved seats surely pales into insignificance beside such manifestations of hostile feeling as the much publicised assaults and atrocities perpetrated on Scheduled Castes. All systematic evidence suggests that the recipient groups welcome the extensive symbolic participation that reserved seats afford and regard them as a useful safeguard of their interests.[65]

ACCEPTANCE *vs* REJECTION

Reserved seats are more offensive to non-members of the Scheduled Castes and Tribes than to members of these groups.[66] This is evidenced by resistance to the placement of reserved seats and by massive withdrawal of voters from participation in elections for reserved seats, particularly in Legislative Assembly contests.[67] Apparently, large numbers of people do not feel represented by these legislators and do not care to participate in choosing them.[68] This parallels the unwillingness to have representatives from these groups in unreserved seats (see Tables 4 and 5). Reservations may aggravate rejection, but rejection obviously exists independently. The aggregate evidence gives little indication of acceptance by voters. Unfortunately we are almost entirely in the dark about the attitudinal effects upon a constituency of being represented by a Scheduled Caste.[69]

But at the policy-making level, reserved seats have secured the acceptance of Scheduled Castes and Tribes as groups whose interests and views must be taken into account. In every legislative setting they are present in sufficient numbers so that issues affecting these groups remain on the agenda. Anything less than respectful attention to their problems, even if only lip service, is virtually unknown.[70] Overt hostility to these groups is taboo in legislative and many other public forums.

INTEGRITY *vs* MANIPULATION

The reserved seat device entails considerable potential for manipulation. Candidates, dependent on parties for funds and organisation, may be selected on grounds of their acceptability to others rather than by virtue of forceful representation of the interests of the preferred groups. This dependence is compounded in the Scheduled Caste constituencies, with their overwhelmingly non-Scheduled Caste population. In his study of UP politics, Paul Brass observes that

> For the most part, the Scheduled Castes in Uttar Pradesh have accepted the patronage of the Congress government and have given their votes to the Congress Party in return. The Scheduled Caste leaders who have been given Congress tickets in the reserved constituencies are non-militant and have no power in the local or state Congress organisations.[71]

This portrayal is confirmed by Narayana who concludes that reserved seats tend to produce "accommodating leaders who draw significant support from the upper castes" rather than candidates who identify with the interests of the Scheduled Castes and are supported by them.[72]

The participation afforded by reserved seats is in some eyes outweighed by the sacrifice of integrity (and representation) they entail.[73] Thus by 1955, Ambedkar who had fought so long against Congress opposition to obtain the reserved seats, called for their abolition[74] — a call that has been echoed by others since. Apparently the doubts about reserved seats that assail thoughtful Scheduled Caste activists are not widely shared by the rank and file.[75] Of course, the attraction of termination depends on one's estimate of the quantity and quality of representation that could be secured in an open political arena without any safeguards.

MOBILISATION *vs* ENERVATION

Reserved seats help develop political skills among the Scheduled Castes and Scheduled Tribes and bring forth a cadre of political leaders. One wonders whether reserved constituencies produce more unified action,[76] more effective bargaining or more dynamic leadership than emerges from participation in coalitions in non-reserved constituencies.[77]

TABLE 16: AMOUNT OF LOBBYING OF MINISTERS BY MEMBERS OF LOK SABHA

Contact with Ministers	Type of Seat		
	General	SC	ST
Does not talk to Ministers	11(9)	3(15)	3(25)
No more than once per session	63(52.2)	14(70)	7(58.3)
More than once per session	47(38.8)	3(15)	2(16.7)
n—	121(100)	20(100)	12(100)

Note : Figures in parentheses are percentages.
Source : Hart Data, Interview Sample.

TABLE 17: SCOPE OF MATTERS COVERED IN LOBBYING MINISTERS BY MEMBERS OF PARLIAMENT

Matters Covered	Type of Seat		
	General	SC	ST
Constituency only	54(49.1)	16(94 1)	8(88 9)
Constituency and larger	34(30 9)	1(5.9)	0(0)
Larger only	22(20)	0(0)	1(11 1)
n	110(100)	17(100)	9(100)

Note Figures in parentheses are percentages.
Source Hart Data, Interview Sample.

TABLE 18 FEELING OF EFFECTIVENESS IN HAVING VIEWS CONSIDERED

Member's Estimation of His Effectiveness	Type of Seat		
	General	SC	ST
Ineffective, do not try	1(13.2)	2(10)	3(25)
Partially effective	50(41.3)	13(65)	6(50)
Effective	55(45.4)	5(25)	3(25)
n=	121(100)	20(100)	12(100)

Note · Figures in parentheses are percentages.
Source Hart Data, Interview Sample.

(A study comparing patterns of Scheduled Caste politics in reserved and non-reserved constituencies would be enormously revealing about such matters. So far as I can tell, it remains to be done.) The subordination and dependence of reserved seat legislators presumably limits the extent to which they serve as 'vigorous organisers' of their communities. Yet their visible presence in top positions, produced by the reservations, may have some mobilisational effects even outside the reserved constituencies. Again, we quickly reach the limits of available knowledge.

Reserved seats afford Scheduled Castes and Tribes a presence in the legislatures that is disproportionate to their share of political life. Yet their share of political life is probably greater than their share of any other sector of activity. Anil Bhatt's report of a four state survey (done in 1966-67) is suggestive of the level of political activity among Scheduled Castes.[78] He finds that although they are less interested in political matters and less knowledgeable, they vote slightly more and are as likely to have partisan affiliations.[79] They perceive themselves as less politically efficacious than others, which comports with a general perception that they are not influential.[80] They are less politically active in non-elective as well as elective settings: they initiate fewer contacts with government and the political elite (whom fewer Scheduled Caste people feel able to approach if needed).[81] Although they scored low on political activity, interest and perceived influence, there was a pronounced increase on all these measures among younger age cohorts.[82] A recent study by Eldersveld and Ahmed, based on 1967 and 1971 national surveys, confirms this portrait. They find Scheduled Castes and Tribes less interested and knowledgeable, but on a rough parity in party membership and portion of party activists.[83] These groups, they report, "constitute an increasingly large proportion of political participants as one moves along the scale from least to most [politically]* involved".[84]

Shares in political power reflect social status and economic prowess, but the translation is not exact. Calculating the disparities between *socio-economic* status and political participation, Bhatt concludes that differences in political participation are far narrower.[85] This is so for many groups, but it is markedly so for Scheduled Castes. More than any other stratum, their political participation far outruns what would be expected if political activity reflected socio-economic standing. There is no direct evidence to connect this to the reservation of seats in legislative bodies. But one may speculate that the reserved seats operate as a kind of forced draft inclusion of Scheduled Castes in the political system beyond what would flow from their resources. Generally, the structures of democratic politics shrink disparities among caste groups to a smaller magnitude than is found in ritual, social education or economic settings. That this equalising tendency is amplified by reserved seats is suggested by Bhatt's conclusion that the disparity between political participation and socio-economic standing is far greater for the Scheduled Castes than for the "low castes" just above them in the traditional hierarchy.[86]

SELF-LIQUIDATION OR SELF-PERPETUATION

Reservations of government posts or university admissions often operate as guaranteed minimums rather than as allotments of places over and above those gained on merit. Therefore the net amount of preference they confer automatically declines as members of the preferred groups gain places on merit. Reservations in the legislatures do not have this automatic self-liquidating feature. However, unlike other preferences, they alone are subject to a constitutional time limit — this limit has been twice extended. Since the presence of the reserved seat legislators undoubtedly contributed to this result, these reservations are in a literal sense self-perpetuating in a way that others are not. Furthermore, their presence helps to perpetuate other forms of preference. Indeed, that is their purpose. They can only perpetuate preferences to the extent that they are influential — so, self-perpetuation is a mark of some success in fulfilling their function of representation. Thus self-perpetuation is not to be accounted a negative feature in itself. The case against reserved seats gains no added strength from their self-perpetuating quality, unless the whole system of compensatory preference is thought to be unjustified or to have outlived its justification.

Although there is no time limit on constitutional authorisation of other forms of special treatment for Scheduled Castes and Tribes, one of the curious and significant things about the debate preceding the extension of reserved seats in 1959 and 1969 was the extent to which the public, press and many parliamentarians proceeded as if an end to reserved seats was the end of all benefits and concessions to these groups. There is no constitutional or legal foundation for such an equation. The

TABLE 19: VOTER TURNOUT BY TYPE OF SEAT

(in percentages, rounded)

	Lok Sabha			Legislative Assemblies		
	General	Scheduled Caste	Scheduled Tribe	General	Scheduled Caste	Scheduled Tribe
1962	57	54	44	59	48	42
1967	62	61	49	64	54	46
1971-1972	57	51	43	63	53	45

Sources: 1962 and 1967 from Dushkin 1972:195. 1971-72 from Election Commission 1973:184; Election Commission 1976:294.

political reservations seemed in many minds to encompass the entire system of compensatory preference and their extension was tantamount to heading off expiration of all benefits. This symbolic fusion may tell us something important about the way in which political reservations function to lock into place all the other programmes for Scheduled Castes and Tribes.

But of course that insurance function might be performed by other means — for example, by a constitutional guarantee of continued preferential treatment until Scheduled Castes and Tribes enjoyed specified levels of well-being relative to the rest of the population. It might thus be possible to de-link the assurance of continued special treatment from the reserved seat device, permitting the latter to be evaluated in terms of its specific benefits and costs, and enlarging the options for securing the former.

The difficulties of isolating the ffect of reserved seats from the effects of other components of the policy of compensatory discrimination are compounded when we come to the more global and diffuse sets of asserted costs and benefits at the end of our list (Table 9) — fairness *vs* unfairness, secularism *vs* communalism, development *vs* stagnatio.. The connection between reserved seats and these conditions is even less susceptible of measurement than the connections we have already surveyed.

Since we have concluded that reserved are a crucial (though not neces- irreplaceable) support of the larger of compensatory preference, the a isolate the effects of reserved [illegible] that of other components may a academic exercise. But pre[illegible] because [illegible]y are separable and [illegible] policy choices will focus explicitly on the reserved seats, it seems worthwhile to pursue a little longer in our focus on reserved seats to explore their relation to the broadest goals involved in the compensatory discrimination policy.

FAIRNESS *vs* UNFAIRNESS

The fairness argument is of course based on the principle of historical restitution: more specifically on the notion that due to the cumulative effect of past unjust deprivations, members of these groups on the whole have fewer resources (skills, standing, wealth, etc) with which to obtain the benefits that flow from the presence of their groups in legislative bodies. There are at least two separate arguments of unfairness: (1) that which rejects the principle of collective recompense for historic injustice; and (2) that based upon the unequal distribution of the burden of compensation.

The latter takes the form of a charge that it is unfair that the representation (and chances of political careers) of some should be impaired to provide such compensation, when there is no reason to suppose that those who are discomfited are more responsible for past invidious deprivations than are those whose representation and careers are undisturbed. Reserved seats are thus seen as the conscription of an arbitrarily selected group of citizens to discharge a debt, an obligation from which equally culpable debtors are excused.

The factual assumption of equal culpability might be challenged by an argument that there is some rough justice to the selection since the non-tribal population in constituencies with heavy Scheduled Tribe populations benefited from the past exploitation of the tribals and (even more tenuously) in areas with higher proportions of Scheduled Castes, the rest of the population were disproportionately beneficiaries of the exploitation of these groups. In the absence of a persuasive marshalling of evidence along these lines, it must be conceded that the reserved seat device does involve some unfairness of this second kind. Rotation might be a cure, but at a high cost: by rendering impossible the accumulation of experience, seniority and political strength, it would vitiate much of the value of the reserved seats. Separate electorates would avoid both arbitrariness of burdens and the drawbacks of rotation, but at a cost in integration that has been thought too high.

Even unfairness admits of more or less. Just how much of it there is is not clear. For politicians, the burden is mitigated somewhat by the absence of restrictive residence requirements, but clearly there is a barrier to novices. How much are inhabitants of reserved constituencies deprived of representation? Lower voter turnouts (see Table 19) suggest perceived deprivation is not negligible.[87] But it says nothing about how well non-Scheduled Caste constituents are served by their reserved seat legislators. Along with so much else, this question has remained immune from research.

The broader fairness argument that rejects the policy of historic compensation may take the form of objection to any attempt to distribute present benefits to remedy historic injustices. Or the notion of historic compensation may be accepted but objection taken to the distribution of benefits on the basis of group membership rather than individual desert. Compensatory programmes in India, such as reserved seats, have typically identified as beneficiaries members of castes (or tribes) on the ground that such groups are the carriers of the heritage of cumulative disadvantage which must be offset. This leads us to the question, implicated deeply in the design of compensatory discrimination policies, of the role of descent groups in Indian society, which we can take up under the heading of secularism *vs* communalism.

SECULARISM *vs* COMMUNALISM

The use of caste groups to identify the beneficiaries of compensatory discrimination has been blamed for perpetuating the caste system, accentuating caste consciousness, injecting caste into politics and generally impeding the development of a secular society in which communal affiliation is ignored in public life.

This indictment is open to doubt at a number of points. First, it is not clear

that th[illegible] ficiaries [illegible] role in the [illegible] of caste and politics. It is [illegible] vastly overshadowed by the franchise itself, with its invitation to mobilise support by appeal to existing loyalties. But the avowed and official recognition of caste in compensatory discrimination policy makes it a convenient target for those offended and dismayed by the continuing salience of caste in Indian life.

Caste ties and cast-based political mobilisation are not exclusive to Scheduled Castes and Tribes. The political life within these groups is not necessarily more intensely communal in orientation;[88] nor are the caste politics of greatest political impact found among these groups. Intellectual dismay at the unforeseen durability of caste has fastened on the reserved seats as the villians of the tale,[89] but the link has never been convincingly established.

The overestimation of the influence of reserved seat arrangements matches the overestimation of the amount of preference afforded the Scheduled Castes and Tribes. The widespread perception of ubiquitous and unrestrained preferment for these groups derives from several sources. First, there is the chronic overstatement of the effects of reservation: large portions of reservations (especially for cherished higher positions) are not filled, of those that are filled, some would have been gained on merit, so the net effect is often considerably less than popularly perceived. Second, ambiguous nomenclature and public inattention combine to blur the distinction between measures for Scheduled Castes and Tribes and those for Other Backward Classes. The resentment and dismay engendered by use of the Other Backward Classes category to stake out massive claims on behalf of peasant-middle groups (particularly in some southern states) are readily transferred to discredit the more modest measures for Scheduled Castes and Tribes.

Vigorous mobilisation of groups, it is now realised, is not necessarily inimical to democracy or secularism (unless these are defined in terms of an austere individualism that does not admit of any group presence in the political arena). Indeed mobilisation along group lines among the Scheduled Castes and Tribes may make a positive contribution to the realisation of the profoundly secular goals of compensatory discrimination — the dismantling of the traditional religiously-sanctioned hierarchy of groups in Indian society. Elderveld and Ahmed

(1)	**RE-DISTRIBUTION** Preference provides a direct flow of valuable resources to the beneficiaries in larger measure than they would otherwise enjoy.	*vs*	**DIVERSION** These resources are enjoyed by a small segment of the intended beneficiaries and do not benefit the group as a whole.
(2)	**REPRESENTATION** Preferences provide for participation in decision-making by those who effectively represent the interests of the beneficiaries, interests that would otherwise be underrepresented or neglected.	*vs*	**MISREPRESENTATION** By creating new interests which diverge from those of the beneficiaries, preferences obstruct accurate representation of their interests.
(3)	**INTEGRATION** By affording opportunities for participation and well being, preferences promote feelings of belonging and loyalty among the beneficiaries, thereby promoting the social and political integration of these groups into Indian society.	*vs*	**ALIENATION** By emphasising the separateness of these groups, preferences reduce their opportunities for (and feelings of) common participation.
(4)	**ACCEPTANCE** Preferences induce in others an awareness that the beneficiary groups are participants in Indian life whose interests and views have to be taken into account and adjusted to.	*vs*	**REJECTION** Preferences frustrate others by what they consider unfair favouritism and educate them to regard the beneficiaries as separate elements who enjoy their own facilities and have no claim on general public facilities.
(5)	**INTEGRITY** Preferences permit forms of action that promote pride, self-respect, a sense of achievement and personal efficacy that enable the beneficiaries to contribute to national development as willing partners.	*vs*	**MANIPULATION** Preferences subject these groups to manipulation by others, aggravate their dependency, and undermine their sense of dignity, pride, self-sufficiency and personal efficacy.
(6)	**INCUBATION** By broadening opportunities, preferences stimulate the acquisition of skills and resources needed to compete successfully in open competition.	*vs*	**OVER-PROTECTION** Preferences provide artificial protection which blunts the development of the skills and resources needed to succeed without them.
(7)	**MOBILISATION** By cultivating talents, providing opportunities and incentives and promoting their awareness and self-consciousness, preferences enhance the capacity of the beneficiary groups to undertake organised collective action.	*vs*	**ENERVATION** By making them dependent, blunting the development of talent, undermining self-respect, preferences lessen the beneficiaries' capacity for organised effort in their own behalf.
(8)	**STIMULATION** By increasing the viability of the beneficiary groups, promoting their placement in strategic locations, and emphasizing the national commitment to remedy their condition, preferences serve as a stimulus and catalyst of enlarged efforts for their uplift and inclusion.	*vs*	**SEDATION** By projecting an image of comprehensive governmental protection and preferment, preferences stir the resentment of others, allaying their concern and undermining initiative for and support of measures to help the beneficiary groups.
(9)	**SELF-LIQUIDATION** The benefits of preferential treatment are mutually reinforcing and will eventually render unnecessary any special treatment.	*vs*	**SELF-PERPETUATION** These arrangements create vested interest in their continuation, while discouraging the development of skills, resources and attitudes that would enable the beneficiaries to prosper without special treatment.
(10)	**FAIRNESS** Preferences compensate for and help to offset the accumulated disablements resulting from past deprivation of advantages and opportunities.	*vs*	**UNFAIRNESS** Preferences place an unfair handicap on individuals who are deprived of opportunities they deserve on grounds of equality or merit.
(11)	**SECULARISM** By reducing invidious disparities among groups and directing attention to mundane rather than ritual standing, preferences promote the development of a secular society.	*vs*	**COMMUNALISM** By recognising and stimulating group identity, preferences perpetuate invidious distinctions, thereby undermining secularism.
(12)	**DEVELOPMENT** Preferences contribute to national development by providing incentive, opportunity and resources to utilise neglected talent.	*vs*	**STAGNATION** Preferences impede development by misallocation of resources, lowering of morale and incentive, and waste of talent.

of [illegible] Harijans and Tribals a high level of caste consciousness seemed connected with higher participation in public life.

> ....our data support the proposition that Indians who were very aware of, and approved of, the political aspects of caste — perceptually, normatively, behaviourally — had a high percentage of people considerably involved in party politics and the election process.... Modern orientations generally seem to be linked to higher activity for most caste groupings.... [But] *for lower caste groups, particularly the Harijans and Tribals* those who "value" caste and appear to identify normatively with "caste" and "tradition" have extremely high levels of participation ... In the lowest social strata of Indian society, where traditional orientations predominate, high levels of involvement with 'modern' political institutions are revealed.[98]

One wonders whether this association of strong caste identification and high levels of political participation can be connected with reserved seats, either as a structural effect observable in reserved constitutencies or generally as a mobilisational effect of the reserved seats.

Development vs Stagnation

As a forced draft programme of inclusion of Scheduled Castes and Scheduled Tribes within national life, compensatory discrimination has been a partial and costly success. Although few direct benefits have reached the vast mass of landless labourers in the villages, it has undeniably succeeded in accelerating the growth of a middle class within these groups — urban, educated, largely in government service. Members of these groups have been brought into central roles in the society to an extent unimaginable a few decades ago. There has been a significant redistribution of educational opportunities to them; there is a sizeable section of these groups who can utilise these opportunities and confer advantages on their children; their concerns are firmly placed on the political agenda and cannot readily be dislodged. But if reserved seats are part of this self-sustaining dynamic of inclusion, there is at the same time a lesser counter-dynamic of resentment, rejection, manipulation and low self-esteem. And these gains are an island of hope in a vast sea of neglect and oppression.

The general pattern of the past decades might crudely be summarised as development at the upper end and stagnation at the bottom. Compensatory discrimination means that a section of the Scheduled Castes and Scheduled Tribes has been incorporated into the modern class manning the organised sector. What does this portend for the bulk of untouchables and tribals who remain excluded and oppressed? Are they better or worse off by virtue of the fact that some members of their descent group have a share in the benefits of modern India. The meaning of reserved seats and of compensatory discrimination policy ultimately depends on how one visualises the relation of this new elite to the masses of Scheduled Castes and Scheduled Tribes.

III

Conclusion

This year will see a new debate over the further extension of the reserved seats. During the 1969 debates there were undertones of opposition, but the final vote for extension was unanimous. Resentment of Scheduled Caste 'privileges' is more overt more intense now. It seems unlikely that the debate will be as subdued as that of ten years ago. Although Indian intellectuals, including some eminent social scientists, have passed severe judgments on compensatory discrimination policies, it is only in the last few years that systematic research on their effects has been undertaken. And unfortunately very little of it has touched on the reserved seats. Thus it seems unlikely that this year's debate will be informed by the comprehensive "scientific study" called for ten years ago.

The absence of more ample data is especially regrettable because one can so easily imagine feasible studies that would be immensely revealing about the benefits and costs of reserved seats. Perhaps more studies (including re-analyses of existing data) will surface before the year is out. But it should be remembered that for purposes of deciding whether reserved seats should be extended or terminated, the collection and analysis of data about their performance is only a first (though essential) step. The policy decision involves at least three major sorts of questions beyond the estimation of costs and benefits up till now.

First, once a pattern of costs and benefits is ascertained, there is the question of whether it can be expected to continue in the future. Is there any reason to think that one or another benefit or cost might be amplified or diminished during the next period for which reserved seats are to be extended? Are there reasons to expect that the coming period would be one to reap cumulative benefits or one in which there would be diminishing returns?

Second, since the [illegible] dangers of the compensatory discrimination policy are multiple and incommensurable, an evaluation of costs and benefits requires that some kind of weights and priorities be assigned to these goals or dangers. These can be supplied only by a vision of a future society that unites the desirable with the possible.

Third, evaluation must be comparative. Acceptance or rejection of the package of benefits and costs believed to be associated with reserved seats must be compared with the costs as well as the benefits anticipated to arise from any alternative that is believed preferable — a regime of income tested preferences, or double votes, or a separatist solution. And, of course it is necessary to make the case for the feasibility as well as the preferability of any alternative.

Notes

[This paper is largely drawn from my forthcoming book, "Competing Equalities: The Indian Experience with Compensatory Discrimination". I would like to acknowledge the capable assistance of Robert M Hayden, Catherine Meschievitz and Hugh A Ross, Jr. I am specially indebted to Henry C Hart of the University of Wisconsin, Madison for generously allowing me to utilise data that he collected. Obviously he shares no blame for my interpretation of them. I am grateful to Thomas Hone of Indiana University for computing the Hart data and helping me to understand it.

The following abbreviations are used for frequently cited material:

AIR = All-India Reporter
CAD = Constituent Assembly Debates
ELR = Election Law Reports
RCSCST = Reports of the Commissioner for Scheduled Castes and Scheduled Tribes].

1 Dushkin 1961: 1667.
2 Temporary preferences for yet another group, the Anglo-Indians, were not based on their backwardness but were designed to cushion the loss of the privileged position they had earlier enjoyed.
3 On the identity and size of the Other Backward Classes, see Galanter 1978.
4 Article 330.
5 Article 332.
6 The Constituent Assembly definitively rejected political safeguards for religious and other minorities. 12 CAD 299. See Austin 1966 146-56. The Constitution does however provide for nominated representatives of the Anglo-Indian community in the Lok Sabha (Art 331) and in the Legislative Assemblies (Art 333). On the implementation of these provisions, see RCSCST 1975-77: 37.
7 The Constitution contains no similar provision for representation in other political bodies. However, such political safeguards may lie

[illegible] which is apparently broad enough to authorise the reservation of seats in elective bodies on a local level.

8 Election Commission 1976a: 3-6.

9 By separate electorates is meant the representation of religious (or other) minorities by legislators chosen by an electorate composed only of members of that minority. The provision and extent of such representation was an extremely troublesome political issue in India during the forty years preceding Independence. The Government of India Act, 1909, gave separate electorates to Muslims: the Government of India Acts of 1919 and 1935 provided separate electorates for Muslims, Sikhs, Indian Christians, and other groups. Proposals to give separate electorates to the Scheduled Castes under the 1935 Act were withdrawn after adamant resistance by M K Gandhi. See Ambedkar 1946. They were given instead reserved seats in the legislatures — i e, only they could be candidates for these seats, but the whole general electorate chose among the candidates. Separate electorates were a constant focus of dispute between Hindus and Muslims. See Coupland 1944, Dalal 1940.

10 The Supreme Court has indicated that Article 15 prohibits communal electorates in local bodies. *Nain Sukh Das v State of UP* AIR 1953 SC 384.

11 Representation of the People Act. 1951. (Act 43 of 1951). The smaller deposits apply in contesting non-reserved as well as reserved seats. A proposal by Punjabrao Deshmukh, leading spokesman for the Other Backward Classes, to extend the smaller deposits concession to that category elicited a gruff dismissal from Ambedkar, then the Law Minister:

> this is the first time that I hear that such a concession should be extended to the Backward Classes. Hitherto the concessions that have been spoken of as being necessary for the upliftment of the Backward Classes are educational concessions and concessions in the services of the country. .. so far as the Members representing the Backward Classes in this House ... they are capable of paying not only their own election deposits, but also the election deposits of many others.

The government refused to accept the amendment and it was withdrawn. *Parliamentary Debates,* Vol XII-XIII (Part II), cols 9141-49 (May 19, 1951).

12 Article 334.

13 Constitution (Eighth Amendment) Act, 1959.

14 Constitution (Twenty-third Amendment) Act, 1969.

15 Lok Sabha Debates, Fourth Series, Vol XXXIV, No 16, Col 299 (December 8, 1969).

16 In 1952, all of the Scheduled Caste seats and half of the Scheduled Tribe seats in the Lok Sabha were in double-member constituencies. In 1957, 48 out of 471 Scheduled Caste seats in the Vidhan Sabhas and 115 of the 221 seats reserved for Scheduled Tribes were also in *double-member* constituencies. On the functioning of the double-member constituencies and their abolition, see Dushkin 1972: 189 ff.

17 The Two Member Constituency (Abolition) Act, 1961 (Act 1 of 1961).

18 There were also complaints from administrators about the difficulty and expense of counting the ballots in double-member constituencies. Election Commission 1966: 1, 7.

19 In actuality this did not happen very often. In nearly two-hundred double-member constituency contests for Lok Sabha seats in 1952 and 1957, the general seat was won by a reserved seat candidate in one in 1952 and five in 1957. It was apparently even less frequent in the legislative elections, as indicated by the very small number of non-reserved seats occupied by Scheduled Castes and Tribes (See Table 5).

20 In a well-known 1959 decision the Supreme Court upheld the right of a Scheduled Tribe candidate to take the unreserved seat, sealing the defeat of the Labour Minister. *V V Giri v D Sura Dora,* AIR 1959 SC 1318. For adverse comment, see Nigam 1960. Dushkin 1972: 192 says this decision triggered the move for abolition. The Delimitation Commission had taken some pains to avoid double-member constituencies with a minority tribal population. Election Commission 1955: I, 51.

21 In most cases this was done simply by dividing the double-member constituency and allotting the reserved seat to the one with the greatest proportion of Scheduled Castes or Tribes in its population Election Commission 1966: I, 8.

22 Delimitation Act, 1972 (Act 76 of 1972). General information in the following paragraphs is based on an interview with a member of the previous Commission in 1966.

23 *Section 5.* The associated members from each state are consulted after tentative delimitation. After changes at this stage, the proposed delimitations are published and objections invited. Where there are objections, hearings are held. The location of reserved seats is the most frequent source of objections, but they are rarely shifted.

24 Article 329.

25 Section 9 (1) (d).

26 In the following pages, comparisons of the reserved seat holders in the Lok Sabha with the occupants of general seats are based on data made available to me by Henry C Hart of the University of Wisconsin. This data consisted of (1) coded cards on all 497 members of the Third Lok Sabha from 1962-65 and (2) coded cards based on his interviews with 189 members of the Lok Sabha in 1963-64. Of the sample, 108 were a random sample (30 per cent) of Congress members. The remaining 79 were 60 per cent of the opposition and independent members. The sample [illegible] The latter is not random, but is weighted slightly toward those active in the affairs of the Lok Sabha. In the sequel a source given simply as "Hart Data" refers to the larger set of cards on all members; the smaller set is referred to as the "Interview Sample". Other data from the Hart study is presented in Hart 1971.

27 Krishna (1966:28) reports 19.

28 Section 9 (1) (c).

29 My figures are taken from the Hart data. Krishna 1966:28 gives slightly different figures, but the overall picture is not very different.

30 Election Commission 1976: II-A, 265. Inspection of the Election Commission tables reveals that Andhra is not atypical in this regard.

31 Election Commission 1959: I, 57. But for an instance of alleged manipulation in the opposite direction, see Saberwal 1972: 74.

32 Election Commission 1968: I, 12.

33 *Mastanaiah v Delimitation Commissioner,* AIR 1969 AP 1. The Court rejected the argument that the Delimitation Commission was *required* to locate a reserved constituency in an adjoining district with a slightly higher percentage of Scheduled Castes.

34 The Election Commissioner characterised a proposal for rotation (on the ground that no area should be permanently burdened with a reserved seat) as "mere lip service to the principle of reservation" and concluded that the "real purpose of such reservations would be largely defeated if the proposal be adopted". Election Commission 1959: I, 75. In the 1969 debate preceding extension for the third ten year period, an amendment proposing rotation, and supported by a disingenuous plea to afford opportunities for election to Harijans in other localities was negatived without a division of the House. Lok Sabha Debates, Fourth Series, Vol XXXIV, No 17, Cols 361, 379. (December 9, 1969).

35 Of these few victories, a share resulted from the double-member constituency arrangement which obtained in the first two elections. Six of the sixteen unreserved seats (one in 1952, five in 1957) won by Scheduled Caste and Tribe candidates in those two elections were the general seats in double-member constituencies where one seat had been reserved.

36 Article 80.

37 Article 171. It should be noted that in only seven of the larger states is there a second chamber. Article 168.

38 Article 164 (1) provides that the states of Bihar, Madhya Pradesh, and Orissa shall have a minister in charge of tribal welfare who may in addition be in charge of Scheduled Castes and Backward Classes or any other work.

39 RCSCST 1962-63: I, 153.

40 Ministry of Food, etc, 1966: 955, 12ff.

41 RCSCST 1963-64: I, 163.

42 The population figures here are somewhat overstated since Scheduled Castes and Tribes are less

[illegible] than the general population. But offsetting this, the small territorial constituencies ought to give these groups an advantage. Also Bengal is reputed to be less resistant to the mobility of these groups than many other areas.

43 RCSCST 1969-70:51.

44 The percentage of Muslims (who make up about 11 per cent of the population of India) in legislative bodies is small and declining. Muslim membership declined from 7.2 per cent of the Lok Sabha in 1952 to 4.6 per cent in 1971. Gauba 1973:245. Muslim participation in the State Assemblies is at roughly the same level and has been undergoing a similar decline. Gauba 1973: 262-65; Krishna 1967: 187.

45 See Austin 1966: 146ff. On the earlier conflicts about methods of representation for Scheduled Castes, see Ambedkar 1946; Dushkin 1957.

46 My account is drawn from the comparisons of the occupants of reserved and general seats found in Chauhan and Chopra 1969; Dutta 1969; Narayana 1978; Mohopatra 1978. These accounts comport with the profile of Scheduled Caste MPs in Parvathamma and Jangam 1969.

47 Narayana 1978: 1605. Mohopatra 1978:4 shows even higher educational attainments for Scheduled Caste representatives in the Sixth Lok Sabha, but a renewed disparity due to even more degree holding general members.

48 Mohopatra 1978.

49 Mohopatra's (1973) useful study of the Orissa Legislative study in 1969 (n=85 of 139) found that Scheduled Caste and Tribe legislators were younger, less educated, came from more agricultural backgrounds, and fewer of them had independent professions.

50 The data referred to here is that described in note 26 above. The reader should be warned that this data has not been subjected to refined analysis to see, for example, if the differences can be explained by other factors — like political experience or party affiliation. The interview sample (utilised in Tables 15-18) has additional problems of representativeness, but the picture there seems fully consonant with the data drawn from the whole membership.

51 They provide no measure, for example, of the vision or sustained energy whose absence is marked by Saberwal (1972:79) when he notes that the Harijans in the reserved constituency that he studied had

> [illegible] leaders who understood the [illegible] institutional mechanisms [illegible] underlay and renewed the [illegible] inequalities, nor any who [illegible] the stamina for changing the larger system so that its processes would generate effective ... equality.

He does not argue that this absence is produced by the reservation of seats, but such an argument is made in connection with some of the criticism of dependence of reserved seat legislators (discussed below under the heading of "Integrity vs Manipulation").

52 Kochanek (1968:48) found Harijan MPs in 1960 among the strong supporters of land ceilings, urban income ceilings and generally giving "higher than average support for any process of levelling". But *cf* Mohopatra's (1973:22) finding that reserved seat holders *in Orissa displayed* no overwhelming concern for these groups. The pattern in state legislatures may differ sharply from that in the Lok Sabha, as suggested by Dushkin 1972:210.

53 August 8, 1967. See *Journal of Constitutional and Parliamentary Studies*, 1(4):55. See Dushkin 1972:206.

54 Dushkin 1972: 207-8.

55 Galanter 1972.

56 E.g. Krishna (1966:32) notes that in 1962, Scheduled Caste legislators in reserved seats supplied the entire Congress plurality in eight of 13 state legislatures. Dushkin (1972:205) calculated that in March 1967, at least 9 state governments wree dependent on reserved seat legislators.

57 They are, in Saberwal's (1972:78) term, "boosters" that help amplify other modes of upward mobility.

58 Aggarwal and Ashraf 1976:144.

59 There is some evidence that the mobile minority that utilise educational benefits and job reservations is not evenly spread among the Scheduled Castes and Tribes, and it is possible that a similar clustering is found in the enjoyment of benefits directly tied to political reservations. In all these cases, the question is how much spillover is there from the direct recipients to others in the beneficiary groups.

60 *Cf* Dushkin's (1972: 211) observations that Scheduled Caste legislators:

> tend to concentrate their efforts on those items of the protective discrimination system that are of most concern to their more prosperous caste constituents, more ministries for themselves, more scholarships and reservations in higher educational institutions, and above all, more government jobs.

61 Lok Sabha Debates, Fourth Series, Vol XXXIV, Col 299 (December 8, 1969).

62 Dushkin 1972:213.

63 Dushkin 1978.

64 Saberwal 1972:80.

65 Aggarwal and Ashraf 1976: 145. Anant 1972:97.

66 Anant's useful 1968 study of three north Indian localities reveals a consistent pattern of sharp division over preferential treatment, with urban, higher caste and more educated respondents being most opposed. Harijans were the only caste group who favoured extension of reserved seats upon their expiration in 1970. (Anant 1972:97).

67 Weiner and Field 1975:89 ff observe that the lower turnout in constituencies reserved for Scheduled Tribes represents both lower voting rates among tribals and reluctance of non-tribal voters to vote for [illegible]

68 Other [illegible] luctance to have Scheduled Caste representatives is provided by Dushkin (1972:191), who calculates that in the 1957 elections in double-member constituencies, Scheduled Caste candidates came in first in only 34.2 per cent of the Lok Sabha contests and 28.5 per cent of the Legislative Assembly contests.

69 On the basis of his field observations Saberwal (1972:77) argues that reserved seats help weaken ideas concerning the low social status of Scheduled Castes, their general lack of competence and their inherited pollution.

70 Joshi 1978.

71 Brass 1966:105.

72 Narayan 1974:217. Instances of this pattern are described by Lynch (1969:101) and Gupta (1971).

73 But *cf* Hart (1971:134-35) who observes that India has erected a system of "co-optative representation like that which merged the Scottish into the British elite" and surmise that "to keep these voters docile ... any government will have to maintain, even accelerate, the employment of these subject peoples in government".

74 Zelliott 1969:279.

75 Lynch (1969: 107ff) describes the division within the Republican Party on this issue. But *cf* the overwhelmingly supportive views reported by Anant 1972-97 and Aggarwal and Ashraf 1976: 143ff.

76 On the basis of her case study Gupta (1971:1886) concludes that "reserved constituencies tend to intensify caste tensions among ... [the groups] for whose benefit the reservation ... has been provided... "

77 An interesting portrait of Scheduled Caste political activity in a general constituency may be found in Dua (1971). Revealing glimpses of Scheduled Castes offering electoral support for tangible collective benefits may be found in reports of election disputes. For example, *Tirlochan Singh v Karnail Singh*, AIR 1968 P and H 416 (promise of Rs 1,500 to construct a Harijan dharamsala); *Balwant Rai Tayal v Bishan Saroop*, 17 ELR 101 (Punjab High Court, 1958) (promise to help Harijans retain temple site and get land for building houses); *Magan Lal Bagdi v Hari Vishnu Kamat*, AIR 1960 MP 362 (promise to dig well for Harijans).

78 Bhatt (1975) analyses a sample of 1757 male Hindus in 100 rural and 20 urban localities in 4 states (Andhra Pradesh, Gujarat, Uttar Pradesh, West Bengal).

79 Bhatt 1975:79, 82, 84, 98.

80 Bhatt 1975:87-92.

81 Bhatt 1975:104-107.

82 Bhatt 1975:112 ff, 150.

83 Eldersveld and Ahmed 1978:109, 198.

84 Eldersveld and Ahmed 1978:197.

85 Bhatt 1975: Chap IV.

86 Bhatt 1975:179 ff.

87 *Cf* Gupta's (1971:1884) description of the "general resentment among the higher caste Hindus against Sasni being part of a 'reserved' constituency". The feeling

that [illegible]
presen[illegible]
represent[illegible] was echoed [illegible] distinction drawn by an (early) Election Tribunal in *B R Ambedkar v S A Dange*, 1 ELR 364 (Election Tribunal, Bombay, 1952). Urging voters to give both of their votes to a single candidate to avoid Scheduled Castes being elected to both seats in a two-member constituency was not, found the tribunal, the systematic appeal on ground of caste forbidden by the election law since

> the emphasis was not on the undesirability of both the seats going to the Scheduled Castes but on the possibility that as a result of the reservation, voters other than the Scheduled Caste voters might go unrepresented.

88 In their study of Indian political participation, Eldersveld and Ahmed (1978: 205) report that

> the overwhelming majority of .., activists are politically conscious of caste. They know how the caste leader voted. Among upper castes the ratio is 6 to 1 that activists are aware of caste, in the middle castes it is better than 8 to 1, and for the lower castes and Harijans it is 3 to 1 that activists are caste conscious.

89 Thus Santhanam (1964: 13), for example, speculates that reserved seats for Scheduled Castes provided moral legitimation for caste politics.

90 Eldersveld and Ahmed 1978: 205.

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Great Nationalism, Little Nationalism and Problem of Integration

A Tentative View

Amalendu Guha

Spatial political behaviour and problems of integration in Northeast India have to be understood in their specific historical context. The present short paper is an attempt at focusing on this context.

Part I of the paper traces the growth of nationalism in India in general and Part II examines its specifics in Northeast India, with a view to explaining the political behaviour pattern as observed in that region.

I

A NATIONALITY is a stable community of culture, historically evolved within a definite territory, on the basis of common economic ties and language and, also often with one or more other such common factors. A nationality so defined, had, in some cases, its rudimentary beginnings in consolidated feudal monarchies. But its further developments, and even its beginnings in most cases, were integrally linked with the rise of capitalism.

In Europe, the rising capitalist classes found it convenient to emphasise the separate cultural identities of their respective regions so that feudalism could be pulled down by national democratic movements, and their own class interests could be projected apparently as wider national interests, through newly formed bourgeois states. Each of these capitalist classes posed itself as the exclusive spokesman for all members of the regional-cultural formation, i e, the nationality it belonged to. This is how nationalism was born as a spiritual sentiment, shared in common by members of the concerned nationality. It was also a movement with a definite ideology and programme. Basically anti-feudal in character, such national movements tended to culminate into the establishment of bourgeois democratic states so that there could be unhindered development of capitalism on the basis of widened and protected national markets.

It was through British colonialisation that the ground for similar national movements was prepared in India and, for that matter, also in its northeast region. In the absence of a capitalist class base, the emergence of nationalism before that was not possible. British rule unified disjointed and remote parts of the country through a centralised system of administration as well as a network of railways and communications it built during the late 19th century. The purpose was to bring India into the orbit of world capitalism so that exploitation could be intensified.

Consequent upon these profound changes, new middle classes, oriented to capitalism, were found operating amongst India's varied linguistic communities at sub-regional, regional and all-India levels. These middle classes were objectively opposed to foreign domination over the home market. Hence, they looked forward to establishing their own domination instead, so that indigenous capitalism could thrive thereby. Protection of home market against foreign competition emerged as a slogan. To promote their own interests, these classes rallied popular support behind them, by exploiting spiritual sentiments based on a community of culture. This happened both at the regional and the all-India levels. Alongside of Indian nationalism one often heard of Bengali or Marathi or Assamese nationalism as well. These nationalisms sustained — and were in turn sustained by — Indian peoples' common struggle against British rule. The latter was increasingly identified as the main obstacle on the way of further growth of the Indian class society.

All parts of India and all Indian nationalities did not come under British rule at one and the same point of time. Nor were they at the same stage of socio-economic development when they did. Moreover, even the degree of British centralised control was not the same all over India — some were definitely under-administered as compared to others. This unevenness was bound to leave its imprint on the manifestation of nationalism at the various levels, both in terms of chronology and in terms of the emotional content and identity.

It was broadly along two tracks that Indian nationalism was developing from its very beginnings in the mid-19th century — (i) great nationalism on an all-India plane and (ii) little nationalism on a linguistic-regional plane. Great nationalism emerged as the ideology of the nascent pan-Indian big bourgeoisie who wanted an appropriate share of the growing India-wide home market for themselves to the exclusion of (or in collaboration with) foreign capitalists. They also wanted an independent unitary state to secure it. This was acceptable also to large sections of the professional middle classes of certain advanced regions like coastal Bombay and Bengal. For they were confident of seizing a large share of all the professional and other opportunities to come up in such an India-wide competitive market, because of their early initiation to English education and administration. The Indian National Congress represented great nationalism, in its original undiluted form, during the years 1885-1917.

Little nationalism, on the other hand, emerged as the ideology of the region-based small bourgeoisie (i e, the regional middle classes) who feared competition from middle classes of other regions as well as from the pan-Indian big bourgeoisie. Little nationalism, therefore, stood for an exclusive control of the regional markets by their respective middle classes.

The concept of a unitary national state was not a suitable ideal for little nationalism. It looked forward to a multi-national state with a federal set-up that would guarantee substantial regional autonomy to each national identity. In its extreme and late form (in exceptional cases) little nationalism stood, alternatively, even for secession, or dual citizenship and sovereign political status.

How were great and little nationalisms inter-related? In the course of their historical evolution, they in general moved in unison, continually tending to merge with each other; but on occasions, they also tended to clash

headlong against each other in opposite directions. On the whole, during the period of our anti-imperialist struggles, they moved in the same direction, and overlapped with each other. They thus got intertwined. Indian national movement since 1917 involved a series of compromises between great and little nationalisms so that all nationalist forces could be consolidated to achieve the common objective. Gandhi with his concept of linguistic provinces ushered in this process. The dominant class view on the national question, as a result, underwent substantial changes, in favour of and towards recognition of multi-national interests, both before and after our Independence.

It was in this process, as worked out above, that castes, tribes and local communities were being absorbed into larger entities along either of the two above-mentioned tracks. The little nationalities, too, were imperceptibly getting integrated with a still larger national entity — the Indian nationhood in the making.

In the Indian context, there was and is also a growing understanding that only by eliminating bourgeois distortions could a basis for true nationalism be found — also that one's loyalty to regional culture is quite compatible with true nationalism and internationalism, once class exploitation is removed from the scene.

II

For economy in administration, the British rulers organised the conquered northeastern territories into a multilingual, composite province. Only Bengali of all languages of the province had some official recognition for limited purposes during the years 1837-73. It was with this background that Assamese little nationalism had its beginnings, alongside of great nationalism. Throughout the 19th century, regional and all-India consciousness co-existed peacefully all over the plains of Northeast India. In the hills areas, however, nationalism — great or little — was conspicuously absent during the century. There it is a 20th century phenomenon, associated with the rise of local, educated middle classes during the inter-war and World War II period.

The people of the plains of Assam were associated with a provincial legislature since 1906; and the people of the partially excluded hills areas, i e, the Khasi, Garo and Mikir Hills, since 1937. However, in the latter case, the degree of political participation was perfunctory. Nagaland, Mizoram, Arcnachal (Nefa) and the N C Hills were totally excluded from any kind of constitutional reforms until 1947. This uneven constitutional and administrative development, as much as the uneven economic progress, also contributed to the belatedness of nationalism in the northeastern Indian society. Different segments of it came under the spell of nationalism at different times. Another point to note is that great nationalism had only marginal impact on the hills peoples; and the least or little impact on Nagaland and Mizoram, in particular. There are geographical and historical reasons for that.

The Khasi (and Pnar) people were found already organised into rudimentary state formations, when they came under the British. Conscious of their local privileges, the Khasi chiefs began organising themselves into voluntary associations since 1900. This factor and the location of the provincial capital in Shillong since 1874 largely accounted for the early politicisation of the Khasis, relatively to other hills people. It was only during World War II that the Garos, the Mizos and the Nagas had their first nationality-wide political organisations formed. This process of politicisation was essentially linked with little nationalism.

The formation of an educated, Christian middle class helped the process. In 1901 there were only 26 Christians in Mizoram. By 1951, they constituted 90 per cent of the Mizoram population. Similar progress of Christianity, though not equally spectacular, was there in other hills areas as well. In the matter of literacy, too, the level achieved in the hills compared favourably with the all-India average. In some cases, it was even much higher, as in Mizoram where the male literacy rate was 46.2 per cent and female literacy rate 16.7 per cent in 1951. Christianity contributed not only to the literacy movement, but also to the development of tribal dialects as written languages in Roman script.

Thus, the language became *inter-alia* a unifying and modernising factor in the hills, finally leading to the growth of hills nationalities and their little nationalisms. In Mizoram, from the very beginning, Mizo nationalism had an anti-feudal content. It was directed primarily against the autocratic chiefs. This anti-feudal content is present, to a lesser extent, in the national movements of other hills districts as well, depending upon the degree of autocracy their chiefs exhibited. The basic content of the little nationalisms of the hills areas however was and still is *anti-tribal*, in the sense that it stands for the transformation of a tribe or a group of tribes, within a well-defined territory, into a distinct nationality. Tribes, like castes, are expected to get dissolved in that process to make room for nationalism, in the same way as little nationalities in the Indian context are expected to get dissolved to make room for an all-India nationalism.

In our view, great nationalism and little nationalism are compatible, but not necessarily and always within a class society. The middle class of a late-developing, small nationality is necessarily weak. This explains why the growing middle classes of the hills areas were less involved in the modern phase of the anti-imperialist struggles than their counterparts in the plains. These very middle classes, after independence, were nevertheless able to force changes into the Indian constitution to create new autonomous national states within the Indian Union. However, the lopsidedness of the economic development, in the interests of the Indian monopoly houses, poses a new danger — that of these little autonomous segments being swamped by floods of immigration. To avoid this, Northeast India needs a different pattern of economic development, with emphasis on maximum utilisation of local manpower, even if that means slowing down of the pace of modern development in the conventional sense. Otherwise, little nationalism will probably take the Naga-Mizo path to separatism.

There is no administrative or military short-cut to achievement of nationhood. Indian nationalism and the associated process of state formations are still in the making. Today the only way to de-emphasise the tribal exclusiveness as well as differences in religion, castes and ethnicity is to realise the importance of cohesion of respective regional communities. In the very process of this being achieved, regional communities will also feel to be themselves parts of the bigger Indian societies. Meanwhile the Centre-state relations need a thorough reshuffling to make such voluntary emotional integration possible.

To conclude, India is a multi-national state which is not dominated by any particular nationality. No single

nationality has an absolute majority in India, so far as the numerical strength is concerned. No single nationality dominates all facets of power and influence either. Besides, all the nationalities developed a historic sense of unity in course of their common struggles against the British rule, and they were found keen to retain this sense of unity even after Independence. In the process of economic transition, hundreds and thousands of workers from different linguistic groups became intermingled. The Indian working class, therefore, stands as much above parochial little nationalism as above aggressive great nationalism. In its conception, true nationalism can absorb what is good in little nationalism and stands also for internationalism. It stands for Indian unity within the multinational state of India. It looks forward to a United India organised on the basis of (i) the recognition of Indian multinationality, (ii) federal principles of state organisation with single citizenship and (iii) protection of the democratic rights of all national minorities and their languages all over India, including the right of self-determination.

[An earlier draft on this paper was presented at a Seminar held at Shillong, under the auspices of the North East Hills University on 1 Sept-2 Oct 1978.]

Railway Finances

A GENERAL examination of the financial position of Indian Railways by the Rail Tariff Enquiry Committee has come to the conclusion that "the financial position of the Railways has been satisfactory".

At present the railways are required to pay dividend at 5.5 per cent on capital invested upto March 1964 and ... cent on fresh investment there- ... In the Draft Sixth Plan, the ... Commission has suggested ... "return from investment in ... and state enterprises should ... by economies and price ... to a post-tax level ... 10 per cent". Actually, ... have not been able to meet ... obligations even under the ... Convention. The working of ... Railways has resulted in a deficit, ... payment of dividend, almost continuously since 1966 67. Consequently, the Railways have had to take loans from the General Revenues to meet the dividend liability when the net revenue was not sufficient for the purpose (Rs 309 crores) and to meet the expenditure on development works which are required to be financed from surplus revenues (Rs 153 crores). The temporary borrowings on this account outstanding at the end of 1976-77 amounted to Rs 463 crores. Further, these deficits have been incurred in spite of the fact that the provision made for depreciation has not been adequate resulting in considerable arrears in renewals and replacements, and the provision made for pensionary liability has also been less than warranted.

The Rail Tariff Committee is of the view that, among other factors, the fact that the increase in the fares and freight charges have not kept pace with increase in the price levels is mainly responsible for the unhealthy financial position of the Railways. In this connection, it has been brought out that, during the period 1950-51 to 1976-77, while the average cost per Railway employee has increased by 400 per cent, the price of coal by 370 per cent and that of mineral oils by 443 per cent, the average earnings per passenger kilometre and per tinne kilometre of goods have increased only by 134 per cent and 180 per cent, respectively.

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A Case Study of the Chaudhri Tribe

Ghanshyam Shah

To understand the complex relationships between caste and class, it is necessary to go beyound mere socio-economic hierarchy.

Two questions are pertinent in this context. First, what are the economic differentiations within a caste, and how do they cut across the castes both vertically and horizontally? Secondly, to what extent does the ritual status of a caste and a sense of fraternity among the caste members blurs economic differentiations, and sustains a false consciousness?

The present paper, based on observations of a single tribe in Gujarat, endeavours to answer these questions with the help of empirical data.

I
Introduction

THANKS to the ritual hierarchical order of the caste system, several scholars have categorised castes in terms of upper and lower as equivalent to class divisions. It is assumed by many — and demonstrated by a few studies — that upper castes not only hold higher ritual status but also higher economic status in terms of occupation and income. Lower castes on the other hand are poor. Significant correlation between caste and class hierarchy exists.[1] Such analysis is important so far as it goes. But, essentially these studies remain studies on caste rather than caste-class relationships. They do not lead us beyond 'socio-economic hierarchy', which tells us about economic conditions of different castes. Relationship among the classes cutting across castes has hardly been discussed; instead, what is discussed is ritual relationship. They overlook the fact that all the members belonging to a particular caste do not enjoy equal economic status; in other words, castes are not homogeneous from an economic point of view. Economic differentiations within most of the castes — high as well as middle and low — exist, or have been developing during the last two decades.[2] Intra-caste economic differentiations vary from caste to caste.[3] Even studies of single castes do not pay sufficient attention to this aspect.[4]

For a meaningful understanding of the complexity of relationships between caste and class, it is necessary to go beyond mere socio-economic hierarchy. Two questions are pertinent in this context. First, what are the economic differentiations within a caste and how they cut across various castes both vertically and horizontally? Second, to what extent ritual status of caste and a sense of fraternity among caste members blurs economic differentiations, or to use a popular phrase, sustains false consciousness? This paper is an endeavour to explore these questions with the help of empirical data. However, the unit of our observation is a tribe and not caste.

The difference between tribe and caste is marginal. As Kosambi observed, "the entire course of Indian history shows tribal elements being fused into a general society".[5] Herbert H Risley, the Commissioner of the 1901 Census also wrote: "All over India at the present moment tribes are gradually and insensibly being transformed into castes". The process of the shift of tribal people into the caste system by adopting caste rituals, norms and customs, has accelerated during the last few decades.[6] Hence, whatever the differences there might have initially been between the two are now getting blurred.[7]

While discussing the tribe (caste) — class issues two factors which influence the overall relationship need to be mentioned at the outset. One, India follows the path of capitalist economy, and competitive polity. Capitalist economy develops differentiations in society on class lines, and competitive polity compels politicians to widen their support structure across the narrow boundaries of kinship and caste. Secondly, political ideology and practice ignore the growing economic differentiations within and between tribes. All the tribes are clustered into one group described as scheduled tribes by the Indian constitution. This practice ignores differentiations among tribes, and also legitimises a tribe as tribe with distinct social and cultural identity. Social workers and administrators working among tribals treat tribals as economically homogeneous groups and carry out the programmes for tribal development accordingly. Political parties address tribals as one undifferentiated group. This is true of communist parties too. Furthermore, studies on tribals by social scientists also treat them as one homogeneous egalitarian group. They have used the concepts like 'tribal culture', 'tribal economy' etc. How these factors — capitalist economy and political ideology and practice — operate and influence tribal society is the subject of the present exercise which is confined to one tribe in Gujarat.

II
Economic Differentiations

Scheduled tribes constitute 14 per cent of the total population of Gujarat. The major tribes in the state are: Bhil, Dhodia, Gamit, Varli, Dubla, Kotwaliya, Chaudhri and Rathwa. Some of the tribes like the Dubla and the Rathwa are economically very poor and educationally backward. They are mainly landless labourers. There is 6 per cent literacy among Rathwas. On the other hand, Dhodias and Chaudhris are economically advanced. Literacy among the Dhodia is 31 per cent.

The Chaudhri tribe is mainly found in Surat district, South Gujarat. In 1971, its population was 188,273. Almost all of them are found in villages. Chaudhris can be divided into four economic strata on the basis of occupation and ownership of land. These are: (1) Agricultural labourers and poor cultivators; (2) Middle cultivators, (3) Rich cultivators and (4) White-collar employees. The first three strata constitute more than 92 per cent of the Chaudhri working population. The white-collar employees are less than 3 per cent.[8]

Labourers and Poor Cultivators

Labourers and poor cultivators are at the bottom of the occupational hierarchy. It is the single largest stratum, constituting 61 per cent of the

...tivators, of which 24 per cent are almost landless and 37 per cent have land between one and five acres. Their main source of livelihood is manual labour. The cultivators falling in this category do not have enough infrastructural facilities to make their land economically viable. Their soil is rocky and barren. Most of them do not have a pair of bullocks or even a well, let alone an electric or diesel pump for irrigation (Table 1). 41 per cent use chemical fertilisers, whenever they are available at subsidised price from the government. Often they do not get it in time and they do not have enough money to buy it in the open market. In this situation, their lands produce very little. Whatever they produce is barely enough for their own needs. They hardly employ labourers. During the harvest season, they help each other by way of mutual exchange of labour. They work on their as well as on other cultivators' farms on daily wages. Those who do not have land work as manual labourers. A labourer gets anything between one and three rupees per day, depending upon the nature of the work and availability of labour. Labourers do not get work on the farms all round the year. During the off season, they and poor cultivators take up wood cutting or road construction work, or migrate to nearby towns in search of manual work. Or else, they starve, or eat certain edible roots to mitigate their hunger.

MIDDLE AND RICH CULTIVATORS

38 per cent of the Chaudhri cultivators own land between five and fifteen acres. They may be classified as middle cultivators. 20 per cent of them have wells on their farms for irrigation, and half of them have diesel or electric pumps. A majority of them use chemical fertilisers. On an average each household of the middle cultivators has 1.7 bullocks; or, to put it differently, 70 per cent of the households have a pair of bullocks. They produce surplus to sell in the market if they ... infrastructural facilities.

... cultivators who own more than fifteen acres of land are at the apex of the economic ladder. They constitute ... per cent of the Chaudhri population. ... of them have irrigation facilities, and 25 per cent have an electric or diesel pumpset. They use chemical fertilisers. On an average, they own 2.8 bullocks. (Table 1).

... and rich cultivators employ ... during the harvest season. ... ers of their families work on their own farms but they rarely work as wage-earners on others' farms. The few rich cultivators grow more than one crop on their irrigated land and the members of their families, particularly *women and children and educated* boys and girls, do not work even on their own farms. They employ tribal labourers.

Earlier, middle and rich Chaudhri cultivators were not producing any marketable surplus. They were in the clutches of non-tribal money-lenders who were also absentee landlords. Their condition has however changed, thanks to certain progressive land legislations and to the spread of infrastructural facilities such as irrigation, roads etc. They have changed their cropping pattern. With the availability of irrigated water and the use of fertilisers and improved seeds, they produce cash crops, and a surplus of food crops for sale. Those who can take advantage of the irrigation facility prefer to cultivate Kolam IR 22 paddy, because it gives a higher yield, and this means more money, though for personal consumption they either buy low quality paddy from the market, or cultivate it in a small area.

They are no longer ignorant of price fluctuations in the market. They try to sell their products at a competitive price. An Adivasi who owned about 16 acres of land energised by a pumpset, said, "Our village is on the road and connected with Unai, Buhari, Valod and Vyara (all taluka business centres). We enquire at all the places and sell at the place where we get the best price. We get agood price for groundnut at the Vyara Co-operative Ginning Factory. Baniyas do not give such a good price, so we sell it to the co-operative society." Some of the prosperous cultivators have now started lending money on interest at as high a rate as 144 per cent, to poor tribals. Also, they purchase land from fellow tribals or take their land on mortgage.

TABLE 1: AGRICULTURE INFRASTRUCTURAL FACILITIES

(Percentages)

	Poor Cultivators*	Middle Cultivators	Rich Cultivators
Well on the farm**	5	11	9
With pumpset	2	9	25
Using chemical fertiliser	41	60	81
Average bullock	1 1	1.7	2.8
Total N	1250	1098	165

* This excludes labourers.
** Percentages in all cases are calculated from the total (N) in respective stratum

WHITE-COLLAR EMPLOYEES

About 3 per cent of the Chaudhris are engaged in white-collar jobs. The first non-agricultural white-collar job that the Chaudhris got was teaching in primary schools. It may be mentioned that Sayajirao Gaekwad III of Baroda started a school in Songadh in 1885. A few of those who were trained in this school became teachers in other schools started by the Gaekwad and later by the British government. After the twenties, some Chaudhris were trained to become teachers under Gandhian education schemes. The process has continued. About 50 per cent of the primary school teachers in Surat district, according to one survey, were Adivasis between 1947 and 1967. The Chaudhris topped the list among the Adivasis. Out of 1643 scheduled tribe teachers in the district, 739 (44 per cent) were Chaudhris.[9]

Some others are clerks, postmen, talatis, gramsevaks, extension officers, etc, in government departments. A few are secretaries, accountants or clerks in co-operative societies or such other organisations. Such office jobs require formal education. Earlier, one could be a primary school teacher with a vernacular 7th standard certificate, but now an aspirant for such a job has to have passed the SSC with 55 per cent marks. Similarly, 10 years ago, one with 4th standard education could get the job of a peon in a government office. But now, the minimum qualification required is 7th standard. In this sense, the office-goers are educated.

Middle and rich cultivators dominate the stratum of educated white-collar employees. 16 per cent and 12 per cent of rich and middle cultivators, as against only 7 per cent of poor cultivators' households have someone serving in government or semi-government offices. The lower positions in government offices are occupied by Chaudhris coming from poor culti-

vators' households, whereas higher positions are occupied by the persons coming from middle and rich cultivators' households.

White-collar employees who earn regular salaries save some amount from the salary and send a part of it to their families in the village. A few of them invest their savings in developing agriculture. Moreover, thanks to their exposure and contact with non-Adivasis, they grab opportunities offered to them by different government agencies. They also look after agriculture. From their savings, a few of them purchase land from fellow Adivasis. Some lend money to the needy villagers on interest. Their rate of interest is as high as that of the non-Adivasi moneylenders.

Table 2: Whom Do They Worship?

(Percentages)

	Labourers and Poor Cultivators	Middle Cultivators	Rich Cultivators	White-Collar Employees
Adivasi god	64	48	40	5
Hindu god	16	24	21	48
Both Adivasi and Hindu god	6	20	24	—
No one	13	8	14	48
Total N	67	50	43	42

Table 3: Main Foodstuff Regularly Consumed

(Percentages)

	Labourers and Poor Cultivators	Middle Cultivators	Rich Cultivators	White-Collar Employees
Rice	9	28	38	74
Tuver	40	64	79	88
Mung	16	32	19	40
Jowar	93	98	98	95
Wheat	15	26	19	43
Milk	13	22	31	48
Mutton	3	4	2	2
Eggs	1	10	2	12
Vegetable	54	68	79	81
Ghee	1	2	7	24
Oil	39	64	83	98
Sugar	31	62	81	93
Total N	67	50	43	42

III

Fission in Social and Religious Life

The Chaudhris are divided into five endogamous groups: Nana, Mota, Valvai, Tekaria and Bonda. Nana and Mota Chaudhris form the largest groups in terms of numbers. The Chaudhris are further divided cutting across endogamy, into *Varjela,* those who have renounced traditional customs and the *Sarjela,* destined 'to suffer and be exploited'. These divisions began with the Gandhian social reform activities in the twenties. The Gandhians adopted the approach of Hindu reformists, who believed in maintaining a flexible structure, in giving up expensive social customs and introducing simplicity in marriage and such other rites, emphasising vegetarianism and teetotalism. This coincided with the influence of *Bhakti* movement. Divisions between Varjelas and Sarjelas within each endogamous group have become very sharp recently. The Varjelas look down upon Sarjelas and avoid social relations with them. They prefer marriage of their children with Varjelas. One of the Varjelas, a Gandhian activist, told us that "in the near future, we Chaudhris will never bother about the sub-groups such as Nana or Mota, but there are going to be two distinct major groups, that is, Varjelas and Sarjelas". This opinion is indicative of the new social divisions that are emerging among the Chaudhris. It may be added that the Varjelas largely come from the strata of middle and rich cultivators and the white-collar employees.

Though some of the traditional marriage and other customs have continued, white-collar employees and the Varjela rich and middle cultivators follow certain Hindu customs. They invite Brahmin priests to perform marriage ceremonies. Instead of playing *dobru,* the indigenous traditional musical instrument, they have devotional choral groups singing hymns or a brass band playing Hindi film tunes. The *dobru* is condemned because according to them the tunes played by it are obscene and sexy. Further, instead of oral and symbolic invitation called *punj mukavi,* they send printed invitations. Interestingly enough, though the poor Chaudhris do not follow these 'new' customs, they do not disapprove of them either. 81 per cent of the poor Chaudhris felt that reforms in the marriage rites and other social changes followed by a few were good and desirable. They do not adopt them partly because they cannot afford them and partly because they find it difficult psychologically to change over to the new customs. But they consider that the new customs do add to the prestige of the family. Thus, values and norms of upper caste and class — Brahmins, Baniyas and Patidars — of the larger society are increasingly being adopted by the white-collar workers as well as the middle and rich Chaudhri cultivators.

In the religious sphere, Chaudhris worship various gods. Ahindo dev, the god of the hills, Himario dev, protector of fields, Kansari mata, the goddess of corn, Kaka Balia and Shilimata, the god and goddess of chickenpox and smallpox respectively, Vag dev (tiger), Nag dev (snake), etc, are some of their important gods. Some of the Hindu gods and goddesses have entered the Chaudhris' religious life. It is difficult to draw a line between 'Adivasi' and 'Hindu' gods. Some deities like Kaka Balia or Nag dev have been common for many decades. What is significant, however, is that some Chaudhris now mainly worship Ram, Krishna or such other Hindu gods, and they rarely pay a visit to the shrine of the traditional Adivasi gods. Stratumwise the differentiation is reflected in their religious beliefs. White-collar employees are prone to Hindu gods or they do not visit any temple, and a large number of the poor Chaudhris still worship traditional Adivasi gods (Table 2). 64 per cent of the poor as against 5 per cent of the white-collar employees and 40 per cent of the rich Chaudhris worship only traditional Adivasi gods.

There is a striking difference in the life-style of different strata. An educated office-going Chaudhri dresses himself in a manner which is similar to that of other non-tribal office-goers.

Table 4: Household Items

(Percentages)

Household Items	Labourers and Poor Cultivators	Middle Cultivators	Rich Cultivators
Stainless steel utensils	10	27	48
Furniture	12	30	55
Watch	9	21	42
Radio	4	10	28
Stove	3	6	17
Total N	2039	1098	165

Varjela rich and middle cultivators are closer to non-tribals in their dress than the poor Chaudhris. Their food habits are also undergoing changes. Generally, jowar and dal are used in their daily diet by all Chaudhris. Wheat is not regularly consumed by the poor. But 43 per cent of the white-collar Chaudhris consume wheat almost daily. Rice is also an important cereal used by Chaudhris. But since rice is costlier than other cereals, only 9 per cent of poor Chaudhris as against 38 per cent and 74 per cent of rich and white-collar Chaudhris respectively consume rice regularly. Poor cultivators and labourers do not consume milk regularly — not even with tea. Ghee is rarely used except by the white-collar employees. But edible oil is used by many. However, the frequency of its use varies from stratum to stratum; only 39 per cent of the poor Chaudhris as against 83 per cent and 93 per cent rich and white-collar Chaudhris use edible oil most of the times. Except for the poor, the majority of the rich and middle cultivators and white-collar employees use sugar regularly. However, in the case of meat and eggs the order is reversed. 45 per cent of the white-collar as well as rich Chaudhris are vegetarians, thanks to the influence of Gandhian and *Bhakti* movements. Their number is small in the case of the poor and middle cultivators (Table 3).

Further, the Chaudhris of the different strata own different household articles. Though most of the Chaudhri households do not have a piece of furniture like a chair, a table or a bench, otherwise the difference is sharp. Only 12 per cent of the poor as against 55 per cent of the rich Chaudhris have furniture. Or take the case of stoves. Only 3 per cent of the poor as against 17 per cent of the rich Chaudhri households possess stoves. A similar pattern is found in other household items (Table 4). Data about white-collar employees' households are not available, but it can be safely said that most of them have all these items.

Thus, the Chaudhris as a social and religious group are losing their identity. Their so-called pristine 'tribal' social and religious beliefs and life style are disintegrating. The differentiations among the different strata are becoming sharp. The labourers and poor cultivators are following the traditional life-style, social customs and religious rituals. On the other hand the rich and educated Chaudhris follow social and religious life-styles of the middle and upper classes and castes of the non-tribal society.

IV

Vocal Section

Middle cultivators and educated white-collar employees constitute a vocal section of the Chaudhri tribe. They are politically more active than the poor and rich cultivators. About 20 per cent of the middle cultivators and white-collar employees, as against 12 and 9 per cent of the rich and poor cultivators respectively, take some interest in politics. A similar pattern is also found regarding attendance at public meetings and participation in processions. While 54 and 40 per cent of white-collar employees and middle cultivators attended public meetings, in the case of poor and rich Chaudhri cultivators, such attendance was confined to only 29 and 25 per cent of them respectively. Similarly, a majority of the poor Chaudhris (52 per cent) have not yet visited any taluka office. Among those who visited, there were those who needed the help of others — an educated person or a village leader — to approach an official. Only 9 per cent of them visited the taluka office alone. The middle cultivators are the largest in number (74 per cent) who have visited taluka office either alone or with some one else.

The members of the middle cultivators and white-collar employees occupy various positions in government and political organisations. One of them was a member of Parliament between 1971 and 1977. He is now the Chairman of the Tribal Development Corporation, Gujarat. Another was a minister in Gujarat government for two years. He is now the secretary of the district Congress (I). Still another is the president of the District Panchayat. Besides them, half a dozen other Chaudhris occupy important positions in different political parties and district level organisations. They are graduates, largely coming from middle cultivator families. They were or they still are government servants or professionals like engineers or pleaders.

What are the problems of the Adivasis that are uppermost in the mind of this section? Do they give voice to the problems of the majority of the Adivasis? In order to know their perception of the problems of the community, we asked them the question: "According to you, what are the problems of your community?" This question was addressed to the members of all the sections. Most of the Poor Chaudhris have reported the following problems:

- We do not have sufficient bullocks, if some have they do not have fodder to feed them.
- Money-lenders do not lend us money and co-operative societies do not assist us when we are in need.
- We do not get work throughout the year; wages are too low.
- There is no food, not enough clothes.
- Agricultural implements are not sufficient.

The Middle and rich cultivators have these complaints:

- Government has increased land revenue.
- Government collects levy.
- There is the problem of good roads
- State Transport system is not adequate.
- There is no electricity in our villages.
- Canal water for irrigation is not available.
- Enough loans from banks are not forthcoming.
- We have to go a long distance to buy clothes, kerosene, diesel, etc.
- The educated are not getting jobs.
- Scholarship for higher studies is not adequate.

White-collar employees reported the following problems:

- Canal water is not available.
- There are the problems of electricity ... Roads ... and Transport.
- People are lazy and they waste their energy in drinking.
- Jobs are not available.
- There is discrimination against us. Our people are not given jobs.

The above responses show quite clearly that poor and better-off Chaudhris perceive the problems of their community differently. They perceive the problems of their stratum to be the problems of their tribal society. Moreover, as far as the perception of the problems is concerned, there is no difference between the middle and rich cultivators. We have, therefore, combined them into a single category. Not only that; the educated white-collar employees also share common problems

TABLE 5: ASSISTANCE FROM GOVERNMENT

(Percentages)

	Labourers and Poor Cultivators	Middle Cultivators	Rich Cultivators	White-Collar Employees
No help	30	18	12	5
One assistance	22	16	21	24
Two assistance	16	24	26	24
Three assistance	6	12	10	24
More than three assistance	—	4	12	22
'Do not know'	25	26	19	2
Total N	67	50	43	42

with middle and rich cultivators. This is obvious as the white-collar employees come from middle and rich cultivator households. They, therefore, talk about irrigation, transport and marketing facilities, about educated unemployment and inadequate quota of scholarship to tribal boys. In social and cultural matters also, these three strata together feel closer to each other. They may be called better-off tribals.

The better-off tribals also obtain larger chunks of benefits provided by the government. This is evident from Table 5, which reports the answers to the question: "What benefits have you received from the government?" The Table shows that quite a large number of respondents fall in the 'do not know' category. This is probably because they do not know whether the government had given them any assistance. Since they do not know anything about government's assistance, we can assume that they have not received any assistance. Stratumwise the break-up of responses leads us to the conclusion that the poor Chaudhris who constitute 61 per cent of the population are deprived of the government benefits the most. 30 per cent of them are still untouched by any government assistance. If we include 'do not know' answers, the percentage rises to 55. The white-collar employees, though a small section, have benefited the most, compared with other sections of the community. For education, they have received scholarship and other assistance. And because of education, they are in the know of government schemes. They pursue their cases and get things done. Besides, a larger number of rich cultivators not only got benefits but they also obtained more benefits than the middle cultivator Chaudhris. This is significant in view of the fact that though many rich cultivators do not hold a political position, they are not deprived of benefits. In other words, middle cultivators and white-collar employee Chaudhris do not hesitate to serve the interests of the rich. So far, there is no clash of interests between the rich and the middle cultivators, or the rich and the white-collar employees.

All the three together, that is, the better-off Chaudhris, join with other better-off Adivasis belonging to different tribes. They have developed a certain commonness, cutting across tribal boundaries, in social and cultural matters and in life-styles. They participate together in government and non-government organisations. They aspire for certain positions. They want to use and control resources.

But the divisible and undivisible resources in society are limited, and the number of contenders among Adivasis has increased recently. This creates competition among themselves. In such a situation, the competitors get divided on tribe lines such as Chaudhri, Dhodia, Bhil and so on. The Chaudhri leaders blame the Dhodias for taking under advantages and *vice versa*. For instance, when one Chaudhri became a president of the Surat district panchayat, vocal sections of the Gamit tribe protested that Gamits were neglected. Sometimes in the assembly and the parliament elections, political leaders of different tribes — as it happens in the case of castes — try to mobilise the tribesmen on tribal lines. Thus there is a competition among the members of the vocal strata of different tribes. But at the same time, the vocal sections of all the tribes together bear a grudge against and exploit the labourers belonging even to their own tribe. They do not give them even the 'minimum' wages. They charge very high interests on the money that they loan out to them. They share common stereotype views regarding the poor tribals — that they are lazy, they drink too much, they are ignorant and illiterate, etc.

The better-off vocal Adivasis, on the other hand, identify their interests with those of the non-tribal middle and rich cultivators and the urban middle class. For instance, the middle and rich Adivasi cultivators in south Gujarat supported the *Khedut Samaj* (rich and middle peasant organisation of the state) against paddy levy and land ceiling in 1973-74. College-going Adivasi students joined the Nav Nirman movement led by urban middle class against corruption in 1974. They organised demonstrations and processions in tribal villages. Thus non-tribal better-off cultivators and middle class is the reference group of vocal Adivasis.

There is thus an informal alliance between the two — relatively better-off non-tribals (middle and rich cultivators as well as middle class) and better-off tribals. In this alliance, the latter have the place of junior partners, thanks to various historical reasons. Unequal partnership often creates clash between the two. The better-off tribals want to be at par with non-tribals of the same stratum but they suffer from certain constraints. They are new entrants in agricultural development; therefore, their know-how is limited. They lack a tradition of enterprise. Moreover, any new development programmes are taken advantage of first by the better-off non-tribals who dominate administrative and political machinery. Better-off tribals also face certain ecological disadvantages — their soil is rocky and rainfall is scanty. On the other hand, non-tribal middle and rich cultivators grudge any left-over or some special development programmes allotted to tribal cultivators. They feel this cuts into their resources and advantages. Their grudge is not only against the tribals but against any one including their own caste members with whom they are compelled to share a part of the cake.

Similarly, educated tribals aspire for white-collar jobs. They want to be equal to non-tribal *babus;* therefore they want quick promotion. But they are handicapped by their traditions and family socialisation from competing with non-tribal high caste white-collar employees. Non-tribal high or middle castes resent the fact that the jobs which they monopolised for many years is now to be shared with the tribals by virtue of the reservations. They dislike the entry of the new group in their economic activities. They use resources at their command to create obstacles in the way of educated tribals — which the latter resent.

In order to sustain in competition with better-off non-tribals the vocal

[illegible] of the tribals use ethnic sym[illegible] and idioms to seek the backing of [illegible] number of tribals. They mobilise [illegible] tribals whose class consciousness is subdued by talking euphuistically of [illegible] development' and 'tribal culture', [illegible] raising issues of 'tribal backwardness', 'injustice to tribals', etc. The leaders of the vocal sections pressurise the government for more and more 'tribal development'. Needless to say, this means the development of their own class in the tribal society as against the poor Adivasis. They are interested in seeing a middle or rich cultivator or an educated person from among them as a cabinet minister in the state, to get more reservations in white-collar jobs, to organise co-operative banks which can support Adivasi entrepreneurs to get irrigation facilities, fertilisers, improved seeds and so on. They make these and other demands in the name of the Adivasis, but in practice, their concern for an ordinary Adivasi is not only secondary but also instrumental. This has been possible because they are conscious of their interests whereas the poor Adivasis are docile and apolitical as far as class interests are concerned. The poor Adivasis are mobilised in politics by the vocal tribals on tribal non-tribal rather than on class lines. Moreover, the vocal strata of the tribals instil 'tribalness' in terms of tribal culture which tranquillises the poor. But vocal tribals themselves discard the so-called 'tribal culture' in their day-to-day life because it is against their own aspirations and interests.

In pursuance of their interests, the better-off vocal sections of the tribals often clash with similar strata of the non-tribal society. It is not a caste clash. That is, it is not due to differences in culture nor even primarily due to the biases against each other. The better-off strata does not share resources with the poor strata belonging to its own tribe with a view to fight the competing better-off strata of the non-tribals. It only uses the poor strata for its own interests. In fact, when its economic interests are threatened by the poor strata of its own ethnic group, it joins hands with non-tribal better-off strata. Thus, clash between vocal sections of tribals and non-tribals arises primarily from economic interests. At the same time, however, it cannot be called class war or class struggle. It is a conflict for economic interests between two ethnic groups belonging to the same class.

The above data are about one tribe But our contention is that what is true of the Chaudhri tribe is also true of several tribes and most of the castes. This calls for more detailed inquiry for understanding complex relationships between caste and class in India.

V

Conclusion

The foregoing data make it clear that [illegible]tiations based on wealth and [illegible] have taken place within the [illegible]dhri tribe during the last three [illegible] These differentiations are [illegible] in their social and cultural [illegible] too, weakening the traditional [illegible] identity. The strata which are [illegible] have become conscious of [illegible] economic interests. But the lab[illegible] poor cultivators are not [illegible]scious of their economic interests vis-a-vis the haves. The better-off strata take not only the advantage of the docility of the poor, but also tranquillise them further in the name of 'tribal culture', and instil in them 'we-ness' on an ethnic ground. This enables them to maintain and advance their interest as against similar strata within and outside the tribal society.

Notes

[I thank I P Desai, P K Bose and Dipankar Gupta who read and made useful suggestions on the earlier draft of the paper.]

1 See, G S Ghurye, "Caste and Class in India", Popular Book Depot, Bombay, 1950; Andre Beteille, "Caste, Class and Power", Oxford University Press, Bombay, 1966; K L Sharma, "The Changing Rural Stratification System", Orient Longman Delhi, 1974; Anil Bhatt, "Caste, Class and Politics", Manohar Book Service, Delhi, 1975.

2 Sharma ibid; Bhatt, ibid.

3 Ghanshyam Shah, 'Reservation for Backward Castes or Classes' *The Economic Times*, June 14, 1978.

4 For instance, Robert L Hardgrave, "The Nadars of Tamilnad", University of California Press, Berkeley, 1969; Ghanshyam Shah, "Caste Association and Political Process in Gujarat", Popular Prakashan, Bombay, 1975.

5 D D Kosambi, "An Introduction to the Study of Indian History", Popular Prakashan, Bombay, 1956.

6 See Surjit Sinha, 'Tribe-Caste and Tribe-Peasant continue in Central India', *Man In India*, 45, 1965.

7 David G Mandelbaum, "Society in India: Change and Continuity", Volume II, University of California Press, Berkeley, 1970.

8 For the study, we collected data on 3,349 households covering 22 villages where Chaudhris resided. We also interviewed in depth 202 Chaudhris of different strata. Tables 1 and 5 are based on household census, whereas Tables 2, 3 and 4 are based on stratified sample. For details see Ghanshyam Shah, *Socio-economic Conditions of Chodhras: A Restudy*, Centre For Social Studies, Surat, 1977 (mimeographed).

9 Y D Jadeja, *Primary School Teachers of Surat District: Adivasis and Non-Adivasis*, Centre for Social Studies, Surat, 1971 (mimeographed).

World Trade in 1978

THE value of world trade in 1978 amounted to about $1,280 billion, according to a first assessment of trade developments during the year by the Secretariat of the General Agreement on Tariffs and Trade (GATT). In dollar terms, the increase was about 14 per cent, or 1 per cent more than in 1977. The volume of world trade increased by about 5 per cent, compared with a 4 per cent increase in 1977.

Trade among industrial countries expanded in 1978 by some 18 per cent in value and about 5 per cent in volume. In value terms, industrial countries' exports to the oil exporting developing countries rose by roughly 20 per cent and those to the non-oil exporting developing countries increased somewhat more rapidly; while imports from the oil exporting developing countries declined by 5 per cent in value, those from the non-oil exporting developing countries accelerated, growing in 1978 at almost the same rate as exports to oil exporting countries. Exports to the Eastern trading area recovered strongly in volume from their decline in 1977, the largest increase being to the People's Republic of China.

The export earnings of the oil exporting developing countries are estimated to have declined by 4 per cent in 1978 owing to the fall in volume of their exports. The rise in the value of the imports of this group of countries slowed down to 15 per cent, the lowest rate since 1974. Their trade surplus was considerably reduced and, consequently, their current account surplus declined from $ 35 billion in 1977 to about $ 15 billion in 1978.

The export earnings of the non-oil exporting developing countries are estimated to have risen by about 9 per cent in 1978, compared with 16 per cent in 1977.

[illegible] Caste in a Tribal Movement

S D Kulkarni

This paper recounts briefly the origin and development of the Bhil movement in Shahada tahsil in Dhule district, Maharashtra, which began initially as a movement of the tribals against various kinds of oppressive practices by the non-tribals, to later cross tribal and caste boundaries and evolve into a peasant movement. The shift from the caste-tribal approach to a class approach and its effects are examined in the context of certain events in Prakashe, a village in Shahada tahsil.

The paper concludes that such problems as faced in Shahada are bound to arise in all tribal movements; and the lessons of Shahada are that class interests do not obey caste or tribal boundaries and movements based purely on caste or tribal questions cannot take up economic issues without modifying their tribal or caste character.

A NUMBER of movements are going on among different tribes in India.[1] These movements are of various types. Movements like the Nirankari movement in the Chamba district of Himachal Pradesh, Zeliangrong movement in Nagaland, Adi Samaj movement in Bihar and the Bhagat movements in Madhya Pradesh are mainly religious movements. Movements like those which took place in Arunachal Pradesh and Mizoram for the formation of a separate tribal state or the present Jharkhand movement in Bihar are mainly political Some movements are economic like those for the restoration of alienated tribal lands, for abolition of bonded labour, allotment of forest lands already under cultivation and for the protection of forests In some movements social, political and economic aspects are combined For example, the Bhoomi Sena in Palghar is trying to get the Bonded Labour System (Abolition) Act implemented and is at the same time persuading Advisis to cut down the expenses on marriages and to celebrate them without incurring debts.

However, even here one or the other aspect gets prominence. In purely social or religious movements, there is no class element. In purely or mainly political movements, different classes among the tribals and non-tribals unite to support or oppose the movement. Even a poor tribal feels like supporting the movement for a separate state, though such a movement may be carried on by the comparatively better placed tribal leaders whereas even a poor non-tribal is inclined to oppose it, though it may not affect him in any way The question of class element arises mainly in economic movements. Even in economic movements some issues are purely of sectional interests. Non-tribal poor cannot be associated in movements for the restoration of tribal lands or for the allotment of forest lands to the tribals. However, there are issues like the payment of minimum wages to agricultural labour or the enforcement of the Employment Guarantee Scheme wherein it is possible and poor.

A purely tribal organisation cannot fight successfully for these demands, especially in areas where there is a considerable proportion of the non-tribals among agricultural workers. An organisation of the poor working in tribal areas usually starts by organising the tribals who are the most exploited section of the society It is also easier to organise tribals who are a socially homogeneous group. However, a time comes when the organisation must shed its tribal character and assume the character of a working class organisation The tribal movement must transform itself into a peasant movement. The organisation must include in its fold the tribal as well as the non-tribal poor

It will be interesting to study different tribal movements from this point of view and to find out if and how they are in the process of transformation from a tribal to a peasant movement. Such a transformation is taking place in the Adivasi movement in Dhule district. An attempt is made here to describe such a transformation and its results.

Bhil Movement in Schedule

Before we describe the ongoing transformation of the Bhil movement into a peasant movement, it is necessary to describe the origin and development of this movement in brief.[2]

About 37 per cent of the total population of Dhule district is that of Bhils, the most prominent scheduled tribe in Maharashtra. Bhils are concentrated in Shahada, Nandurbar, Taloda, Akkalkuwa and Akrani tahsils. This region forms a part of the upper Tapi basin and is surrounded by Madhya Pradesh in North and Gujarat in the West. Tahsils situated in Tapi basin have rich cultivable lands. Agriculture in Shahada tahsil is highly developed. There is a high proportion of agricultural labourers in the working population. About 58 per cent of male and 92 per cent of female workers in the total rural workers in Shahada tahsil were recorded in the 1971 Census as agricultural labourers.

Persons belonging to an agriculturist caste (Gujar) migrated to Shahada tahsil around 1820. Development of roads, construction of railway around 1860 and the encouragement to cotton cultivation during 1860s helped the development of capitalist agriculture in the area. Gujars migrated to the region in large numbers and began to occupy the lands in possession of local Bhils through force and fraud. The Bhils displaced from lands were employed as bonded labourers.[3] The process of land alienation got further impetus after Independence due to heavy government investment in agriculture and irrigation and a spurt in the prices of agricultural produce[4]

With the large-scale ownership of lands, the non-tribals and particularly the Gujars became a very prominent caste in the region and began to oppress the Bhils in several ways. Loss of lands deprived the Bhils of their main source of livelihood and reduced them to the rank of landless labourers. A number of them were employed as *saldars* (labourers on annual contract) with low wages and long hours of work. Instances of flogging Bhil labourers, rape on women, burning of huts and other atrocities increased. The non-tribals had good contacts with government officials from the village to the state level. Most of the government officials were non-tribals; and so the offences against Bhils went unnoticed and unpunished. The officials, particularly those at the village level, had also their share of exploita-

tion Political parties were also dominated by the non-tribals and did nothing except paying lip service to the redress of the tribals' grievances.

Ambarsing Suratwanti, a Bhil in the employment of Sarvodaya Ashram at Dhadgaon, the headquarter of Akrani tahsil, was the first to organise the Bhils against this repression in 1969. He had the backing of some Sarvodaya workers. He began to go from village to village and to advise young men and women to organise and to resist oppression. In 1971 he, alongwith some Sarvodaya workers, formed Gram Swaraj Samiti and began to organise the Bhils. In the same year some educated non-tribal workers working with Baba Amte in Chandrapur district joined Ambarsing. The work of organising Bhil *saldars* and *rojundars* (casual labourers) began in full swing.

In the beginning, only the problems of the tribals were taken in hand. Satyagrahas were offered to regain the tribals' lands in illegal possession of the non-tribals. Satyagrahas were also offered on the so-called forest lands that were cultivated by the tribals for years These lands were shown as forest lands in government records but were actually under cultivation for a number of years. The forest officers used to collect fines for illegal cultivation. They also received bribes for the same. Every year forest officers would threaten to drive away the tribals from these lands and show that they were particular in guarding the forest lands. A demand to legalise the occupation of these lands was made and peaceful resistance was offered wherever there were attempts to drive away the tribals from lands under cultivation.

However, it was soon realised that there were some ideological differences between the Gram Swaraj Samiti workers and the educated persons who had come to work in the area. The Sarvodaya group wanted to concentrate upon resistance to atrocities by the non-tribals and the harassment of government officials To them these atrocities were of a local nature and not a part of the total system The young workers wanted to treat the tribal struggle as a part of the struggle against the overall oppressive system and wanted to organise tribals on a class and not caste basis.

In 1973, these workers and certain local tribal youths formed a group called Shramik Sanghatana. The two groups, however, decided to work together Ambarsing Suratwanti, the unifying force between the two groups, passed away in February 1974. The united front continued till the end of 1976. The main issues tackled by the movement till 1976 end included the prohibition of tribal land alienation, restoration of already alienated lands, legalisation of forest lands under cultivation, fixation of wages of *saldars* and *rojundars*. The movement achieved considerable success in organising the Bhils in Shahada and nearby tahsils. It also received wide publicity in newspapers. The landlords made organised efforts to break the movement by intimidation of the peasants, by lodging false complaints to the police against the organisers and finally by trying to unite all the poor and rich non-tribals against the tribals.

The organisers of the movement realised the necessity of including non-tribal landless labourers in their fold during the course of the movement. Certain features of the economy of Shahada tahsil also made such inclusion of non-tribals in the organisation imperative. Shahada has a very developed agriculture. The tahsil has the highest number of tractors (over 400) as compared to any other tahsil in the state Most of the landlords are Gujars while the other landlords are Brahmins, Marathas, Muslims and a few tribals. But there are also Maratha, Scheduled Caste, Muslim and even Gujar landless labourers. It was not possible to organise strikes of *saldars* and *rojundars* for higher wages without involving the non-tribal landless labourers, for the landlords tried to employ non-tribal labourers whenever the tribal labourers threatened strike, Sramik Sanghatana workers were always in favour of organising all the landless labourers as against only the tribal landless labourers.

The movement had also a political dimension. The gram panchayats were in the hands of rich non-tribal landlords. It was necessary to dislodge them if schemes of employment under the Employment Guarantee Scheme were to be implemented effectively. This could not be done unless the non-tribal poor were also included in the organisation. Attempts were, therefore, made to bring the dalits and other landless labourers in the organisation. The process of such inclusion and its effects have been described below. But to complete the description of the movement, it is necessary to describe the split in the movement that occurred in 1977.

The Split

The Gram Swaraj Samiti was formally constituted in 1971, though Ambersing and his associates began their work in 1969. The educated youths from outside joined him in 1971. Shramik Sanghatana was formed in 1973. There were ideological differences between the two groups. As stated earlier the GSS (Gram Swaraj Samiti) group looked to the issue of exploitation as a local one while the SS (Shramik Sanghatana) group looked to it as a part of the total system based on exploitation. GSS looked at the movement as a means of securing relief to the poor whereas the SS looked to it as a movement of the oppressed to challenge and ultimately to change the entire feudal-cum-capitalist system. GSS wanted to minimise the class conflict element in the movement while the SS wanted to maximise it. GSS had some faith in government measures and personnel while the SS looked upon government measures only as a tool for organising the tribals and the non-tribals. Besides the ideological issues, personal factors also contributed to the split as happens in every split in a movement or an organisation.

The ideological differences came to the surface mainly during Emergency. GSS wanted to resist Emergency at any cost while SS workers saw Emergency as a part of the oppressive capitalist system and wanted to strengthen the organisation to fight it in the long run. GSS workers decided to organise a tour of S M Joshi to create public opinion against Emergency. The move was opposed by the SS workers and was finally dropped.

When the Lok Sabha elections were announced the GSS workers threw themselves wholeheartedly in favour of the Janata party. The sworn enemy of the tribals in the area, a very prominent Gujar Congress leader, joined the Janata party. The SS workers hated the idea of supporting the Janata party and wanted to be neutral.

All these issues created tensions among the organisers of the movement and the GSS and the SS separated in August 1977 and are working independently since then. Though there is some inevitable rivalry between the two groups each appears to have accepted the existence of the other group.

Prakashe

It is interesting to study the shift from the caste to the class approach and

[illegible] out of which 504 [illegible] per cent) belonged to the scheduled castes and 1644 (25.39 per cent) belonged to the scheduled tribes. Like all the big villages in Maharashtra, Prakashe has a multi-caste population. Persons of all the main castes in the area, the Gujars, Brahmins, Marathas, Bhils, Koli (non-schedule tribe), Malis and Neo-Buddhists reside in the village There is also a considerable population of Muslims. By 1973 end the young Bhils took inspiration from the movement going around and organised a Tarun Mandal (Youth Club). The organisers of the movement encouraged the tribal youths and decided to arrange a big conference of the tribals at Prakashe. Accordingly, a very big one-day Adivasi Shetkari Shetmajur Parishad was organised at Prakashe on April 17, 1974, that, is nearly two months after the death of Ambarsing Some sympathisers of the conference later on criticised certain slogans raised there. *Lal Bawata ki Jay* was one such slogan. Comments were also made in certain newspapers on the nature of the attempts made to create a class movement.[5] This was a beginning of the differences between the GSS and the SS.

After this conference, the work at Prakashe received a big push It was decided to organise *saldars* and *rojundars*. Prakashe has a very large population of agricultural labourers. In the 1971 census, 740 males (43 32 per cent) have been recorded as agricultural labourers out of the total 1708 male workers in the village. The proportion of female agricultural labourers is still higher. Out of the total 440 female workers in the village 359 (81.59 per cent) have been recorded as agricultural labourers. As stated earlier, the tribals constitute about 25 per cent of the village population. [illegible] there are many non-tribal [illegible] and *rojundars*. A number of agricultural labourers in Prakashe belong to different castes like the Gujar, [illegible] Kunbi, Mali. There are also Neo-Buddhist and Muslim labourers, besides the Bhils. The majority of the landlords are Gujars, while there are few Brahmin and Maratha landlords. It is not possible to strike for higher wages for agricultural labourers without organising the labourers belonging to several castes.

This was brought home to the workers by a dramatic event that followed the Prakashe conference. Eleven days after [illegible] 1974, rich land own[illegible] Shahada tehsil organised a Shetkari Parishad at Shahada. Speeches condemning the tribal movement were made at this conference where a call to retaliate against the peasant movement was given. The following day, on April 29, landlords at Prakashe attacked the leaders of the movement and the fight resulted in the lodging of two complaints with the police The landlords lodged a complaint and named 395 persons as culprits. The names included SS leaders and almost all the Bhil persons whose names the complainants could remember. The list also included Neo-Buddhist, Maratha and koli labourers. The case had to be withdrawn as it was noticed that the list included persons who were dead and also those who had left Prakashe years before. The tribals lodged a complaint against 9 persons who are Gujars and Brahmins. The case is not yet decided.

After the incidence, the Tarun Mandal began to organise all the landless labourers in the village and today it has the backing of all the landless including Gujars, Malis and labourers of other castes and religions.

Gram Panchayat Election

The strategy helped the Tarun Mandal in fighting the Prakashe Gram Panchayat Election in May 1977 The Panchayat Sarpanch was a rich Gujar landlord who was holding the post for 15 years Tarun Mandal prepared a panel for all the 15 posts. It included tribals and the dalits for reserved posts, and also a Muslim, a Teli and a Bhoi and Gujars Ten persons from the panel were elected. One of Bhil got elected on a non-reserved general seat The former Sarpanch was elected and contested for the post of Sarpanch But one Gujar from the Tarun Mandal panel defeated him The rich landlord took this defeat seriously and gradually manoeuvred defections in the Tarun Mandal backed members. Following the example set by members of the Parliament and state assemblies, three members defected to the side of the landlord. A motion of no-confidence was brought against the new Sarpanch Tarun Mandal workers joined by the landless labourers and small farmers of all the castes and religions took a morcha to the panchayat office to protest against the motion. However, the motion was passed. The solidarity of the poor was expressed by the big morcha.

The solidarity of the poor organised as a class was expressed on another oc[illegible] [illegible] saldar who belongs to [illegible] which is not a scheduled tribe [illegible] the *saldars* in the village led by the Tarun Mandal took out a morcha in protest and compelled the police to arrest the landlord.

Conclusion

Thus the movement which started as a tribal movement is now a peasant movement and has crossed caste boundaries. This is not limited to only Prakashe village. The process has covered a number of villages. In Shahada town proper, there are over 100 non-tribal *saldars*. They have successfully agitated for a piece of land and a colony called Saldar Nagar is now established there Both the Gram Swaraj Samiti and the Shramik Sanghatana full-time and other workers include local Gujar and Maratha workers.

The problems faced in Shahada are bound to arise in all the tribal movements. Landlords in the tribal belt of Thane district are now united and ready to fight the Bhoomi Sena-led peasants Bhoomi Sena has also begun to organise the non-tribals along with the tribals in the area. Class interests do not obey caste boundaries and purely caste or tribe movements cannot take up economic issues without changing their caste character. This lesson has been learnt in Dhule and Thane districts and will have to be sooner or later learnt elsewhere also.

Notes

1 For a brief description of the different phases of tribal movements in the pre-Independence period see K S Singh, 'Colonial Transformation of Tribal Society in Middle India', *EPW*, July 29, 1978 pp 1221-32.

2 For detailed description of the Bhil Movement in Dhule district see: (i) 'The Bhil Movement in Dhulia, *EPW*, Annual Number, February 1972, pp 205-07, (ii) 'Organising the landless in Shahada', *EPW*, March 10, 1973, pp 501-04 and (iii) Maria Mies, 'The Shahada Movement A Peasant Movement in Maharashtra (India): Its Development and Its Perspective,' *The Journal of Peasant Studies*, July 1976, pp 472-82.

3 See S D Kulkarni, 'Over a Century of Tyranny', *EPW*, March 9, 1974, pp 389-92 for some details of the occupation of tribal lands

4 S D Kulkarni, 'Alienation of Adivasis lands' *EPW*, August 31,1974, pp 1969-70.

5 *Sadhana*, May 18, 1974, *Maharashtra Times*, May 28, 1974, *Sadhana*, June 15, 1974.

Religion and Politics

Role of Islam in Modern India

Moin Shakir

Communalism may be defined as that tendency which seeks to promote religious or sectarian grouping of a people for political purposes. The Muslim elite in India has been indulging in this practice for articulating its grievances, for communicating with the Muslim masses, for framing its political strategies and for maintaining a separate political status for the community.

This article examines the political and sociological dimensions of Muslim communalism in India. While actual voting behaviour of the Muslim masses brings hope to those sections of the Muslim elite who, however faintly, are striving to secularise Muslim politics, the obstacles in the path of such secularisation are many. The article briefly touched upon these obstacles, as also on the failure of Muslim intellectuals to present a comprehensive analysis of the Muslim situation in India without recourse to myths and mystification.

I

THE connection between religion and politics runs very deep. Religion, both in the West and in the East, influences political and non-political processes and affects the operation of the institutional framework of the State. Even in the developed countries where secularism has been accepted as an operative principle and where it is strengthened by the progress in the field of science and technology, religion continues to be more than a matter of personal and social significance. The reason seems to be, as pointed out by Grace Jones, that "basic religious beliefs survive in disguised forms in moral assumptions and cultural norms and they continue to mould the attitudes of many people to such institutions as the family, marriage, and the education system. This influence is exerted in a concealed way, either at the individual sub-conscious level or through the medium of indirect pressure politics, and it is, therefore, impossible to assess with any precision. It is none the less real for that".[1]

Religion is more pervasive in India than in the West. Probably this prompted Whyte to conclude that India is a "religious and not a political continent".[2] Besides till the advent of the British the idea of secular civic society did not come into being in India and consequently religion, in one way or the other, dominated State and society. The advent of the British power constituted a break from the ancient traditions and became, to borrow the apt phase of Marx, "the unconscious tool of history" in bringing about a fundamental revolution in the social State of the country.

Idealists as well Marxists agree that the rejection of religion as the opium of the people amounts not only to ignoring facts but the historical process itself by which these facts have assumed attached values.[3] Gramsci's observation is quite pertinent: "the three elements — religion (or 'active' conception of the world), State, Party — are indissoluble, and in the real process of historico-political development there is a necessary passage from one to the other",[4] it cannot be disputed that religion has been a part and parcel of cultural and civilisational development of any community. It is a dominant theoretical pattern which filters into the major activities of the various religious communities.

Islam has been one of the most powerful religions of the world. Arising at the time of new class formations in Arab society, it consolidated the power of the State. The role of the Prophet as a ruler of the State distinguishes Islam from other religions like Christianity or Buddhism. The latter could turn hostile to the acquisition of greater power. In terms of doctrines, Islam is not much different but the latter phase of the Prophet's life in Medina furnishes ample evidence of Islam's potentialities for managing a State. The subsequent Caliph's rule bears witness to many modifications, deviations and even contradictions in the political practices. These can be explained away by the fact that there is no definite political theory or practice which has the sanction of the Quran. It inevitably resulted in confusion. The benefit, of course, has been taken by the Ulema who by mystifying and obscuring the realities justified the powers that be. By citing certain verses of the sacred book,[5] quite out of context, the Islamic fundamentalists all over the world argue that the concept of democracy and socialism are thoroughly un-Islamic. One fails to understand as to how Saudi Kingship or Pakistan's military dictatorship or Afghanistan's socialist government is Islamic. If the institution of Kingship is Islamic how is Ayatollah Khomeini's claim that the fight against Iranian autocracy is based on Islam justifiable? It is also significant that in professedly Islamic republics or in the Muslim majority countries no mention is made of Islam's principle of social justice or equitable distribution of wealth, but[6] undue emphasis is placed on such petty points like cutting off of the hand for theft, prohibiting wine drinking, stoning to death for adultery, etc.[7]

Against this background the role of Islam in Indian politics should be examined. Islam has always been the religion of a minority in this country. Although it has been the religion of the rulers yet neither did it ensure equality nor emancipation from the feudal system. It remained fundamental to the system as it could call forth emotional allegiance of its adherents. The so-called custodians of religion wholeheartedly justified the institution of monarchy, slavery and exploitation. The dissent, if any, was on the issues of fundamentalism or over socially irrelevant matters. Tolerance and broad mindedness, if any, was the result of pragmatism and expediency rather than religious, (i e, Islamic) conviction. Consequently the Muslim government was founded not on Shariat (holy law) but on the laws and regulations of the king. What Allauddin Khilji told Qazi Mughisuddin seems to have been the policy of the Muslim rulers: "Although I have not studied science or book, I am a Musalman of a Musalman stock. To prevent rebellion in which thousands perish I issue such

rules as I conceive to be for the good of the State and benefits of the people. If men are heedless, disrespectful and disobey my commands, I am then compelled to be severe to bring them into obedience. I do not know whether this is lawful or unlawful. Whatever I think to be for the good of the State or suitable for the emergency that I decree".[8]

Under British rule the position of the Muslim community underwent a change. The rulers were the bearers of a modern culture and civilisation superior to that of the native subjects. The first reaction was antagonism which took a religious form. It was destined to collapse as it lacked ideological fervour and the support of the common masses, being merely a regional and emotional outburst rather than an all-India movement. It was, according to M Mujeeb, "a disintegrating rather than a unifying influence".[9] When a section of the Muslim leadership decided to co-operate with the British and accept the modern system of education it felt the necessity of change in socio-political and religious outlook, for other religious communities had already started thinking along those lines. The social reform movements in the Hindu community constituted a significant development as far as the religious outlook was concerned.

The case of the Muslim community was different. The nature and ethos of Islam is different from that of Hinduism. Hinduism has been flexible and tolerant, at least in the field of metaphysics. It has also been characterised by the absence of rigidity in matters of belief. In the process of interpretation and adaptation, Hinduism has been constantly reviewed and its base broadened. The basic tenets of Islam have on the ... a rigidity which would not brook any such liberties of interpretation as Hinduism allowed. The Hindus ... reject any scripture or doctrine ... no Muslim could ever do because ... powerful orthodox divines. The Muslim intellectual also faced the difficulty of defining his attitude even to the Hadith literature. The Hindu intellectual had the freedom in matters of faith and belief which enabled him to launch movements for religious reforms and start various organisations for the purpose while the efforts in the Muslim community centred on individuals who were careful while working on the secular plane not to disturb religious belief and there was no possibility also of creating organisations like the religio-social organisations of the Hindus. Syed Ahmed Khan's Aligarh Movement had little to do with religious reform. It was mainly an educational and political movement.

Mention of another point of difference will not be out of place here. Even after the decline of the Mughal Empire, the religion-oriented leaders continued to believe and hope that Muslim power could be restored in India by the organised effort of Muslims, with the help of the Hindus, if necessary. When the Hindus were making efforts for educational advancement and social uplift the Muslims thought that political power would solve all their problems. What is clear is that the Hindu elite was getting depoliticised while the Muslim elite's obsession with political power was complete. The defeat of the Mutiny in 1857 threw the Muslim community into a state of frustration. Syed Ahmed Khan and his movement failed to undertake the task of the modernisation of the religious and economic life of the Muslim community. The separatist political stance of the Aligarh movement provided an unhealthy bias to Muslim politics and thought in modern India.

It may appear strange but it is true that the Hindu community practically remained indifferent and aloof towards the efforts of the Muslim revivalists. Similarly the Muslim community was not stirred by the efforts made by the Hindu reformers. Thus mutual apathy may be viewed as the perpetuation of the medieval legacy. People lived together for centuries but did not constitute a society. In the words of Louis Dumount their "co-existence was empirically accepted without being legitimised".[10] In modern India every leader stuck to his own community or caste even in initiating social reforms; Rammohan Roy neglected the need of religious and social reform in the Muslim community, just as Syed Ahmed Khan failed to take note of the problems of the Hindu community. In a similar way, when the extremists advocated Hinduism as the basis of nationalism, they never tried to anticipate the reactions of other communities. Similarly, when Mohammed Ali and other Muslim leaders expressed their support to Pan-Islamism as a worthwhile goal, they likewise ignored its meaning for the Hindu community.

The British government released quite contradictory forces in Indian polity. The secular and liberal system of education, industrialisation, urbanisation, limited democratic experiment, new value pattern, growth of the spirit of rationalism, weakening of family ties, understanding of politics in new perspectives, did undermine the political potentialities of religion. But modernisation in a democratic framework never frees man from religion. Religion is not abolished but its role changes. There is freedom of religion and not freedom from religion. The prevailing situation in India has not been conducive to the abolition of the institution of religion.

The British attitude provided a new lease of life to religion in politics. The British viewed the Indian people in terms of their religion. To them horizontal divisions among the Indian people were not relevant; they deliberately emphasised vertical considerations. The vital realities of culture, language, religion and economic interests were thoroughly ignored. Conscious efforts were made to artificially divide the communities. Francis Robinson is quite right when he says that Syed Ahmed Khan was closer to Siva Prasad, his opponent, than to the Muslim weaver, as both belonged to what is called Urdu speaking elite group.[11] The fact was that the division between the elite culture and mass culture was complete.

The British also introduced the politics of 'weightage' and 'counterpoise' which, directly and indirectly, compelled the religious communities to strengthen their communal identities. Religion was one of the strongest factors which could sustain and promote communal identity and differentiation. Religion reinforced political demands and furthered political ambitions. It supplied the wished for ideology necessary for backward classes as theoretical expression of their interests.[12] The introduction of separate electorates widened the gulf between the religious communities and permanently closed the possibility of a secular outlook on the problems of the community. The communities participated in politics as religious entities. The result was, as Harold Could says, that "Muslims came to regard their religious identity more and more as demarcator of the different life stages, power needs and economic interests which they felt set them apart from Hindus. The manoeuvres which followed the advent of separate Muslim electorates in 1916 symbolised the politicisation of the religiously demarcated ethnic identity".[13] Communalisation of politics aggravated social tensions and

perpetuated "the struggle between those demanding a greater role for religion in the State and other demanding a secular polity".[14] In such a situation political organisations based on religion are bound to arise. Religiosity is used "to create a system of instrumental means and secular objectives rather than theocratic ones".[15]

Religion, in the 19th and 20th century India, has been a motivating factor behind all major political developments. In the birth of the Indian National Congress not only Theosophy but also Vedantic idealism were seen as the guiding principles. It was claimed that the revivalist movements were "really so many threads in the strands of Indian nationalism".[16] The manifestation and expression of Indian nationalism was 'predominantly in a Hindu idiom"; the prestige of Pandit and Pir was a force behind the national political bodies, and the revolutionary nationalist drew inspiration from Kali, Vedanta and Gita which was decidedly religious in nature.[17] Tilak's view of Indian nationalism is quite significant: "The common factor in Indian society is the feeling of Hindutva (Hinduness). I do not speak of Muslims and Christians as present because everywhere the majority of our society consists of Hindus. We say that Hindus of the Punjab, Bengal, Maharashtra, Telengana (Andhra) and Dravid (Madras) are one, and the reason for this is only Hindu Dharma. There may be different doctrines in the Hindu Dharma but certain principles can be found in common, and because of this alone a sort of feeling that we belong to one religion has remained among people speaking different languages in such a vast country. And this feeling of being one still alive...".[18] Tilak was for "militancy, resurgent Hinduism, regional and communal sensitivity, caste-consciousness, and social conservatism".[19] In the Swadeshi Movement and the Gandhi dominated Congress religious sentiments of the people were constantly exploited. Hindu symbols were used to mobilise the people. The Muslim community too adopted a similar strategy of using Islam for political purposes. Whether it was Syed Ahmed Khan's Aligarh Movement or Ameer Ali's Muslim Association, whether it was politics of the 'Old Party' or the 'New Party', or whether it was Mohammed Ali's Khilafat movement or the Moplah rebellion or the Pakistan movement, Islam has been a constant. It has been the unbroken thread of Muslim politics. The leaders wanted the members of the community believe that they were fighting for the cause of Islam.

A lucid explanation of the relationship of religion and politics is found in the writings and speeches of the Muslim League leaders. The following is a classic statement of these attitudes.

> The Muslims cannot divorce their religion from their politics. In Islam, religious and political beliefs are not separated from each other. Religion and politics are inseparably associated in the minds and thoughts of all Muslims.... Their religion includes their politics and their politics are a part of their religion. The mosque not only constitutes a place of their worship but also the Assembly Hall.... They are born into a system. The system is not thrust on them. Religion and politics are the same to them. Hence Hindu-Muslim unity or nationalism, signifying homogeneity between them in all non-religious matters, is unimaginable. The Islamic polity in which religion and politics are inseparably united requires perfect isolation for its development. The idea of a common state with heterogeneous membership is alien to Islam and can never be fruitful.[20]

The implications of this approach are quite clear. It suited both the British rulers and the Indian elite. The former should have been satisfied with the growth of the separatist tendencies and the latter with the tremendous success in establishing a rapport with the illiterate masses. The British succeeded in trapping the Indian elite which willingly played right into their hands.

It goes without saying that the British had a vested interest in communal polarisation. It came in the way of the unity of the poor of the different communities. Religious politics was the enemy of class politics. Religious politics, therefore, was neither genuine religion nor genuine politics. It ensured separate political existence to every religious community and made the consciousness of artificial identity a basic factor of political thinking. What M Mujeeb said about the Muslim League of the united provinces was true of Muslim politician in general: "I do not remember this belief (i.e., of Islamic state as a guide and a corrective to political conduct) was shared by the prominent men and women of Uttar Pradesh in the Muslim League camp. They were just not the type of persons who would undertake the intellectual task of analysing the concept of an Islamic State. Their allegiance to it was rhetorical; they did not care to be intelligent or serious".[21]

II

After Independence, secularism has been accepted as one of the bases of Indian polity. The horrid experience of partition riots convinced the Indian elite to minimise the role of religion in politics. But the great stumbling block in the way of such minimising has been the political heritage of the British era and the inability to deviate from the British approach to religion and politics. Except for the abolition of the separate electorates, the ruling elite in India has faithfully followed the British policy. Secularism is not viewed as separation of religion and politics but as giving 'equal status' to all religions though in practice the new rulers consider Hinduism as the fundamental factor in the field of politics. The renaming of India as 'Bharat' in tune with old Hindu tradition, the urge to promote Hindi (of a Sanskritised kind) as the 'all-India' language, an emphasis on the adoption of such symbols like Dharma Chakra, popularisation of superstition-ridden festivals as Ramlila, broadcasting of Bhajans and devotional songs in the early morning programme of All India Radio, extension of the governmental patronage to the Sadhu Samaj,[22] etc, betray a strong Hindu bias in the approach of the new rulers. It is also argued that Hinduism not only provides ideological and cultural content to the Indian State but also prepared the people to accept the social and political system.[23]

Islam is also destined to play an important role in the politics of the Muslim community. Even after the partition of the country Indian Muslims remain the second largest segment of the total population. They are more prone to accept the authority of religion and the Ulema.[24] Notwithstanding the desire of a section of the Muslim elite for separating religion from politics, the stresses and strains of the situation underline the utility of uniting religious faith with political interests. After all no community can be oblivious of its milieu and the larger setting of the community.

within the nation as a whole. In a competitive democratic polity, the principle of religious grouping as an instrument of pressure pays dividends; in the case of Muslims, it ultimately leads to Islamisation and political communalism. Engineered by the religious groups and exploited by the political elite, Islamisation separates 'Muslims from the cultural ties existing with Hinduism and increases identity consciousness and political mobilisation of the community.[25] Even those Muslims who do not accept the autonomy of worldly life feel contended with the prevailing notion of secularism. In the emergence of new political culture, "the contents of many religions are incorporated not because of their inherent spiritual authority, but because they are high parts of an existent national 'cultural' mosaic. Thus, orthodoxy withers, while a kind of religious revival blossoms .. Indian device of cultural pluralism, conceived internally as an egoistic policy and probably secularising in its long term effects, nevertheless preserves for India a distinctly spiritual aura".[26]

The tendency to promote the religious grouping of a community for political purpose, in other words, the phenomenon of imposing religion on politics is described as communalism. The Muslim elite has been using it for articulating grievances, in communicating with the masses, in framing political strategies and for maintaining a separate political status for the community. It has been a short cut to political power. It is strengthened by invoking the support from Islamic feelings, Muslim solidarity and Muslim culture which necessarily mean non-involvement in ideological and non-communal polarisation The Muslim political organisations, like Jamaat-e-Islami, Muslim League, Majlis-e-Mushawarat, etc, fall back on a romantic view of Islam implying that Islam alone is a perfect religion while all other religions are imperfect. The Muslims are acclaimed as champions of the Truth. The cause of their backwardness is seen as being due to the absence of training to draw upon the Quran in the solution of day-to-day political and social problems. The Muslims according to this view, do not constitute a religious minority but an international community or a party to enforce the truth of Islam. Their mission is to reform mankind. The considerations of minority are alien to Islam. The political ideology of the Muslim political organisations is therefore opposed to the ideals of nationalism, secularism, democracy and socialism. Such concepts are viewed as the concomitants of modern culture, and not in consonance with the spirit of Islam. These principles, according to the Muslim leaders, provide for atheistic materialism, Hinduisation of the country and de-Islamisation of the Muslims.[27]

The effectiveness of the political ideology of the Muslim organisation should be judged in the context of the political behaviour of the Muslim community. Abid Hussain is not wrong when he says that it is not the religious feeling but extraneous elements associated with religion and the name of the religion which are used by the elite for achieving certain political objectives.[28] The notion of identity consciousness or communalism owing to religion can also be questioned. It is not religion but the plural character of society and the federal nature of the State that produces communalism. It is nurtured not by religion but by the nonredressal of secular and genuine grievances of the Muslim community. It is not Islam but a sense of discrimination which creates a sense of unity. It is the feeling of insecurity which provides the sheet anchor to the notion of solidarity. It is politics, not the ideal of Islam or Pan-Islamism, which acts as the leveller of sectarian differences.

Various studies of the political and voting behaviour of the Muslim community bear this fact out.[29] They also bring forth the concept and difference between the Muslim elite's perception of the political realities and that of the masses. The former always perceive the secular issues from the standpoint of Islam while the masses do not. The Muslim support to the Congress can be instanced here, even though several leaders of Muslim opinion mounted determined and firm opposition to that party. In the 1971 elections, for instance, the consensus of Muslim community, by and large, had been in favour of committed secular and democratic parties. The principle of en bloc voting on communal ground had been given up. The religion-oriented Muslim leaders who had asked the Muslim voters to boycott the elections proved to be ineffective. According to Gopal Krishna, the heavy penetration of the secular forces in and the political fragmentation of the Muslim electorate holds promise for those committed to secularisation of Indian politics and integration of the Muslims within the broad framework of a democratic secular political society.[30]

Nevertheless, one should not carry the impression that the goal of secularisation has been achieved. The obstacles are many. A comparative perspective regarding the growth of secularising tendencies in other groups of society and a meticulous analysis of socio-economic progress in the context of regions and communities is urgently called for. A probe into the existing gap between the common man and the elite is also necessary. Sufficient data about the class composition of the Muslim elite and the working of the Muslim organisations are not yet available. The present Muslim elite still carries the burden of the past on its shoulders. The reactionary heritage and fundamentalist legacy still haunts it. It still looks upon the issue of national integration as one of strengthening and uniting religious communities along sectarian lines and not as one of transcending and rejecting communal divisions. Its politics is of a compromise with the 'national' elite which is keen to accommodate it. This is how the facade of 'consensus' in the polity is being maintained. Both are inerested in engineering the consent of the masses and legitimisation of elite rule. The simple law of asserting its (Muslim elite's) hold in the community, as described by Marx in a different context, is to adopt a religious attitude to politics and political attitude to religion. Secularism in India, therefore, has amounted to no more than political rhetoric and a compromise with religion for political purposes.

The indifference on the part of the political parties to mobilising the Muslims on secular issues is another obstacle. The political and electoral processes encourage particularism and solidarity consciousness. The party setup and electoral system have not proved to be effective instruments of secularisation. They have failed to overcome the primordial allegiances of the electorate. Two trends in the Muslim political behaviour are quite significant in this context — political fragmentation, and social and religious solidarity. Political parties ought to recognise these two contrary trends in the Muslim community. The force of religious solidarity

[illegible] strengthened by the various [illegible] movements dominated by the [illegible] upholders of the fundamenta- [illegible] of Islam. Here lies the fai- [illegible] of the Muslim intellectuals who [illegible] wedded to a non-traditional app- roach. They are not only in India but [illegible] the entire Muslim world, though isolated and few in number.[31] Their critical intellect and independent thought have however not shaken the inertia of the masses and of the administrative and governmental organisations.[32] Be- sides, they are keen to take into account the ideological postures of those in power and their directives while offering any new interpretation of socio- political principles of Islam Consequen- tly the Muslim intellectuals in India have seldom been able to present a comprehensive analysis of the Muslim situation without myths and mystifica- tions. The social and economic composi- tion of the Muslim community is also not favourable to the growth of critical analysis. Consequently the conservative succeed in asserting that Islam still continues to be "the essence of the community" and not "the essence of the difference".[33]

Notes

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18 Wolpert, "Tilak and Gokhale", California, 1962, pp 135-136

19 *Ibid*, p 325

20 A Punjabi (Pseud.) [illegible] literacy of India", Lahore, 1938, pp 88-89

21 M Mujeeb, *op cit*, p 406.

22 A R Desai, "Recent Trends in Indian Nationalism", Bombay, 1960, pp 132-4.

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27 See, Moin Shakir "Muslims in Free India", New Delhi, 1972, pp 46 78

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Ca... An Empirical Analysis

P Sivanandan

An attempt is made in this paper to examine the interplay of caste and class forces in Kerala.

The present level of economic attainments among the major social groups is compared with the corresponding level three or four decades earlier in order to see if the contemporary caste-class relation is any different from that of the past.

The author examines, in this context, some aspects of the distribution of land-holdings and of educational and employment opportunities among the major social groups.

THE structure of the labour market and the distribution of assets in Kerala retain a very significant level of caste-class association, despite a certain degree of interpenetration. The exclusive traditional privilege of proprietorship and administrative and supervisory powers enjoyed by a group of superior and influential castes in the past are being shared also by a large number of other castes, belonging in particular to the intermediate section of the Hindu, Christian and Muslim communities Along with this upward occupational mobility, a certain extent of downward occupational filtration has taken place and it has naturally enlarged numerical strength of the labouring class This process of economic reorganisation among the various castes contains a unique feature namely class formation within a caste framework Nevertheless, the upward occupational mobility and class reorganisation among the lowest castes which traditionally constituted the dependent class of agrarian labour, are extremely minimal when compared to the experience of other caste/communal groups.

In this paper an attempt is made to examine the interplay of caste and class forces in the distribution of income earning opportunities. In our analysis we try to compare the present level of economic attainments among the major social groups with their corresponding levels three or four decades earlier in order to see if the contemporary caste-class relation is any different from that of the past. We shall in this context examine some aspects of the distribution of land-holdings, educational and employment opportunities.

Land-holdings

The pattern of land-holding seems to be an important factor around which caste-class relations develop. Available data for the Travancore region show that during the nineteen thirties the dominant castes, particularly the traditional caste Hindu sections, controlled the largest share of landed property in this region of Kerala. We do not, however, have comparable data relating to this period for the regions comprising present-day Kerala as a whole.

Table 1 shows that Brahmin households held on average 15.6 acres of wet land per owner and 12.89 acres of dry land per owner whereas households belonging to other castes held land ranging roughly between 1 and 3 acres. However, Nair households, in spite of a small average per owner, had a fairly large share in the total land (38 per cent in respect of wet land and 30 per cent in respect of dry land). Moreover, both the Brahmin and the Nair communities reported ownership on a much bigger scale than did the other castes, especially of wet land.[1] In the case of Nair households the low average of holding is explained by a process of partition among the joint family members, particularly during the 20s and 30s.[2] In contrast, among the other castes not only is the proportion of households reporting ownership low but so also is the average size of the holding per owner.

Thus the land ownership pattern during the 30s shows that there was a very high level of inequality in the distribution of land and in the proportion of land owners among the various com-

TABLE 1 : LAND-HOLDING PATTERN BY CASTE IN TRAVANCORE, 1931

Community	Wet Land		Dry Land		Average Area Per Owner (Acres)	
	Proportion of Owners	Proportion of Area	Proportion of Owners	Proportion of Area	Wet Land	Dry Land
Brahmin	1.08	8.75	0.62	3.05	15.60	12.89
Nair	43.90	38.70	27.09	30.18	1.71	2.95
Syrian Christian	18.91	26.08	19.71	29.03	2.69	3.90
Muslim	5.70	5.02	6.04	6.13	1.72	2.69
Ezhava	11.81	6.77	16.33	12.13	1.11	1.95
Other Hindu	11.47	10.88	16.32	9.12	1.85	1.48
Other Christian	5.42	2.95	9.21	7.93	1.07	2.28
Depressed Hindu	1.60	0.85	4.52	2 43	1.03	1.43
All Communities	100.00	100.00	100.00	100.00	2.20	2.57

Source : Census of India, Vol XXVIII, Travancore, Part I, Report Appendix IV, p 472 and 475.

TABLE 2 : PERCENTAGE DISTRIBUTION OF HOUSEHOLDS IN EACH CASTE/COMMUNITY ACCORDING TO LAND OWNED, KERALA 1968

Community / Land Size	No Land	Below 0.5 Acre	0.5 to 2.0 Acres	2 to 5 Acres	Above 5 Acres
Brahmin	28.4	28.2	17 9	26 6	13.0
Nair	16.2	33.4	33.4	12.4	4.7
Syrian Catholic	27.7	22.7	23.9	17 8	6.8
Jacobites	13.4	26.5	36.5	18.4	5.4
Ezhava	33.4	39.0	21.2	5.1	1.4
Muslim	32.6	35.5	23.1	6.9	1.9
Scheduled Caste	53.2	40.0	5.9	0 7	0.1
Scheduled Tribe	57.7	20.4	11.0	6 7	3.1
SC Converts to Christianity	51.6	37.9	9 8	0.5	0.2
ST converts to Christianity	92.1	—	2.6	2.6	2.6
All communities	32.8	34.8	21.9	7.7	2.8

Source : Report on Socio-Economic Survey on Caste/Communities in Kerala, 1968, Bureau of Economic and Statistics, Trivandrum, 1969.

[illegible] Distribution of Total Land Owned by Communities, Kerala 1968

Community	Proportion of Households	Proportion of Households Owning			
		No Land	Less Than 0.5 Acres	0.5-2.0 Acres	More Than 2 Acres
Brahmin	1.50	1.36	1.21	1.12	3.29
Ambalavasi	0.20	0.20	0.11	0.29	0.36
Nair	14.89	7.74	14.30	20.67	21.85
Christians (all denominations)	20.84	18.74	12.41	25.98	34.76
Muslim	17.87	18.70	18.23	17.42	13.62
Ezhava	22.30	23.86	24.97	19.63	12 34
Other Hindu (except SC and ST)	10.65	10.29	16.18	11.31	11.59
Scheduled Castes	8.65	14.76	9.94	2.11	0 67
Scheduled Tribes	1.37	2.55	0.84	0.63	1.29
SC and ST converts to Christianity	1.73	1.80	1.81	0.82	0 23
All communities	100.00	100.00	100.00	100 00	100 00

Source : 1968 Survey Report, *op cit*

Table 4 : Literacy Rates and Educational Performance among Selected Communities, during 1931

	Proportion of Literate in			Proportion of Pupils under Instruction in Total Population	Percentage of Children (6-12 Age Group) Attending Schools
	Travancore 1931	Cochin 1931	Malabar 1931	Travancore 1931	Cochin 1931
Brahmin	50.9	68.0	57.0	16.0	82 0
Nair	35.5	55.7	37.4	14.5	67.5
Christian	35.7	40 1	40.5	13.4	68 0
Ezhava	21.3	26 2	NA	10.5	46 0
Muslim	14.4	13.7	7 5	3.5	29 0
Pulaya	3.3	5.3	1.9	6 9	23 0

Source : Census of India, 1931, Vol XXVII, Travancore, Vol XXI, Cochin, and Vol XIV, Madras.

Table 5 : Percentage Distribution of Persons (of All Ages) according to General and Technical Education, 1968.

Caste/Community	Literates	General Education				Technical Education
		Literates below Primary	Primary and below SSLC	SSLC and Undergraduate	Graduate and Post-graduate	
Brahmin	85.0	21.2	37.2	22 2	4.4	4 5
Nair	72.3	30.4	37.6	9 2	1.1	2 3
Ezhava	67.2	32.7	30 2	4.0	0.3	0 9
Jacobite Christian	80.3	32.1	36 8	9.4	2.0	2 5
Syrian Catholics	79.3	34.2	36.0	7.5	0.6	1 2
SC converts to Christianity	65.5	36.5	26.2	2 6	0.2	1 2
Muslims	55.3	33.1	20.3	1 7	0.2	1 2
Scheduled Castes	47.1	28.5	17.0	1.5	0 1	0 3
Scheduled Tribes	36.1	22.7	12.8	0.6	nil	nil
All communities	66.2	32.0	28 7	5.0	0 5	1 3

Source : 1968 Survey Report, *op cit*

Table 6 : Caste and Occupation (Proportion of Workers in Each Category of Occupation)

(i) Malabar—1921 Census

Occupation	Nambudiri Brahmin	Nair	Thiyya	Mopla Muslim	Cheruma
(1) Rentiers	41.2	5.9	—	1.8	
(2) Cultivators	9.0	50.4	20.9	33.4	0 5
(3) Agricultural labourers	—	17.2	44.4	23.8	91 2
(4) Toddy drawing and selling	—	—	7.0	—	—
(5) Trade and commerce	—	—	—	23.7	—
(6) Public administration, learned and artistic professions	35.4	18.5	9.3	11.6	—
(7) Others	14.4	8.0	18.4	5.7	8 3
Total	100.0	100.0	100.0	100.0	100 0

munities. Land was thus concentrated in the hands of upper caste families. Those belonging to the lower castes had either no land or very little.

Before we study the changes that have occurred during recent decades, it is imp[illegible] [illegible] pronounced has continued to [illegible]tain a pronounced concentration of land among a small proportion of households. The data available for 1971-72 show that 68 per cent of the rural households operate less than 1 acre each, while 1.2 per cent of the households operating over 10 acres accounted for 15.1 per cent of the total operated area.[3] In general there has been a significant increase in the proportion of households cultivating small bits of land There has also been a reduction in the proportion of landless households.[4] The process has considerably tilted the traditional caste-class association: a certain extent of interpenetration has taken place, particularly in the lowest land size and landless categories.

To see the extent of this interpenetration, we may look at the pattern of land distribution among the various communities for an understanding of the prevailing caste composition in each land size class and the class composition of each community. The latest information we have in this regard is from a survey conducted during 1968 Though the data do not provide the share of land among the different communities, they give the proportions of households in each land size class Roughly two-thirds of Muslim and Ezhava households were either landless or owned less than half an acre, while the great majority of the Harijan households were similarly placed with respect to ownership of land (Table 2) On the other hand the proportion of households owning above 5 acres among the upper castes was significantly higher than that among the lower castes It needs to be noted, however, that roughly half of the Nair households and over 56 per cent of the Brahmin households also were either landless or owned less than half an acre each. These data thus show the extent to which downward mobility has taken place among the upper caste groups.

The class structure of the communities is vividly brought out by the distribution of total land owned by each community in each land size class Table 3 shows that among the landless and among those with small land holdings, the lower castes continue to predominate while in the larger size holdings, the upper castes and the intermediate castes constitute the dominant category. Therefore, the landless labour and small peasant classes continue to be composed mainly of lower castes, while the landlord and cultiva-

(ii) Cochin—1931 and 1941 Census

Occupation	Malayala Brahmin		Nair		Christian		Muslim		Ezhava		Pulaya	
	1931	1941	1931	1941	1931	1941	1931	1941	1931	1941	1931	1941
(1) Rentiers	66.7	44.9	5.9	6.4	—	0.9	—	0.8	—	1.3	—	—
(2) Cultivators	22.4	33.9	51.6	45.0	25.3	33.6	18.9	16.2	2.7	23.0	1.1	3.1
(3) Field labour	—	—	10.7	10.4	15.6	10.1	23.3	14.7	19.1	20.6	87.6	86.1
(4) Industry, trade and transport	3.1	0.9	12.8	15.7	42.7	35.0	40.4	46.5	68.3	41.4	4.9	3.2
(5) Public administration, liberal arts and Professions	3.9	16.7	12.2	7.3	3.4	4.1	2.4	3.5	1.1	2.3	—	0.2
(6) Others	3.9	3.6	6.8	15.2	13.0	16.4	15.3	18.3	8.8	11.4	6.4	7.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(iii) Travancore—1921 and 1931 Census

Occupation \ Caste and traditional occupation	Brahmin (Priesthood)		Nair (Agriculture)		Ezhava (Toddy drawing)		Pulaya (Agricultural Labour)	
	1921	1931	1921	1931	1921	1931	1921	1931
(1) Traditional occupation	11.5	16.1	71.4	68.9	5.6	3.8	72.3	83.3
(2) Farming	32.8	26.9	1.9	0.4	20.2	31.5	3.3	2.9
(3) Trade, industry and transport	21.3	29.5	7.2	8.2	16.3	13.4	0.7	1.6
(4) Public administration and liberal arts	30.8	26.8	8.2	10.5	1.5	2.3	—	0.1
(5) Wage labour	3.6	0.7	11.3	12.0	56.4	49.0	23.7	12.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Census of India, Vol XIII, Madras, Part I, Vol XXI 1931, and Vol XIX 1941, Cochin, and Vol XXV 1921 and Vol XXVIII 1931, Travancore.

tor classes are largely constituted by persons from the traditional privileged classes, notwithstanding a certain extent of downward mobility among upper castes such as Brahmins and Nairs.

Education

Education and cultural advancement were considered to be the sole privileges of certain communities which enjoyed superior positions in the traditional social hierarchy. However, with the advent of colonial administration and as a result of social reform movements and political freedom struggles, there has been a considerable breakthrough in the spread of education among the masses. With large scale public and private investments, educational and training opportunities have improved throughout the state. In this context, a certain degree of relaxation of caste barriers in social relations has provided the new generation (belonging to all social groups) an opportunity to learn and improve their skills. The role of the national government is particularly significant since it has adopted numerous special assistance programmes for the upliftment of the backward castes/classes.

Nevertheless, the pattern of educational attainment and skill formation among the various social groups in Kerala seems to suggest that caste and class factors continue to influence its evolution. By looking at the educational advancement during the period 1931 to 1968, among the various communities, it is possible to assess the underlying pattern of change.

Table 4 gives data on the literacy rates among the different communities in 1931. These data show that literacy levels were generally very low among the low castes. By 1968, the literacy levels of all communities had gone up significantly (Table 5), thanks to the growing social and political awareness of the people. Nevertheless, the differences have persisted. For instance, among the superior caste Hindus, who have a long heritage in learning, landownership and political power, illiteracy is a rarity. Similarly the Christians, having a long record of involvement in commercial activities and agricultural pursuits, have utilised all opportunities for educational and professional advancement. The intermediate caste Hindus and Muslims who constitute a large proportion of the peasant, artisan and trading classes, have also begun to acquire modern education.[5] It is remarkable, in this context, that in addition to the government's efforts to set up educational and training institutions all over the state, these communities, particularly Nairs, Christians, Ezhavas and Muslims also themselves manage a large number of similar institutions. However, the rest of the communities which occupy the lowest position in the social hierarchy and form a significant section of the class of landless peasants and wage labour, have only very recently been introduced to literacy and modern education. Considering the long tradition of their social disability and economic backwardness, the government has, however, adopted a policy of protective assistance which includes pecuniary support and preferential treatment. Nevertheless, it is still a hard task for this poor and poverty stricken class to ward off illiteracy and attain educational levels similar to those of others in the society. It may be seen that although the literacy rates have improved considerably among people of the lower castes, most of them do not go beyond the school stage (Table 5). Among those who acquire higher general and technical education, the upper castes and the Christians continue to be preponderant.

Employment Opportunities

Upward occupational mobility among the higher castes was widespread. Those at the lower end of the social hierarchy on the other hand suffered severe occupational limitations in the past.

We have community-wise occupational distribution for the last four or five decades. These data show that traditional communal status and the pattern of employment were closely related. The occupational classification in the three regions of Kerala, *viz*, Malabar, Cochin and Travancore, available from the census of 1921, 1931 and 1941 shows very clearly the close relationship between profession and caste status which existed despite diversification of job opportunities in all sectors (Table 6).

The Brahmins and the Nairs were not only rentiers and cultivators but also the main participants in public administration and the learned professions. The Christians, the Muslims and the Ezhavas, however, had a mixed occu-

TABLE 7: ACTIVITY STATUS—PERCENTAGE DISTRIBUTION OF PERSONS IN SELECTED CASTES/COMMUNITIES, 1968

	Community	Student	Daily Wages	Weekly Wages	Salaried	Employer	Self employed	Unpaid Family Enterprises	Unemployed	Others
(A)	Brahmin	36.3	1.5	0.1	12.3	2.8	5.1	1.7	3.7	36.5
	Ambalavasi	31.9	5.0	0.3	11.7	2.2	5.6	1.3	3.2	38.8
	Nair	32.3	7.2	1.1	6.8	2.2	8.2	2.0	3.5	36.7
(B)	Syrian Catholics	32.8	8.6	0.7	3.7	1.4	8.6	3.7	2.5	37.9
	Jacobites	35.4	6.7	0.8	4.7	1.5	9.5	2.0	2.7	36.7
	Marthomites	39.9	5.1	0.9	5.1	1.7	9.8	1.4	3.7	32.3
	Catholics	26.7	13.2	1.4	4.5	0.8	9.3	2.8	3.1	38.2
(C)	Ezhava	28.6	16.9	2.2	3.1	1.0	6.6	2.3	2.8	36.6
	Kammala	27.8	15.6	1.2	2.6	0.2	6.6	1.4	2.8	41.9
(D)	Muslim	22.2	12.2	0.7	2.0	1.4	8.5	2.6	2.2	48.2
(E)	Scheduled Castes	22.4	33.4	2.2	1.7	0.1	3.6	1.6	2.3	32.6
	Scheduled Tribes	15.1	36.3	0.8	0.8	0.4	0.4	3.5	2.0	36.8
	S C converts to Christianity	30.2	30.3	1.2	1.9	0.1	3.8	0.9	2.1	29.5
	S T converts to Christianity	15.3	58.9	—	—	—	0.3	0.6	0.6	24.4
	All communities	27.9	14.6	1.4	3.6	1.2	7.4	2.4	2.7	38.8

Source: Report on the Sample Survey on Socio-Economic Conditions of Castes/Communities in Kerala, 1968, Bureau of *Economics and Statistics, Trivandrum.*

TABLE 8: PERCENTAGE DISTRIBUTION OF EARNERS IN MAJOR CATEGORIES OF EMPLOYMENT, 1968

	Community	(I) Technical, Professional and Administrative	(II) Trade and Sale	(III) Farming	(IV) Craft	(V) Services, Transport and Communications	(VI) Agricultural and Allied Labour	(VII) Unskilled Labour
(A)	Brahmin	46.2	15.5	22.4	4.5	7.5	2.7	1.2
	Ambalavasi	29.0	10.7	17.0	3.3	22.5	16.9	0.6
	Nair	14.0	6.8	35.2	9.1	11.8	20.4	2.7
(B)	Christian (total)	10.4	8.6	29.7	14.3	6.4	26.2	4.4
	(i) Marthomites	17.5	7.5	42.2	6.8	4.6	19.5	1.9
	(ii) Jacobites	13.6	10.2	37.0	5.3	5.8	25.2	2.9
	(iii) Syrian Catholics	8.4	8.2	37.6	6.9	6.7	28.0	4.2
	(iv) Latin Catholics	7.0	9.0	8.3	40.6	7.8	21.6	5.7
(C)	Ezhava	5.3	6.7	14.1	21.2	7.2	40.4	5.1
	Kammala	3.4	1.6	3.3	72.3	3.6	12.2	3.6
	Other Hindu	4.4	4.2	8.0	29.5	9.2	39.8	4.9
(D)	Muslim	4.1	17.5	20.8	10.2	8.3	33.6	5.5
(E)	Scheduled Castes	1.6	1.3	8.1	10.9	6.4	66.3	5.4
	Scheduled Tribes	0.7	0.5	11.2	2.6	2.3	81.4	1.3
	SC and ST converts to Christianity	2.2	1.1	3.1	7.0	3.0	80.0	4.6
	All communities	6.9	8.1	19.8	16.0	8.1	36.7	4.4

Source: 1968 Survey Report, *op* cit.

pational pattern. They were engaged in cultivation and industrial, trading and commercial activities. To some extent they worked also as wage labourers. On the other hand, the Pulaya or Cherumar community was restricted almost wholly to agricultural labour as the main occupation.

The industrial classification for 1961 and 1971 shows that the Scheduled Castes and the Scheduled Tribes, who formed only a tenth of the state's population, remain the major constituent in the labour force for agricultural operations and allied activities. Their participation as cultivators (except in the case of Tribals), owners of production processes, or industries or as persons engaged in business or commerce, is extremely low when compared to the other communities.[6]

The 1968 survey gives a detailed description of employment pattern among the various social groups in terms of (a) Activity Status (Table 7), (b) distribution of gainfully employed persons in various occupations (Table 8) and (c) caste composition of workers in each occupation (Table 9). In these Tables the selected communities are classified (according to socio-economic similarity) into five groups, namely (A) the Hindu Upper Castes (Brahmin, Ambalavasi and Nair), (B) the Christian sections (Syrian Catholics, Jacobites, Marthomites and Latin Catholics), (C) the Hindu Intermediate Castes (Ezhava and Kammala), (D) Muslims, and (E) Scheduled Castes, Scheduled Tribes and their converts to Christianity.

It is characteristic among the upper caste Hindus (A) and the Christian sections (B) to have a larger proportion of student population and a lower proportion of wage earners when compared to other communities. The workers among them are mostly distributed in the salaried, employer and self-employed classes. The intermediate caste Hindus (C) and Muslims (D), while having a lower proportion of student population — compared only to (A) and (B) groups, — have a larger proportion of workers in the wage labour and self-employed categories. However, the proportions of salaried and employer sections among them are higher than those among other communities below them in the social hierarchy, namely (E). The lowest proportion of non-working population (student + 'others') is among the Scheduled Castes and the Scheduled Tribes (E). The main activity of these communities is daily wage employment. There are only a few among them in the salaried and employer classes. Though about four per cent of workers among the Scheduled Castes have reported as self-employed, the occupations concerned are by and large related to traditional crafts supplementary to agricultural production.

The broad classification of communi-

TABLE 9 : COMMUNITY-WISE DISTRIBUTION OF EARNERS IN EACH CATEGORY OF EMPLOYMENT, KERALA 1968.

Community		(I) Technical, Professional and Administrative	(II) Trade and Sale	(III) Farming	(IV) Crafts	(V) Service, Transport and Communication	(VI) Agricultural and Allied Labour	(VII) Unskilled Labour	Proportion of Total Earners
(A)	Brahmin	7.5	2.2	1.3	0.3	1.1	0.1	0.3	1.1
	Ambalavasi	0.8	0.3	0.2	0.1	0.5	0.1	—	0.2
	Nair	26.5	11.0	23.2	7.4	19.2	7.3	7.8	13.2
(B)	Christians (total)	25.1	18.1	25.6	15.3	13.6	12.2	16.6	17.1
	(i) Marthomites	3.2	1.2	2.7	0.5	0.7	0.7	0.5	1.3
	(ii) Jacobites	6.1	3.9	5.8	1.0	2.2	2.7	2.0	3.1
	(iii) Syrian Catholics	8.8	7.4	13.9	3.2	6.0	5.6	6.8	7.3
	(iv) Latin Catholics	3.8	4.2	1.6	9.6	3.6	2.2	5.6	3.8
(C)	Ezhava	17.9	19.3	16.6	31.0	21.0	26.1	26.4	23.5
	Kammala	0.2	0.1	0.1	1.6	0.2	0.1	0.3	0.3
(D)	Muslim	10.0	36.5	17.7	11.0	17.4	15.4	20.6	16.8
(E)	Scheduled Caste	2.7	1.9	4.7	7.8	9.1	20.7	12.9	11.4
	Scheduled Tribe	0.2	0.1	1.0	0.3	0.5	4.1	0.5	1.8
	SC and ST converts to Christianity	0.7	0.3	0.3	0.9	0.8	4.5	2.1	2.1
	Others	8.4	10.2	9.3	24.3	16.6	9.4	12.5	12.6
All communities		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : 1968 Survey Report, *op cit.*

TABLE 10 : PERCENTAGE OF EARNERS ACCORDING TO MONTHLY INCOME, 1968

Community		Monthly Income (Rs)			
		Below 50	50-100	100-200	More Than 200
(A)	Brahmin	11.2	20.1	30.1	38.6
	Ambalavasi	25.3	27.2	26.8	20.7
	Nair	31.8	29.8	25.5	12.9
(B)	Mathomites	29.0	30.9	27.6	12.5
	Jacobites	22.0	32.4	29.1	16.5
	Syrian Catholics	28.4	32.3	25.2	14.1
	Latin Catholic	49.3	28.4	17.5	4.8
(C)	Ezhava	49.2	30.7	14.9	5.2
	Kammala	31.0	38.0	26.1	4.9
(D)	Muslim	39.3	39.9	15.6	5.4
(E)	Scheduled Caste	62.2	32.4	4.7	0.7
	Scheduled Tribe	66.1	28.1	4.7	1.1
	SC and ST converts to Christianity	62.1	31.7	5.4	0.8
All communities		43.6	32.7	16.7	7.0

Source : 1968 Survey Report, *op cit.*

ties into various classes of activity status throws further light on the nature of their participation in specific occupations. In Table 8 the employment opportunities are grouped into seven broad categories, namely (I) technical, professional and administrative, (II) trade and sale, (III) farming, (IV) crafts, (V) service, transport and communication, (VI) agricultural and allied labour; and (VII) unskilled labour. This classification brings out the fact that the upper caste Hindu and Christian communities have comparatively larger proportions of earners in the first three categories of occupations. However, each of these communities has certain predetermined advantages which give them a relative superiority over other communities. For instance, the Brahmins who claim antiquity in landlordism, learning and intellectual pursuits have the largest proportion of earners in technical, professional and administrative careers. They are also very much involved in farming, business and service occupations. The employment pattern among the Ambalavasis, who were originally temple servants and associates of the Brahmin aristocracy, is closely similar to that of the Brahmins. The next most advantageous position in acquiring remunerative occupations is held by the Nairs who once formed the militia and the tenantry of the land. Most of the Christians, who were tenant farmers, peasants or traders during the pre-capitalist system have benefited considerably from the onset of capitalist tendencies in agriculture since the close of the 19th century.[7] They have pioneered the process of land reclamation and developing plantations, by investing their savings from trade and other activities. The spread of education which was much faster among them, also made them competent to hold administrative, technical and professional occupations.

These communities have, therefore, achieved a higher level of economic advancement mainly because of their concentration in professional, commercial and farming activities. On the other hand, the intermediate caste Hindus (C) who have experienced social disability and have traditionally constituted a major section of the peasantry and artisan class, continue to retain a considerable proportion of their earners in the same occupations as in the past. The Muslims (D), as a community, though traditionally not averse to any particular occupation, are primarily agriculturists, traders and commercial people. Their representation in other occupations is nearly equal to the state average. On the other hand, the Scheduled Castes, Scheduled Tribes and their converts to Christianity, who have endured in the past the most severe forms of social and economic disabilities have poor representation in the more remunerative occupations.

A community-wise distribution of earning persons in each major category of employment would, however, provide a little more insight into the caste-class composition in various occupations. Table 9 shows that better and more remunerative employment is largely associated with traditionally high caste status and occupational freedom. It is also significant to find that the appropriation of various salaried jobs under the government and quasi-government sectors has been largely disproportionate among the different communities despite well-defined legislative regulations for safeguarding the interests of

all social groups, particularly that of the weaker sections (Harijans and Other Backward Communities). The latest available information (1968),[8] in this regard, shows that the forward communities hold the maximum number of jobs. More than two-thirds of the 'gazetted', over one-half of the 'non-gazetted' and nearly half of the 'last grade' jobs are held by members of this group alone, which constitutes only a third of the state's population. The representation of the other Backward Communities in salaried jobs has not been quite close to the 'norm' (i e, their proportion in the total population) and the disparity is most significant in the case of appointments in the 'gazetted' category. The Ezhava and other Hindu communities in this group have managed to obtain a fairly good number of jobs in the 'non-gazetted' and 'last grade' services. The Christian sections have a satisfactory representation in all categories of jobs. The muslim community, which forms almost one-fifth of the population, is poorly represented in all categories of jobs. The representation of Harijans and their converts to Christianity is the lowest in all categories of salaried jobs except, perhap, in the last grade jobs of certain departments.

Income Distribution

Finally, the earning pattern of the various communities will provide information on their respective levels of economic attainments. Table 10 confirms that income levels are closely associated with caste hierarchy. The lowest among the castes are also the poorest earning groups and vice versa.. This is, however, the natural culmination persistent disparity in the distribution of land-holding education and employment opportunities.[9]

In short, caste-class identity is an inherent feature in socio-economic relations in Kerala, although it has now a certain level of interpenetration on account of the influence of social movements, political forces and administrative reforms. However, the intervention of these factors in the reorganisation process does not radically alter the caste-class association.

Notes

1 The proportions of households reporting ownership of wet and dry lands among the various communities are respectively: Brahmins 42.3 and 59.8; Nair 51.2 and 78.4; Syrian Christians 26.3 and 67.6; Muslims 20.4 and 53.5; Ezhavas 13.2 and 45.9; other Hindu 13.4 and 20.9; and the averages for all communities 20.8 and 51.4 (Sources: *Census of India 1931* cited in Table 1).

2 T C Varghese, "Agrarian Change and Economic Consequences: Land Tenures in Kerala 1850-1960", p 103.

3 Tables on Land-holdings, State, Kerala Vol I, No 215, National Sample Survey.

4 The propertied class has always been resorting to judicial and political means to retain their land possessions. The liquidation of the first Communist Ministry which had introduced the first Agrarian Relations Bill (1957), the land sales and transfers during the sixties (see "Land Reforms Survey in Kerala, 1966-67", Bureau of Economics and Statistics, Trivandrum 1968), the slow process of disposal of land disputes, etc, are all part of the attempt to safeguard the interests of the landlord class. The landlords have been using communal organisations and political pressures to obviate the possibility of losing land rights. The resistance to radical land reform was so high among the landlords, the capitalists, the dominant communal organisations, and their political supporters that the subsequent land legislations during 1960, 1964 and 1969 were diluted considerably in respect of provisions affecting their interests.

5 P R Gopinathan Nair, "Education and Economic Chance in Kerala", Centre for Development Studies, Trivandrum, 1978.

6 The Census of India. Kerala Vol II Part V A and Part II B (i) — 1961 and 1971 Series I India Paper 1 of 1975; p 107 to 120.

7 T C Varghese, *op cit* p 107 to 120.

8 Government of Kerala, "Backward Classes Reservation Commission Report", 1970, Vol II, pp 449-457.

9 P Sivanandan, "Economic Backwardness of Harijans in Kerala" in *Social Scientist*, Vol 4, May 1976, Trivandrum.

Political Persecution in West Asia and Africa

ACCORDING to Amnesty International Report, 1978 in many countries of West Asia and North Africa political prisoners frequently had no access to fair trial and, often, received no trial at all. For example, Palestinians were convicted or detained without trial by Israel for their critical attitude toward Israel's presence in the Occupied Territories rather than for violent activities. In Egypt a number of people who distributed leaflets criticising President Anwar Sadat's November 1977 visit to Israel were detained. However, by far the greatest number of human rights violations in the area related to issues not at the center of world attention. Some examples: In Iraq, alleged Communist Party members were executed as were suspected Kurdish dissidents, many of whose relatives were also imprisoned. Hundreds of people were arrested in Tunisia for trade union activities. In Morocco people of Saharan origin remained in detention on account of their ethnic origin. In Syria, alleged sympathisers of the Iraqi Baathist Party, Marxists and members of the Muslim Brotherhood were imprisoned. In Iran, people in leftwing and religious opposition alike were imprisoned, while in Algeria former President Ahmed Ben Bella spent his 13th year under house arrest.

The white minority governments of southern Africa continued to imprison suspected suporters of various black nationalist movements. In Rhodesia/Zimbabwe detention without trial remained the most common form of imprisonment. Although 700 of 950 known detainees were released in early 1978, new detention orders continued to be issued and more than a thousand convicted political prisoners remained imprisoned. In Soutn Africa, detention without trial and banishment remained common in political cases.

Elsewhere in Africa, government action against real or alleged conspiracies led to the imprisonment, often without trial, of suspected rivals of those in authority. In some cases — in Congo, Equatorial Guinea, Somalia and Zaire — persons thus detained were executed after trial or summarily killed. In Ethiopia, thousands of people suspected of opposition to the authorities were killed in a programme of "revolutionary terror". In Uganda, where the practice of murder by security forces had, at times, reached "massacre proportions", members of the Lango and Acholi tribes were killed because of their tribal origin; political imprisonment for similar reasons occurred in a number of other African states.

Caste and Class in Bihar

Pradhan H Prasad

The policy of reservation of jobs and promotion opportunities in government services in favour of the middle castes in Bihar, in the teeth of stiff opposition from the upper castes, only highlights the political reality of the present dominant position of these castes in the state. The unprecedented violence that has accompanied the implementation of this policy might last for a while, but the process itself is irreversible.

This article attempts to relate the emergence of these 'middle castes' into a position of political power in the state to the continuing process of disintegration of semi-feudal production relations in Bihar. It argues that the farming of caste passions which on earlier occasions had led to a diffusion of class contradictions may now turn out to be a factor which may in fact sharpen and intensify these contradictions.

BIHAR is today in the midst of one of the worst phases that can be found in the life cycle of a caste-ridden society. Though there have been caste rivalries and caste tensions in Bihar since long, there was a distinct qualitative increase in their tempo following independence. And now we are in a phase which can be aptly described as one of 'caste riots'. It must also be noted that the present phase is very different than the earlier phase. Today what is happening is mainly the outcome of a contradiction that exists between the upper caste Hindus and the middle castes (i e, the backward caste Hindus other than the Scheduled castes and Scheduled tribes). Earlier the contradiction was mainly within the upper caste Hindus.[1]

The social and economic roots of the contradiction which has brought about the present situation lie almost wholly in rural Bihar, are related mainly to agriculture and are historical in nature. The dominant mode of production in the pre-British India was feudal which had almost completely collapsed by 1857. This marked the beginning of the colonial mode of production in India. But here also all the features of the feudal mode of production were not allowed to disintegrate. Some were retained. The Permanent Settlement of 1793 had brought in a new form of landlordism and there emerged a long stratification of zamindars, tenant-landlords, tenants, and sub-tenants with agricultural labourers being mostly at the bottom.[2] During most part of the British period control over land and tenants was mainly enforced through land rent. On the other hand, the passivity of agricultural labourers and the traditional mode of payments to and exactions from them resulted in most of them emerging as 'chronically deficit' households in no time. The high pitch of land rent and the other share of zamindars robbed the tenant-landlords, cultivators and big peasantry of most of its surplus, deprived the middle peasantry of almost the entire of it and saw to it that the class of poor-middle peasantry also emerged as 'chronically deficit' households. Usufruct mortgage of land by middle peasantry also became frequent because of high pitch of land rent. The dynamics of the situation found the poor-middle peasantry and agricultural labourers losing quite a significant part of their land to the landlords and the village money-lenders (who subsequently became tenant-landlords).[3]

This, however, did not end here. It soon brought about a situation where the bulk of the poor peasant households began to take consumption loans on a fairly regular basis from landlords, cultivators and big peasantry — the main constituents of the rural rich. In most cases, the stipulated rates of interest were exhorbitantly high. Leave aside the loans, even full payment of interest was often beyond the means of these 'chronically deficit' households. But the creditors also did not insist on full payment even in the long run. The rural rich used this debt obligation to put the poor peasant class under an informal bondage. As no system can afford to provide for less than subsistence living to direct producers, this system also made such provisions. But the whole subsistence payments were not made in lieu of work; only a part of it was given as payment for work and the rest as consumption loan.

This was done mainly to perpetuate the system of indissoluble bond between the direct producers and their overlords — the rural rich. The informal bondage was also enforced by leasing-out tiny plots of land or by giving the poor peasants homestead land or dwelling space. Though this provided enormous economic benefits to the rural rich, it could not elevate the tenant-landlords, cultivators and the big peasants to the level of zamindars. Despite this, the zamindars could not acquire much of either economic power or political power of any significance mainly because of the colonial mode of production which mopped up almost all the surplus and used it partly for retaining its political and administrative grip over the colony but mainly for the development of the metropolis. But since it gave some crumbs to the zamindars for their petty luxuries and localised political power (subordinate, of course, to the colonial power), this class never came in conflict with the colonial power. On the other hand because of the high pitch of land rent, the tenant-landlords, cultivators and big peasants were restive. They were anti-British and anti-zamindar.

The caste base of these classes were as follows. The Zamindars, the tenant landlords, cultivators and big peasants were mostly upper caste Hindus.[4] The poor peasants were mainly from what is today known as Scheduled Castes and middle castes. The poor-middle peasantry and the middle peasantry were drawn mainly from middle castes. Though quite a large number of them were leasing-in land as sub-tenants (mostly as share-croppers) on terms much harsher than those available to the tenants, the contradiction between them and the tenant landlords did not achieve a level to form the basis for an independent struggle for their emancipation. Tradition had kept them socially backward. Their relative economic situation was also quite precarious — only a shade better than that of the poor peasants. Moreover, even in numbers they were not having any substantial advantage over the landlords. The ratio between the middle and the poor-middle peasants and the landlords did not exceed two. However, when the tenant landlords, cultivators and the big peasants launched their movement in the late 1920s, their main demands were 'rent reduction' and 'return of lands which were sold as a result of rent decrees'. As the movement touched its peak during the later half of the thirties, the demand no longer remained confined to the immediate problems of

tenancy but grew into a bid for zamindari abolition.

But at no time did the problems of sub-tenancy and of poor peasantry find a prominant place in their charter of demands. The hegemony of the movement remained in the hands of upper caste Hindus, specially the Bhumihar Brahmins. The anti-British approach of the tenant-landlords, cultivators and big peasants made them also the active supporters of independence movement in rural Bihar. Therefore, with independence came the zamindari abolition. But with the zamindari abolition in early fifties, this contradiction also vanished. Political power in Bihar, thus at that stage, passed into the hands of the landlords,[5] cultivators and big peasants — the upper caste Hindus. Inflationary pressure arising out of Second World War and thereafter in the forties and the fifties considerably reduced the burden of land revenue, and the landlords, the cultivators and the big peasants found themselves loaded with surplus produce. The approach to developmental planning in the post-independence era also led to public investment in infrastructure meant for agricultural development. But these did not prove powerful enough to bring about rapid development in agriculture.

The landlords, the cultivators and the big peasants did not allow the system of informal bondage to disintegrate. With the help of this practice and the newly acquired surplus, they also became politically very powerful. They claimed the bulk of the benefits that began to flow in the area either in the name of developmental activities or the rural poor. They began to operate as sole arbiters even in the context of distribution of relief and other essentials like sugar and kerosene. For all practical purposes they became the law in their areas.

The rural rich have thus developed a vested interest in the continuation of mass poverty where the vast bulk of poor peasantry remains in perpetual 'deficit'. The gains arising out of this backword 'semi-feudal'[6] agrarian structure have made the rural rich not enthusiastic about rapid development which, if allowed, is likely to improve the economic condition of poor peasants who can thereby free themselves from the 'informal bondage'. Therefore, the dominant classes, the rural rich, have not been enthusiastic about dynamicising agriculture in a big way by taking the advantage of the new technology. That is why the bulk of resources for development activities are either wasted away or are used up on conspicuous consumption. It also explains the low utilisation of infrastructure meant for agricultural development and the almost negligible net investment in agriculture by the rural rich. It also partly explains the absence of dynamism at the state government level for undertaking a vigorous drive for rapid development of agriculture on the right lines.

On the other hand the middle and the poor-middle peasantry did not suffer from the aforesaid inhibitions in the context of development. The inflation had given them some relief. They began to use their newly acquired surplus (though it was very meagre compared to what was available to the rural rich) for the development of their agriculture. Later on they took to new technology as it came by. They had begun to redeem their lands which were under usufruct mortgage. This process started in the late forties. The zamindari abolition also found quite a significant number of them being elevated to a position of tenants from that of sub-tenants. Numbers also became important in the context of new political superstructure borrowed from the advanced capitalist countries. On the other hand caste groups within the upper caste Hindus vied with each other for political power and in the process the caste factor became crucial. In order to win over the down-trodden to the side of the ruling faction, concessions in terms of seats in educational institutions and jobs in government sector were offered to the Scheduled Castes and Scheduled Tribes. Some of the groups began to promote leaders from the Scheduled Castes and middle castes under their patronage in a bid to win over these castes to their side.[7] This undoubtedly defused the class contradiction between the rural rich and the middle and poor-middle peasantry for the time being. But it also raised the hopes and aspirations of the Scheduled Castes and the middle castes. zamindari abolition had already demonstrated that the traditional superiority of the upper caste Hindus was not invincible.

The petty bourgeois reformist pressure and the contradiction within the upper caste Hindus (the landlords, the cultivators and the big peasantry) and also between the upper caste Hindus and the middle castes (the middle and the poor-middle peasantry) arising on account of hunger for land led to various land reform legislations, particularly the legislation related to ceiling on land-holdings. Though these enactments remained mostly on paper, the small among the landlords, the cultivators and the big peasantry sold the surplus land, not within their own class but mainly to middle peasants — the up and coming agricultural class — because of their better paying capacity. The process was of course slow, but in course of time control over at least 10 per cent of the land passed into the hands of middle peasantry, if we take into account also the redumption of usufruct mortage since the late forties and the acquisition of tenancy rights by middle and poor-middle peasantry in the wake of zamindari abolition.

Thus, the middle and poor-middle peasantry emerged as most efficient class in the context of agricultural development in 'semi-feudal' Bihar. With their newly acquired economic power,[8] they made a successful bid for the capture of political power. The demon of casteism which was created by the elites of the semi-feudal set-up (the upper caste Hindus) to keep themselves in political power has now turned against their creators. It is now being used by the middle and poor-middle peasantry to rally the middle castes from the poor peasantry class also to their side. They now outnumber the upper caste Hindus by a ratio of more than 1:2. By now for every one acre land in the hands of upper caste Hindus the landlords, the cultivators and the big peasantry), the middle and poor peasantry own about two-thirds of an acre. In operational terms the share of the latter is even more. The level of adoption of new technology in the case of the latter (even with the meagre resources that they command) is higher than that of the former. Therefore, the per acre output in case of the latter is on an average about 20 per cent higher than that of the former. The latter's intensity of cropping is also much more than that of the former.

The recent reservations in appointments and promotions in government in favour of the middle castes in the teeth of stiff opposition from the upper caste Hindus is proof of the political supermacy of the middle castes. No doubt this has led to unprecedented violence on caste lines, but it is not going to reverse the process. The violence will last for some time, and then it will find the middle castes in control of the political power in the state. Of course, there will be some attempts on the part of groups dominated by upper caste Hindus to capture power. Some of them may even adopt "semi-fascist" strategies. Some may try to woo the

Scheduled Castes and other minorities to their side. The 'semi-facist' strategy may have some chances of success but the latter (wooing of scheduled castes and other minorities) has probably none because there is no love lost between the elites of the semi-feudal set-up and poor peasantry. No doubt there is an antagonistic contradiction between the middle peasantry and the poor peasantry (and the chances are that the contradiction may sharpen with the increased economic power of the middle peasantry as illustrated by the increasing number of atrocities on Scheduled Castes), but there is also an antagonistic contradiction between the landlords, cultivators and big peasantry on one side and the poor peasantry on the other arising out of semi-feudal bondage.

But this contradiction will probably take a low profile as the semi-feudal set-up disintegrates. However it will be replaced by another contradiction between new upper caste Hindus kulaks and the poor peasantry. However, what is certain is that this will lead to the disintegration of semi-feudal production relation. The landlords, the cultivators and the big peasantry will now forsake their earlier approach to agricultural development and will take steps to dynamicise their cultivation in a big way. The fanning of caste passions which at one time led to a diffusion of class contradictions, and thwarted agricultural growth, now turns out to be a factor which may sharpen the contradiction and cause the disintegration of 'semi-feudal' production relations in Bihar.

Notes

1 Bihar is the second most populous State in India accounting for 10.3 per cent of the country's population. The dynamics of rural Bihar (particularly North and South Bihar plains) has so far been almost wholly dominated by Hindu population which is 83.5 per cent of the total. Therefore, the exclusion of the rest 16.5 per cent (including the tribals and its stratification does not vitiate the analysis.

Brahman, Rajput, Bhumihar and Kayastha are the important upper castes among Hindus accounting for about one-sixth of the total population. There are two other caste Hindus — Agarwal and Khatri — but they account for only 0.1 per cent of the population.
We shall term the backward caste Hindus other than the Scheduled Castes and Scheduled Tribes as middle castes. The list of these backward class Hindus, Scheduled Castes and Scheduled Tribes is given in the Report of the Backward Classes Commission (Government of India), Volume II, pp 16-22; 142-3 and 212-3.

2 The classes has been differentiated as follows. All those households who supply physical labour in agriculture are peasant households. Those peasant households where members of the households work on other people's lands in lieu of some payment either cash or kind or of debt servicing are termed as poor peasant households or agricultural labourer households. We use the terms 'agricultural labourer' and 'poor peasant' as synonymous. Those peasant households who conduct their agricultural activities mainly with the help of the members of their households and where no member of the households works on other people's lands in lieu of any payment or debt servicing are poor-middle peasant households. The big and the middle peasant households are those who purchase labour power; but in the case of big peasant households the female members of the households do not go to work in the field. Because of this fact the status of a big peasant household is traditionally deemed to be higher than that of a middle peasant household in rural Bihar. No member of the household of a big and middle peasant works on other people's lands in lieu of any payment or debt servicing or even as exchange labour. Cultivators are those who only supply supervisory labour to their cultivation. All those households other than poor peasant households leasing-out land are termed as landlords. Zamindars were such landlords who paid land revenue to government. The tenants paid land rent to the zamindars. Those of the tenants who leased out land are termed as tenant-landlords.

3 The term 'landlord' includes both zamindar and tenant-landlord prior to abolition of zamindari and tenant-landlord subsequent to it.

4 The big peasant households were not of much significance. Even as late as in the forties of this century their percentage in the total rural households did not exceed one.

5 The ex-zamindars mostly became tenant-landlords — hereinafter termed as 'landlords'.

6 For evidence suggesting widespread existence of semi-feudal production relations, see Pradhan H Prasad; 'Production Relations: Achilles Heel of Indian Planning, EPW, May 12, 1973; 'Reactionary Role of Usurer's Capital in Rural India', EPW Special Number, August 1974; 'Poverty and Bondage', EPW, Special Number, August 1976; and 'A Strategy For Rapid Development of Bihar Economy', *Journal of Social and Economic Studies*, Volume II, 1977.

7 For example, the proportion of non-upper caste among Hindus in the Executive Committee of Bihar Pradesh Congress remained less than 8 per cent before 1947, but it suddenly shot up to 29 per cent in 1948 and 32 per cent in 1954. See Ramashray Roy, 'Caste and Political Recruitment in Bihar', in Rajni Kothari, (*ed*), "Caste in Indian Politics", Table 4, pp 242-3.

8 This has been rising since the mid-fifties. It will be seen that there was a significant increase in the educational standard of non-upper castes among Hindus as a consequence by the late fifties. See Ramashray Roy, *op cit*, Table 3, p 233.

World Milk Production

WORLD milk production in 1979 will rise faster than demand, aggravating problems in the troubled dairy sector, according to a report released by the Food and Agriculture Organization of the United Nations (FAO).

Last year, excessive milk supplies in major dairying countries necessitated costly surplus disposal measures, kept prices in world dairy product trade at low levels and discouraged needed expansion of milk production by developing countries.

During 1979, excess supplies will increase, FAO predicts. Milk production will rise faster than in 1978, when it rose about 1 per cent to 457 million tons, but will not equal the per cent rise of 1977.

Milk production will be encouraged by abundant feed supplies from the bumper 1978 harvests and by higher government price supports in the USSR, Eastern Europe and Oceania. According to FAO, milk production will level off this year only in North America.

Demand for milk is strong in Eastern Europe and the USSR and in some developing countries, notably oil exporting countries following the recent rise in oil prices. However, sluggish demand is likely in the major markets of North America, Europe and Oceania.

FAO sees little hope for higher prices in international dairy trade this year. Export markets are oversupplied, and despite some rise during the past year, trade prices of skimmed milk powder remain depressed, at about one-third of the domestic market levels of northern hemisphere dairying countries. With saturated domestic and exports markets, dairy product stocks will tend to rise again, notably in the EEC and Oceania.

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LANDLORD AS LABOUR LEADER

AGRARIAN RELATIONS AND LEFT MOVEMENT

CHINA-VIETNAM BORDER WAR

LATIN AMERICAN ECONOMY IN 1978

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Adver

THE supposed *rural tilt* of the Union budget for 1979-80, which promises to provoke much controversy, is not among its most significant aspects. The budget is most noteworthy perhaps for what it reveals about the state of the government's finances. The anticipated deficit in 1978-79, already put at Rs 1071 crores, has shot up to Rs 2145 crores according to the revised estimates. This includes the special loans of Rs 555 crores which the Centre has had to extend to some of the states to enable them to clear their overdrafts with the Reserve Bank. The expenditure on the Central Plan for 1978-79 met out of the budget has, on the other hand, turned out to be Rs 201 crores *lower* than the budget provision.

In his budget speech the Finance Minister has harped on the importance of restricting non-developmental expenditure as well as various types of subsidies. However, it is precisely the uncontrolled rise in these components of government expenditure which, together with the need to bail out the state governments with Rs 1075 crores of grants and loans in excess of the provision in the budget, that has been responsible for what must be easily the largest deficit in the entire history of the Central government's finances. The food subsidy has turned out to be Rs 570 crores instead of the budget estimate of Rs 450 crores, the fertiliser subsidy Rs 319 crores and the export subsidy Rs 381 crores instead of Rs 251 crores — to mention only the more spectacular items. Further, despite the much-vaunted improvement in the performance of public sector units in the last two years, as much as Rs 409 crores had to be paid out of the Central budget as non-Plan loans to these units to meet their cash losses. This was Rs 159 crores larger than the already generous provision of Rs 250 crores made for this purpose in the budget.

On the other hand, receipts from corporation tax, income tax and excise duties have all turned out to be lower than the budget estimates — by Rs 206 crores in all. This is quite remarkable, given official claims of an 8 per cent rise in industrial production in 1978-79. Only the open-door import policy has shored up the government's tax receipts, by yielding Rs 336 crores more by way of customs revenue than estimated in the budget. The behaviour of receipts from income tax is particularly noteworthy. When the highest marginal rate of income tax was slashed from 97.75 per cent to 77 per cent in the 1974-75 budget and again from 77 per cent to 66 per cent in the 1976-77 budget, the argument advanced by the government, and enthusiastically endorsed by those sections who stood to gain from these reductions, was that the lower rates would result in less tax evasion and better tax compliance, so that on balance the government's receipts from income tax would not suffer at all. The actual trend in income tax receipts since 1974-75 tells an altogether different tale. To resort to some rough and ready calculations, between 1973-74 and 1977-78, receipts from income tax went up by 34.5 per cent, whereas national income at current prices rose by 44.4 per cent. By contrast, between 1970-71 and 1973-74 income tax receipts had risen by 57.5 per cent compared to a rise of 47.4 per cent in national income at current prices. Against this background, the proposal in the 1979-80 budget to raise *the surcharge on income tax from 15 per cent to 20 per cent, in effect raising* the highest marginal rate of income tax from 69 per cent (including surcharge) to 72 per cent, is no more than a symbolic gesture and certainly does not undo the damage done by the steep cuts in income tax rates effected in the budgets of 1974-75 and 1976-77. The same is true of the gingerly increases now proposed in wealth tax rates, which too had been drastically reduced in the 1976-77 budget.

The budget proposals for the coming year again are notable for the light *they shed on the government's rickety finances. Despite additional taxation* of Rs 665 crores (over 90 per cent of it through indirect taxes), of which Rs 460 crores will accrue to the Centre, the budget for 1979-80 starts with a deficit of Rs 1355 crores. Thus as against the provision for deficit financing of Rs 2226 crores in the scheme of financing of the Draft Five-Year Plan, 1978-83 during the entire five-year period, the Centre's deficit in the first two years alone is likely to be Rs 3500 crores, even assuming, most unrealistically, that the actual deficit in 1979-80 will turn out to be no higher than estimated in the budget. Despite this, the total provision in the 1979-80 budget for the Central Plan and for assistance for the Plans of the states and Union Territories is actually Rs 173 crores *lower* than that in the budget for 1978-79. Even the modest 13.2 per cent increase proposed in the size of the Central Plan in 1979-80 is entirely predicated on a 40 per cent rise in the availability of extra-budgetary resources for financing the Plan. Considering

[illegible] the expectation in this regard for [illegible] year is clearly unrealistic.

The Finance Minister has emphasised the significance of rapid advance in areas like petroleum, coal, fertiliser, iron and steel. However, the total outlay for industry and minerals in the Central Plan is just 8 per cent higher than that provided in 1978-79. This too depends, however, on the contribution from the internal resources of public sector undertakings going up from 22 per cent of the total outlay in 1978-79 to 37 per cent in 1979-80. Given the experience in 1978-79 with regard to the surpluses actually available from public enterprises and the sharp rise in the requirement of non-Plan loans to meet the cash losses of many of them, it is evident that the Plan for 1979-80 cannot be taken very seriously.

What stands out in the total picture is the government's increasing resort to the financial system to prop up its finances. Along with the massive deficits of the last few years — Rs 975 crores in 1977-78, Rs 2145 crores in 1978-79 and the budget estimate of Rs 1355 crores in 1979-80 — the government's net market borrowings have gone up four-fold in the four years from 1975-76 to 1979-80, from Rs 456 crores to Rs 1850 crores. The same growing recourse to borrowing to meet its expenditures has been characteristic of the private corporate sector as well, as manifested in the growth of bank credit to the commercial sector and the disbursements of the term-financing institutions. Clearly, the demand constraints arising out of the highly skewed income distribution and the abject poverty of the large majority of the population are sought to be loosened, in a painless manner for the rich, by all-round recourse to borrowing and credit.

China and Viet Nam

A Limited Encounter

A Correspondent writes:

EVEN before the war against the United States had been fully won by the people of *Indo-China*, the Soviet Union had extended its influence quite decisively over North Viet Nam, though, in the interests of the anti-US struggle, both North Viet Nam and the Provisional Revolutionary Government of South Viet Na[illegible]ntinued their public posture of eq[illegible]friendship with the Soviet Union and China. After the liberation of South Viet Nam and the reunification of the country, Soviet influence over Viet Nam was rapidly consolidated. [illegible] observer like Kathleen Gough, the Canadian anthropologist, has noted in her book "Ten Times More Beautiful: The Rebuilding of Viet Nam", an account of her visit to Viet Nam in 1976, that "despite an effort in public to deal even-handedly with all member-countries of what the Vietnamese still insist on calling 'the socialist camp', the Soviet Union was by far their most important ally in November 1976". According to her, "Soviet trucks, technicians and machinery were widely prevalent [in Viet Nam]. Soviet planes flew most frequently into and out of Hanoi. Thousands of Vietnamese students receive higher education in the the USSR". Faithfully following the Soviet line in international affairs, the Vietnamese government had applauded the leadership of Indira Gandhi and the proclamation of the State of Emergency in India in 1975.

On the other hand, Viet Nam's relations with China deteriorated rapidly. This was a complete reversal of the long history of the closest material and political support received by Viet Nam from China in its anti-US war. China has now charged that, as far back as in 1974, there had been 121 "armed provocations and incursions" by Viet Nam along the border between the two countries. Viet Nam's campaign to systematically drive out of the country people of Chinese origin, launched in 1977, could not but further exacerbate relations between the two countries. It has been estimated that about 160,000 people have been expelled from Viet Nam in this manner — most of them, significantly, from North Viet Nam. Since North Viet Nam has been socialist for many years, the Vietnamese government's claim that these people were fleeing the country because of its socialist measures did not appear very credible. China finally ended its economic and technical assistance to Viet Nam in July 1978.

The progressive tightening of Viet Nam's links with the Soviet Union received formal acknowledgement in June 1978 with Viet Nam joining the Council for Mutual Economic Assistance, which, except for Rumania, comprises countries completely subservient to the Soviet Union. Five months later, a delegation of the topmost Vietnamese leaders, including Le Duan and Pham Van Dong, went to Moscow and signed [illegible] treaty, [illegible] openly acknowledged [illegible] existence of 'military co-operation' between the two countries. This co-operation has been manifested in a steady flow of Soviet arms — including MIG-23 aircraft, rockets, and naval craft — as well as of Soviet military advisers to Viet Nam. The Soviet Union has also been using the Cam Ranh naval base in the Cam Ranh Bay in Central Viet Nam.

The reverberations of these developments were strongly felt within Indo-China. Viet Nam and Kampuchea had reached an agreement on the border between them as far back as in 1967. However, in 1976, the Vietnamese repudiated the agreement on the plea that at the time when it was signed they had been too preoccupied with the war against the US. This was followed by repeated military attacks by Viet Nam across its border with Kampuchea. Finally, on December 3, 1978, fortified by then by the Treaty of Friendship and Co-operation signed with the Soviet Union only the previous month, Viet Nam announced the formation of a so-called "Kampuchean national united front for national salvation". Apprehensions that this was a precursor to a full scale military offensive by Viet Nam to overthrow the Kampuchean government headed by Pol Pot were confirmed within weeks. On December 25, 1978 Vietnamese troops launched massive attacks on Kampuchea from several directions. On January 7, 1979, they occupied Pnom Penh and announced the setting up of a government of their creation. With this, and with a quiescent government already installed in Laos, Viet Nam could claim to have achieved for the time being at least, its long-time objective of an "Indo-Chinese federation" under its domination.

Against the background of this entire course of events, China's "counter-attack" across its border with Viet Nam could only have had very limited objectives. The most the Chinese could have hoped to achieve was to serve notice that in future Viet Nam could not rule out a military riposte by China to its "swashbuckling in Laos, Kampuchea or on the Chinese border", as Deng Xiaoping put it. It does not seem either likely or intended that the Chinese "counter-attack" will force Viet Nam to withdraw any of its troops from Kampuchea or that it will deal a

ANNUAL NUMBER

The Annual Number is under print and is expected to be ready by March 15. The printing of the present issue has also been delayed. The delay is regretted.

[illegible] ful, [illegible] though [illegible] exposing [illegible] of Viet Nam, China's operation may, therefore, indeed prove "limited in time and space", as stated by the Chinese government at the outset. And, for that reason, despite affirmations that it will fulfil its obligations to Viet Nam under the *Treaty of Friendship and Co-operation* and some demonstrative naval movements in the South China Sea, the Soviet Union is unlikely to feel called upon to intervene directly in the fighting this time. However, the invasion of Kampuchea by Viet Nam, the war of resistance against the invaders by the people of Kampuchea which is bound to gather momentum, the eventual people's upsurge in Laos against the stationing of Vietnamese troops there and the Vietnamese-backed government, the relations of bitter hostility between China and Viet Nam (two countries which had described themselves as being as inseparable as "teeth and lips" during Viet Nam's liberation war against the US) must all be accepted as the inevitable consequence of the Soviet Union's *efforts*, successful so far, to step into the shoes of the defeated United States and to emerge as the dominant superpower in the Indo-China region.

The Budget

City Bulls

THE share markets are not a barometer of the health of the economy, not even of the organised industrial sector, according to a twenty-two-year old dictum of T T Krishnamachari which no one believes in, thanks to the contrary view fostered by industry leaders. There precisely lies the rub. There is a boom on in the share markets which has leap-frogged the Charan Singh budget and broken into a run. Will the Finance Minister too reject the TTK dictum and refuse to relent on such proposed measures as the hike in surcharge on corporate and personal income tax or withdrawal of excise duty concession on incremental output of non-priority industries over 1976 levels or withdrawal of exemption from tax of capital gains invested in preferred assets? The bull fervour is certainly strong. Among leading shares which flared up between February 24, the day the stentorian Economic Survey issued the alert that high taxation was inevitable, to March 1 the day following the budget, are: Century from Rs 621 to Rs 684.50, Telco from Rs 267 to Rs 319, Gujarat Fertilisers from Rs 461 to 498, Indian Organic from Rs 304.50 to Rs 340, No- [illegible] boom [illegible] share markets witnessed a steady trend during 1978 as seen from the rise in even the *Economic Times* index of ordinary shares prices, which is not a sensitive index, by 20 points to 178 during the year ended January 5, 1979. But the current boom can hardly be traced to 1978. Till February 24, the index hovered around 174.4. True, some days before that date share prices had slipped partly in a process of profit-taking, but in retrospect it would seem it was a deliberate exercise by the bulls to lighten their commitments for the big killing. The *ET* index climbed to 176.3 on the day before the budget and shot up to 184.4 the day after the budget. This works out to a ten-point rise in a week. Even the withdrawal of exemption on capital gains is seen as a bullish factor on the ground that it would diminish sale of shares. All this despite badla, or carry-forward, charges rising reportedly to 18 to 24 per cent, or about double the usual levels. Clearly, the bulls are overbought. But no bear pressure of significance is likely to emerge, especially in Century which is said to be backed by really big operators. When it comes to the crunch, settlement would always be made outside the market in cash. It is a game among half a dozen operators and their cohorts, the brokers under the supervision of the stock exchange directorate of the Finance Ministry, with the financial institutions standing by with a load of public money to take up shares whenever their prices show a tendency to decline — a most effective price support arrangement. It is all very proper, for did not Morarji Desai say a decade or so ago that bull speculation was good?

Speculation is understandable, of course, but the question might still be asked if it can be sustained without any economic foundation. That precisely is it. The 1979-80 budget makes no structural change and underlying its false dichotomy between town and country, is the consolidation of a live-and-let-live arrangement for the rural and industrial business elite.

The Law

Imprisoned Undertrials

THE publication in *Indian Express* of a report by K F Rustomjee, a member of the National Police Commission, on the conditions of prisoners and undertrials in two jails in Bihar has led to some unexpected, but laudable, development. The report was followed in quick suc- [illegible] ly and without her being [illegible] by the undertrials to plead their case, the Supreme Court admitted the petition and directed issue of notice to the Bihar government on January 22; and two weeks later, on February 5, the Court issued orders for the immediate release on personal bonds of 42 of the undertrials in Patna and Muzaffarpur jails whose names had been published in the *Indian Express* report.

Surely, the sequence of events is remarkable. The Indian Press has had few significant achievements to its credit in recent times, whatever brave role sections of it might have played in the days before Independence. Even more than the publication of the report, the methodical and systematic way in which certain follow-up steps have been taken has been notable.

Welcome as these developments are, one has also to note that the fundamental facts highlighted by the *Express* report — that thousands upon thousands of poor and helpless persons remain incarcerated more or less indefinitely — might tend to be overlooked in smug affirmations of faith in the basic accountabilities and correctives built into the system. The events, if anything, have further underlined the urgency of penal reforms.

For consider their actual sequence. The first reports appeared on January 8 and 9, the Supreme Court issued notice to the Bihar government on January 22, and on February 5, it ordered the release "forthwith" of 25 undertrials in Muzaffarpur jail and 17 more undertrials in Patna jail. It also directed the state government to furnish by February 19 a list of undertrial prisoners lodged in the state's jails for more than 18 months, together with a description of the reference charts and the date from which they had been in jail.

And yet, on February 8, the superintendent of Patna Central jail was reported to be still awaiting the Supreme Court's order. On February 12, following complaints by the counsel who had first taken up the case of the undertrials that the Bihar government had not complied with its earlier order of February 5 and had not released the undertrials, the Supreme Court issued fresh telegraphic orders for the release of the prisoners. The apparent reason for the prisoners not being released, as argued by the state's counsel in the Supreme Court, was 'postal delay' in the delivery of the Court's orders to the concerned authorities. And on

February 28, while presenting the list of undertrials in the state as demanded by the Supreme Court, the Bihar government was still defending its practice of detaining under 'protective custody' women who, far from being accused of any offences, actually happened to be victims of offences on the ground that such detention was necessary to have them available for giving evidence at some remote date when (if at all) the case would come up.

But what the prisoners and undertrials have to endure is not merely (at best) apathy and (at worst) active torment from their captors. If one were to go by the observations of the Supreme Court, even the judiciary in the states is not as alert and concerned as it should be about the individual rights of those brought before it for committal. The Supreme Court pointedly asked the Patna High Court to make a detailed inquiry whether magistrates had been satisfying themselves, or were acting mechanically without applying their minds, while granting custody to undertrials from time to time over a period varying from two to ten years.

Clearly, the situation is one of callousness and worse, and what is called for is a complete exposure of the conditions in Indian jails, of the attitudes and behaviour of prison officials and lower judiciary without whose acquiescence it is inconceivable that a person could periodically be remanded to custody for years. But according to the Chairman of the National Police Commission, the most urgent reform in police administration that is called for is curbing of "interference in police functioning". Perhaps it is yet another instance of contraries co-existing that while the Chairman of the National Police Commission should hold such strong views on the need to crub "interference in police functioning" one of the members of the same Commission, by precisely such "interference" and by publicising the results of such interference, should have contributed, in howsoever a modest manner, to the mitigation of a very small part of the injustice and cruelties that characterise the administration of law in India.

West Bengal

War on Refugees

A Correspondent writes:

THE Calcutta High Court's order upholding the right of ingress and egress for Dandakaranya refugees who are entrenched on Marichjhanpi island in the Sunderbans, and restraining the West Bengal government from interfering with the supply of essential items such as drinking water, food, medicines and cloths, offers only a temporary respite for people who are being treated with extreme callousness, even brutality. The barricade thrown round the island amounts to an economic blockade. It is buttressed by police forces, forest department launches, administrative personnel and militant CPI(M) cadres. Reporters have not been allowed since January 27 to venture into a theatre where the Left Front is clearly trying to starve the refugees into submission. Two Marichjhanpi men who recently ventured into a neighbouring bazaar were promptly arrested.

New Delhi's condonation of these measures — evident from Morarji Desai's approving letter to Jyoti Basu — is hardly surprising. But why the Chief Minister should act with such extreme harshness while continuing to promise not to use force for eviction remains a mystery. No less enigmate are the circumstances surrounding the exodus from Dandakaranya, the number of people who have sought refuge in the Sunderbans, and the Left Front's adamant refusal to countenance their colonisation of an uninhabited wasteland

Most reports suggest a population of about 12,000, though Janata and Congress MLAs claim that at least 30,000 people have set up camp on Marichjhanpi, literally a basket of chillies, which is 30 miles long and only eight miles across. All observers agree, however, that refugees have brought prosperity — and without a paisa of aid at that — to this barren terrain. They have drained low-lying saline swamps, built bunds to protect the island, planted paddy, areca nuts and [illegible], set up fisheries, and taken to weaving baskets and fishing nets. A newly-installed tubewell provides potable water. In any other situation, these pioneers would have been commended for their effort and enterprise and recognised as frontiersmen pushing out the horizons of the habitable world. The refugees themselves maintain that, having come from the riverine districts of Barisal and Khulna, they find the Sunderbans climate and topography suitable.

Concern for the tiger's welfare was the first argument given for rejecting their claims. But Marichjhanpi lies outside Project Tiger's 2,585 square kilometre tract. The further plea that settlement would damage trees ignored the fact that only 40 per cent of the 9,626 square kilometre delta of the Ganga is notified as a reserve forest. In any case, it is highly unlikely that a Marxist regime would place tigers and casuarina above suffering humanity. There must be more convincing reasons for trying so frantically to vacate Marichjhanpi.

One explanation could lie in the fact that the Left Front relies heavily for votes on Muslims who comprise 25 per cent of West Bengal's population, refugees, harbouring memories of persecution in erstwhile East Pakistan, could arguably provoke communal trouble. Privately, government spokesmen plead that refugee settlement could exacerbate relations with Bangladesh and also lead to friction with an estimated 500,000 workers from Orissa, Bihar and Uttar Pradesh. But the charge of an unbearable economic burden does not hold water since these hapless people have not sought any assistance and have, in fact, demonstrated their ability to take thriving

root without [illegible]. In any case, Jyoti Basu has not ever asked for Central aid to rehabilitate this community which clearly indicates that he does not want to have anything to do with it.

More convincing is the suspicion of political antagonism. The dispossessed are always easy prey to opposition blandishments. The CPI(M) readily exploited the refugee vote in 1967 and 1969 by promising them an honourable deal in West Bengal; even Jyoti Basu on occasion explicitly promising that all those who wished to leave Dandakaranya would be accommodated in the state if ever he came to power. Congress and Janata politicians are now following precisely the same tactics with the result that yesterday's allies have for the CPI(M) become today's enemies. An uprooted people are again pawns in politics. Meanwhile, the Left Front is making no attempt at all to examine why so many thousands of people were forced to leave Dandakaranya, why they so firmly refuse to return, or to explain why it is so implacably opposed to settlement in the Sunderbans.

Accusations of foreign intervention lend a patriotic air to the government's strategy which is promoted by the bureaucracy for narrow social reasons. Namasudras, the lowest caste group in East Bengal, comprise the present wave of refugees; the Brahmins, Vaidyas and Kayasthas who traditionally dominate the civil service and professions have no sympathy with their plight.

Presumably, the government will succeed in its objective. The High Court has allowed it to take adequate steps to maintain law and order and preserve and protect official property. The Order also allows the government to prevent an influx from Bangladesh while encouraging those who wish to leave Marichjhanpi to do so. As part of this last clause, refugee organisations have been told not to deter evacuees.

All this can cynically be interpreted to justify various forms of social, economic and political pressure exerted by the powerful machinery of governance. But even if the Marichjhanpi community succumbs to the seige and blockade, as it probably will, the victory can only reflect discreditably on a Ministry that claims to represent the underdog.

LETTERS TO EDITOR

Time to Make Choices

FURTHER to the debate on taxation, Ashok Mitra says (January 27) that, as Finance Minister of West Bengal, he has almost no power to impose direct taxes on the rich but that he must perforce tax the masses of the poor through indirect taxes, lest the state should go bankrupt. Two conclusions emerge: (1) Ashok Mitra identifies the increased role of the bourgeois state with the people, and (2) he views his specific function as that of ensuring the stability of the social function of the state in order to perpetuate the exploitation of the masses. He could, however, directly tax the rich if he got enough powers from the Centre, he adds; and that is how Centre-state relations enter the picture.

Here Ashok Mitra gives a 'democratic progressive' twist to the debate. CPI(M) is never known to have raised the issue in this manner. The problem of taxation is very much an all-India one and not one of West Bengal alone. To say that class relations and Centre-state relations are interlinked is one thing; to give prominence to Centre-state relations, implying that not class relations but primarily Centre's discrimination against West Bengal is the root cause of West Bengal's miseries, is quite another. And this is precisely what the CPI(M) does to avoid the class question and safeguard middle class votes.

This is both false and dangerous. It isolates the Bengali working class from the rest of India, breeds chauvinism and puts the cart before the horse. Unequal class relations inevitably engender unequal Centre-state relations in a multinational state consequent upon uneven development of capitalism. Only with the abolition of classes will the unequal relationship go.

These apart, supposing Ashok Mitra had the power, had the absolute majority in Parliament, could he do what he promises to do with the army, bureaucracy and property relations remaining as they are? When Lenin set the tasks for the Left Zimmerwaldists to rescind all indirect taxes and tax the rich direct instead, he was not taking a functionalist-legalist approach knowing as he did the lessons of history.

Ashok Mitra's letter turns out to be more interesting for its confirmation of our understanding of his policies than for the illumination it offers. The conjunction of angry wit in flatulent prose with severely opportunist principles is, after all, hardly a rarity in revisionist culture. Not for nothing did Lenin make it a compulsory duty for the revolutionary people to cultivate hatred for the pseudo-Left.

A READER

Calcutta

February 12

Playing the Imperialists' Game

IN and out of parliament, a loud cry is being raised against Chinese 'aggression' against Viet Nam. The pity is that Viet Nam's own aggression against Kampuchea is conveniently glossed over. Why this double-standard? India has not obviously forgotten or forgiven the Chinese forward armed thrust of 1962 in spite of its new desire for restoration of normalcy in Sino-Indian relations. More, India is as much of a client of the USSR, financially and militarily, as Viet Nam in whom the former has found a natural ally in subservience which goes by the respectable name of 'friendship'. Friendship, indeed ! Was it not the so-called treaty of 'friendship' with the USSR which had emboldened India in its military venture in the then East Pakistan as much as it now has emboldened Viet Nam in its military thrust into Democratic Kampuchea? If the people of Kampuchea were unhappy with the Pol Pot regime, it was nobody else's business but theirs to overthrow it. But why did Vietnam send as many as 14 army divisions into the Kampuchean boundary and why are 20,000 of its soldiery armed with the Soviet-supplied military equipment present on the soil of Kampuchea even while India is shedding tears over Vietnam's fate? The human rights record of USSR is no better. Ours is hypocricy at its worst. Viet Nam's bid for regional hegemony in Indo-China is not very different from India's own ambition for hegemony over the sub-continent. And the pity is that both Vietnam and India are playing the game of the super-hegemonoists at the cost of their real sovereignty.

K V RAMANA REDDY

Secretary,

Revolutionary Writers' Association,

Andhra Pradesh,

February 22.



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Marketing Role Not Appreciated

Hansavivek

VOLTAS has shown greatly improved performance during 1977-78 compared to the very disappointing results of the previous year and has stepped up dividend by 5 points to 12 per cent. Net sales have increased from Rs 156 crores and gross profit is up from Rs 67 lakhs to Rs 186 lakhs. Net profit is Rs 105 lakhs (Rs 10 lakhs) and the dividend is covered nearly 1.3 times. This outcome is attributed to revival in demand for certain products such as consumer durables and pesticides, stricter and more effective controls over expenses and better management of financial resources. However, a number of factors continued to operate hampering the return to the higher levels of profits attained in the five years from 1969-70. Demand for mining machinery continues to be low; the interest burden remains heavy; payments from government are inordinately delayed. The settlement of the charters of demands of employees at Bombay and at most of the branches has, according to the management, added over Rs 60 lakhs to staff costs, but the hope for increase in productivity has not yet materialised. The company's export billings increased by 42 per cent to Rs 5.79 crores and the management is now concentrating more on seeking project orders and on providing consultancy service in various fields such as textile mills, airconditioning and refrigeration, tubewell drilling, electrical sub-stations and water management. During the first four months of the current year, the company's turnover has been 27 per cent higher than in the same period last year. Gross margins, though significantly better, have not kept pace with the increase in sales. The overall performance during the current year is expected to show further improvement. While the order book position is generally good, there is as yet inadequate demand for mining equipment, forklift trucks, and water/air pollution equipment. The management's increased emphasis on rural marketing, agricultural input, turnkey projects and the use of newer technologies is beginning to yield results. The chairman, Akbar Hydari, has expressed concern at certain recent instances where newly established undertakings have been directed by financial institutions from whom they obtain equity or loan funds that their marketing arrangements with organisations such as Voltas should be of short duration and on specified terms. Hydari points out that such directives which go beyond statutory or reasonable limitations are not fair either to the producers or to the marketing organisations appointed as distributors or selling agents, even though not on an exclusive basis. He contends that the development of a market for the products of a newly established enterprise is a long and arduous task, especially where after-sales service is involved.

CHEMICALS AND FIBRES OF INDIA's profits declined for the second year in succession. Profit before tax amounted to Rs 2.30 crores in 1977-78 compared to Rs. 2.94 crores in 1976-77 and Rs 4.34 crores in 1975-76. This situation resulted largely because

The Week's Companies (Rs in Lakhs)

	Voltas		CAFI		Tribeni Tissues	
	Latest Year 31-8-78	Last Year 31-8-77	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-9-78	Last Year 30-9-77
Paid-up Capital	623	623	535	535	635	635
Reserves	793	775	1046	1029	416	376
Borrowings	2378	2529	524	453	594	573
of which Term borrowings	218	211	—	—	242	316
Gross fixed assets	1482	1352	1888	1839	1697	1637
Net fixed assets	867	822	938	990	1177	1163
Investments	163	162	18	13	14	14
Current liabilities	4460	4314	482	290	316	329
Current assets	7225	7258	1631	1303	771	787
Stocks	2956	3359	738	596	371	364
Book debts	4072	3729	869	694	298	323
Net sales	17037	15589	1779	1935	1345	1024
Other income	53	60	26	95	17	24
New material costs	15444	14047	909	1133	497	339
Wages	1274	1164	262	238	216	179
Interest	456	451	89	62	74	58
Gross profit(+)/loss(−)	186	67	334	395	217	204
Depreciation provision	63	57	104	101	82	56
Tax provision	18	—	160	195	—	—
Net profit(+)/loss(−)	105	10	70	99	135	148
Development rebate provision.	9	16	8	7	48	52
Transfer to reserves	21	—	9	12		
Dividend					—	7
Amount	P — E 75	— 44	P — E 53	— 80	P — E 95	— 89
Rate (per cent)	P — E 12	— 7	P — E 10	— 15	P — E 15	— 14
Cover (times)	1.28	—	1.17	1 15	0.92	[illegible]
Ratios (per cent)						
Gross profit/sales	1.09	0.47	18.74	20.31	16.13	[illegible]
Net profit/capital employed	7.45	0.72	4.43	6.33	12.84	[illegible]
Inventories/sales	17.35	21.55	41.48	30 80	27.54	[illegible]
Wages/sales	7.47	7.46	14.73	12.30	16.06	[illegible]

imports of polyester fibre were allowed to be made freely by textile mills. For most of the year fibre was offered by suppliers in the Far East at very low prices. Not only were prices depressed but sales tonnage was also affected. This in turn led to increase in inventory levels as well as debtors and consequently interest charges increased considerably. Profit after tax came to Rs 70 lakhs (Rs 99 lakhs). Dividend was reduced from 15 per cent to 10 per cent. Demand for black fibre, a premium product introduced in 1976, was brisk and enabled the average realisation to be improved somewhat. Towards the year-end, foreign suppliers increased their prices which gave a measure of relief to the indigenous industry, although presence of a large stock of imported fibre with textile mills and local fibre with Indian manufacturers continued to depress price levels. According to the chairman, A L A Mudaliar, at present the company is selling its fibre at around Rs 70 per kg, inclusive of Rs 41 per kg excise duty, as against the landed cost of the imported fibre of Rs 70 per kg. The company has been issued an industrial licence to expand capacity from 6,100 tonnes to 10,000 tonnes per annum. This will cost about Rs 2.5 crores and is proposed to be financed by internal resources. Other polyester fibre manufacturers have also been allowed to step up capacities. CAFI's expansion cost per tonne would be the lowest among all manufacturers. The future outlook for the industry will depend on government's decisions on the investigation carried out by BICP on the cost structure and on the recommendation of the committee appointed to recommend future import policy and degree of protection required by the Indian industry.

TRIBENI TISSUES experienced a marked contraction of margins during 1977-78 despite higher production and sales. With additional production of 2,600 tonnes from the new paper machine in spite of frequent load shedding and teething troubles, sales at [illegible] tonnes were 20 per cent higher than the previous year's 7,641 tonnes and its value increased by 31.3 per cent from Rs 10.24 crores to Rs 13.45 crores. Better product-mix and "marginal" price adjustments notwithstanding, however, gross profit could look up by a mere 6.3 per cent from Rs 2.04 crores to Rs 2.17 crores. With depreciation requiring more, profit before tax turned out to be actually lower at Rs 1.35 crores (Rs 1.48 crores). Even so, dividend has been raised by a point to 15 per cent. After transferring Rs 48 lakhs to investment allowance reserve, distribution was slightly short-earned. There was no tax liability on the profits, as in the previous year, on account of benefits arising from the new investment. The company stepped up exports from Rs 1.41 crores to Rs 2.30 crores despite severe competition from European suppliers and withdrawal of export subsidy with effect from July last. Bulk of increase was due to export to Pakistan. Efforts are being made to further extend the scope of exports with the introduction of medium and high porosity papers as well as marking press cigarette tissues, now being developed.

Lobbying Foreign Policy

Romesh Thapar

WITH a certain degree of sadness one has to admit that it is becoming too easy to predict the reactions to international events from our political figures. So many of them are now unashamed lobbyists for this or that power group, or simplistic nationalists when it comes to asserting India's interests. All this lack of health has been underlined by the crude Chinese attack on Viet Nam even as our foreign minister was on the last lap of his 'normalising' mission to Peking.

All manner of irrelevant theorising, from the banal pro-Chinese statements of the CPI(M-L) — whatever that might represent today! — to the expected pro-Soviet CPI-ist responses and on to the pro-US equations of Subramaniam Swamy, a somewhat recent recruit of the RSS, leaves the Indian people in a fog of confusion laced with anger. This was best seen recently when some gathered to express solidarity with Tibet and started fighting between themselves — and at a time when the whole of Asia is fearful of China's aggressive posture.

This is not to suggest that we are the only sufferers in times of crisis. Oil pressure can persuade the British queen to don ankle-length skirts on a visit to Saudi Arabia (why not a burqah?) and the once-pampered Shah is beginning to wonder whether any Western country will give him sanctuary. Indeed, the Western world is so far gone that it is prepared to do anything to preserve its comforts and living standards.

We bumble along unable to decide what to say about Viet Nam's intervention in crushing the loathsome Pol Pot regime in Kampuchea when we should have stated in clear-cut terms that this Chinese-backed aberration was bound to be rejected and need not have invited Vietnamese attention. A frank recognition of the new regime after it had established itself would have blunted the Chinese attempt to divert attention from its blatant bullying of Viet Nam. Now we are wondering whether to recognise the new government of Kampuchea, and even as we belatedly denounce the Chinese attack on Viet Nam as aggression.

Why should we not be more principled? Why can't we draw the distinction, as we see it, between what Viet Nam did in Kampuchea, and what China did in Viet Nam? Can a regional confrontation be equated with a continental threat? It would, at this critical time, help us to take initiatives to defuse these tensions which only turn Asian lands into arenas for trials of strength in the interests of those who play the global power game. And China is becoming such a player, the chatter notwithstanding.

The Indian view, if it is to make any sense in today's situation, must be conditioned by our growing interest in building a structure of co-operative effort in South and South-East Asia, using existing organisations like ASEAN, and, of course, the new presence of Viet Nam. Our Chinese gambit from the Delhi end is only intended to dissolve a harsh 18-year-old confrontation over borders. It can never attempt, in the Nehruvian sense, the fashioning of Asian Security and stability on a Delhi-Peking axis. The Asian scene is much changed, and needs a great deal of new thinking whatever the innocent non-alignists might think.

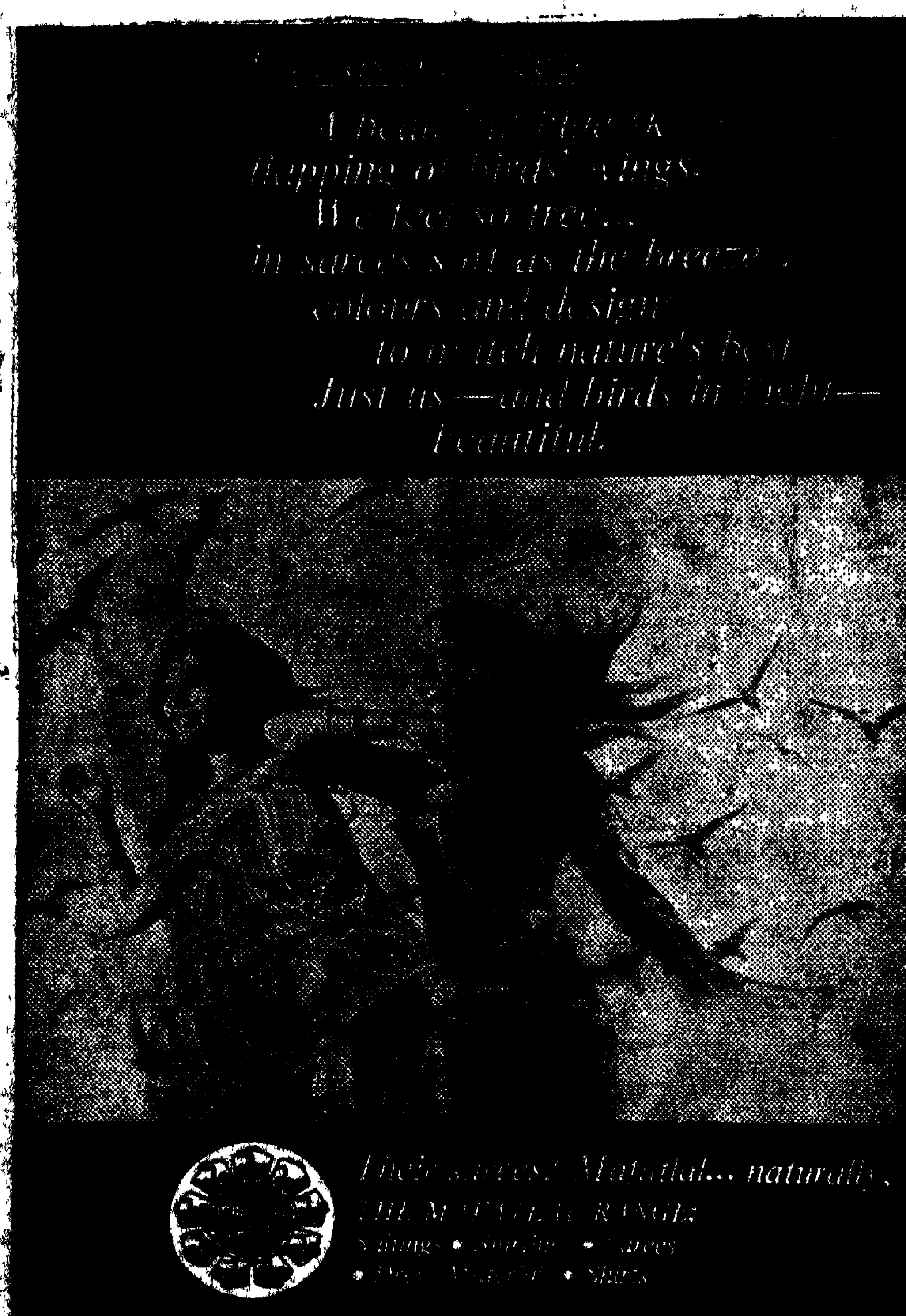
The slow take-off in these areas, conditioned largely by our prevailing complexes about reactions in the US and the USSR (and even China!), is encouraging a panicky western world to counter Iranian events by a renewed arming drive in West Asia and in Pakistan. Nothing could be more disastrous to the interests of Southern Asia, and upon India falls the major responsibility to make this known in no uncertain terms in the capitals of the West. The effort calls for bold initiatives, particularly on the sub-continent, to dissolve the remaining suspicions which tend to encourage us to take to matching exercises in military expansion — assisted, of course, by Chinese chauvinism and by Islamic aberrations.

Nothing infuriates more than the attempt by very obvious lobbyists to force Atal Behari Vajpayee on the defensive about his China visit. This is partially a crude attempt to soften him up for the scheduled Kosygin talks in the first week of next month. India has to pursue the road to normalisation with China whatever the complexities in Peking's behaviour, remembering that the economic and political manipulations in the northern hemisphere need some solid countering in the southern lands. The romanticisation of friendships is a costly business. Let's keep them hard-headed, coldly calculated, but designed to serve the ends of peace, self-reliance and just development.

We watch the mounting battles on the China-Viet Nam frontier, the tensions building in neighbouring Pakistan over the Bhutto trial, the elections in Bangladesh of notorious collaborators who worked for Pakistan, the killings in Afghanistan, and the growing rumpus between the radicals and the religionists in Iran. Tremendous changes are taking place in southern Asia, but leadership at this crucial moment is far from coherent. A wild striving for some diffused objectives is the common pattern. This current upsurge will ultimately find some tangible form and a new balance of power, but India cannot lose itself in a tangle of old concepts and theories which have little relation to these realities.

The China-Viet Nam collision, short-lived or protracted, will mark a qualitative change in South and South-East Asian alignments. Even as the tormentors of the Foreign Minister are muffled by the careful emphases of his skilful speeches (for it is words we believe in more than anything else!), the situation in the Asian continent will need intelligent handling. Here, speeches alone will not be enough. Atal Behari Vajpayee had better get himself solidly equipped with what Asia thinks, or else he may find himself on even more slippery ground — with the lobbyists in full blast.

February 23



We feel so free...
in sarees soft as the breeze
to match nature's best
Just us —and birds in

India's Economic Crisis: Dialectics of Sub-Imperialism

Ranjit Sau

INDIA is in crisis, in every sphere, social, political, economic. About the economic crisis, broadly four alternative theories have been advanced so far. (a) According to one of them, this is a Ricardian crisis, with a little bit of Malthus thrown in. With the growth of population, more and more marginal land has been brought under cultivation, costs of agriculture have risen, so have prices of agricultural goods. Landowning rentiers have benefited; and industry has been suffering under the weight of rising costs and hence falling profits (b) The second theory blames the terms of trade which have tilted in favour of agriculture as the economic and political hold of the farm lobby has gone up in recent years; savings have fallen, and industry is up against the wall of limited home market. (c) The third theory finds the root of the crisis in the very nature of the mixed economy of private and public sectors, where the government buys the inventory of the private sector and thus places a large sum of liquid funds in the hands of the private sector. Massive procurement of foodgrains, and large-scale export subsidy are cited as examples of such official operations whereby the private sector manages to dispose of its inventory quickly. Such a situation is prone to speculative trade and inflation. (d) The fourth theory correlates the present economic crisis with the slow demise of public sector's investment.

Various combinations of the above four are possible. But, one may ask, what is the nature of the present crisis in the first place? Is it just a cyclical crisis, perhaps a little more prolonged this time than the earlier ones? Or, is it a more basic, deep-rooted problem? First this question has to be settled. It appears to us that the Indian economy has fallen in the grip of a fundamental crisis Previously, the economy suffered from cyclical fluctuations in line with the agricultural cycle which also induced a similar pattern on the front of foreign exchange resources. But this time, one finds a structural break. A huge buffer stock in foodgrains and a rising reserve of foreign exchange have failed to spur the economy into action. This disjunction is a symptom of an inner malaise of the economy.

What is a fundamental economic crisis, as distinct from a cyclical one? A fundamental crisis arises out of, and intensifies, the major contradictions in the sphere of production, rather than those in the sphere of circulation. To clarify, in the wake of a poor harvest the demand for industrial goods may fall; this is an instance of a temporary problem in industry, not a basic one. But if the monopolists restrict their output and thus cause stagnation it is a basic or fundamental malady of the system

I

The school of underconsumptionists has a long tradition. Rosa Luxemburg took it to its absurd limit that denies even the very possibility of capitalism, while Keynes is an infinitely more optimistic member But underconsumption is not a peculiar attribute of capitalism; it is there in every exploitative mode of production. At any rate, the thesis of underconsumption locates the problem of crisis mainly in the sphere of circulation rather than in production as such. It has a tendency to quickly degenerate into social democrat reformism. If underconsumption — the lack of purchasing power of the consumers — were a crucial problem of the Indian economy, a Keynes could have jolly well nursed it back to health and vigour.

This is not to deny that the limited home market is a constricting factor for capitalism in India. What we would like to emphasise is that the inelastic home market is more of a *manifestation* of the crisis than its *cause*. Similarly, the lack of investment in the economy is a manifestation, not the cause.

As for Ricardo, we can dismiss him quickly. During the last decade, over four-fifths of the additional agricultural output had been produced by the kulaks with the so-called new technology, where the private cost of production per unit of output is certainly lower than before. Technological change can keep both Ricardo and Malthus at bay.

The 'liquification of stock' theory, the third one above, has read the charts upside down. It is the opposite of the underconsumption thesis. If it were true, if the private sector had no difficulty in liquefying its inventory stock, production should have gone up, instead of staying put or declining. Besides, the massive buffer stock of foodgrains or foreign exchange reserve is only a recent phenomenon, barely two or three years old. How can it explain the stagnation of over a decade?

II

As capital accumulation proceeds, some capitals grow faster than others. This is called *concentration* of capital. Some capitalists move far ahead than others. Concentration of capital is a function of the growth rate of accumulation. If the growth rate of accumulation is zero, the process of concentration of capital ceases. There is another, somewhat similar, yet quite distinct, phenomenon, which is known as the *centralisation* of capital. When accumulation reaches a certain stage, individual capitals turn against each other, bigger ones eat up the smaller fries, and become still bigger. This happens even if the growth rate of accumulation in the economy as a whole falls to zero. In fact, concentration and centralisation of capital are the two distinct processes which go on simultaneously in the capitalist economy; but in some stage one of them becomes the dominant feature, in another the other one emerges as the stronger force. Usually, centralisation comes into operation at a later period when the level of accumulated capital has reached a certain height, and during the period of centralisation the overall growth rate of accumulation in the economy is rather low. Big capitals then feed themselves upon small capitals, instead of accumulating through realisation of surplus value in production. All this is not new, re-read "Capital", vol I (Moscow, 1965), pp 624-28.

In the two decades of fifties and sixties, India's big bourgeoisie had come of age. Drive for industrialisation, import substitution, subsidising public investment — it was the heyday of private capital; accumulation went by leaps and bounds, concentration was the order of the day. Big became bigger; small ones also basked in the sun of official policy. But soon, true to its nature, capital turned against capital. MRTP Act in the late sixties was more

[illegible] nature of window-dressing, or at a feeble attempt to turn the tide. [illegible] not matter. You can capture [illegible] capital by a benami holding of mere twenty per cent of shares of the [illegible]. There are other ways of amassing small capitals. Instead of producing in your factory, you tie up a number of small capitals and get it done through them, but you appropriate the surplus value. Perhaps there are also other secrets of the trade. "Commensurately with the development of capitalist production and accumulation there develop the two most powerful levers of centralisation — *competition* and *credit*. ... The credit system, which in its first stages furtively creeps in as the humble assistant of accumulation, drawing into the hands of individual or associated capitalists, by invisible threads, the money resources which lie scattered, over the surface of society, in larger or smaller amounts, ... soon becomes a new and terrible weapon in the battle of competition and is finally transformed into an enormous social mechanism *for* the centralisation of capitals". (*Ibid*, p 626; emphasis added). One knows how the credit system works in India.

Competition among capitals became fierce. Sick inefficient production units were quickly jettisoned, and the government policy came in handy. The so-called 'concentration ratio' as measured by many in our profession might have *gone down*; but the big bourgeoisie, unburdened of excess baggage, turned all the more strong and fearsome.

During this phase of centralisation, in the seventies, productive investment is not on the *agenda* of the big bourgeoisie; it is bent on grabbing other capitals. This is one of the *causes* of the present crisis of Indian economy. [illegible] intense conflict *among* the Big Houses, and *between* the Big [illegible] on the one hand and smaller capitals on the other is there for all to [illegible]. This goes a long way also to explain the emergence of the Janata Party, [illegible] and growth of Congress (I), [illegible] the likely continuing battle of the [illegible] for some time to come.

[illegible] Houses are vying with each other to divide up the Indian economy among themselves, just as on the world scale the imperialist capitals did at the turn of the century and thus led to World War I. With a little exaggeration [illegible] can say that some of the major [illegible] that were underlying World War I are, in a reduced scale, at work today on Indian soil. India today also reflects some of the traits of the world prior to World War II. The spectre of fascism is on the rise; while the forces of socialism are also going through a difficult drill of reorganisation and preparation. The analogy, however, should not be taken too far.

III

The imperialism of India's bourgeoisie is a sub-imperialism, under the shadow of super-powers, who *are contending* with each other to keep India under their wings. The conflict among the Indian bourgeoisie cannot therefore reach a flash point. Live and let live, forgive and forget, this will be their motto after a few rounds of firework. In five or ten years the line between Janata and Congress (I) will become blurred, if not non-existent.

But the inexorable law of capitalism — concentration and centralisation of capital — will work on. The crisis of the Indian economy will appear again and again. More so, because after all the home market is not expanding fast enough. Feudal and semi-feudal relations in agriculture are a barrier which the weak capitalism of India cannot pierce. In fact, it is a triangular arrangement — feudal and semi-feudal landlords, big bourgeoisie, and imperialism, these three hold the Indian economy in their grip. Keynes would find such a land totally foreign. With or without the help of a Keynes or Friedman, the present crisis of [illegible] would blow over sooner or later. Though it is a fundamental crisis, it would be an illusion to think that the Indian economy is on the verge of a breakdown. One need not be surprised if, after the current turmoil of reorderin the assets, capital comes out even stronger than before, ready for another phase of ruthless self-expansion, to be followed by the next round of centralisation. One set of contradictions is resolved only to give rise to another set at a higher plane; thus the system moves.

Be prepared for the days ahead. After all, there are always *weakest links* in the chain; Indian sub-imperialism is no exception. Classwise, the weakest link in the chain of exploiters is the feudal and semi-feudal landlords, whose interests do not square up very much with those of the other two in the ruling alliance. Geographically, the weakest links are those regions where productive forces have not yet developed or are languishing for one reason or another, where the local bourgeoisie is weak or absent. This statement must be qualified with the observation that in the era of imperialism and sub-imperialism, the contradictions between productive forces and production relations, and between the base and superstructure, assume a global characteristics, it would be futile to look locally for conflict or correspondence. The weakest links are to be correctly identified, and there the assaults have to be launched

Socialism by One Country

GPD

THE inevitable has happened. Deng Xiaoping has moved his men to carry out the punitive action. Deng's language was never his strong point. He has now demonstrated that his actions can be as rough as his language. There was a time when political analysis used to speculate when and if the Chinese would enter the Vietnamese embroglio. It has happened now except that 'the American imperialists and their running dogs' were thrown out of Saigon a good four years ago. Remember that phrase of the 1960? Nobody uses such quaint and obsolete phrases any longer. The socialists in Moscow do occasionally talk of imperialism but usually avoid naming the Americans (see Brezhnev's report to the 25th Congress of the CPSU). The socialists in Peking think that Soviet social imperialism and its allies are the number one problem today.

The Chinese have moved in Viet Nam — a fact not very easy to comprehend. Deng Xiaoping had notified the world about it not so long ago; yet it appeared that the final step may, after all, not be taken. It was quite customary for the Chinese foreign policy makers to make big noises. But they usually stopped short of actual involvement. Deng Xiaoping has introduced a new element in Chinese foreign policy. For the first time in their history the Chinese armies are active in a territory which by their own admission does not belong to them, without any apparent and immediate security threat. In Korea the danger of McArthur and his men crossing the Yalu was not at all unreal. In 1962, when the armed conflict between India and China took place, there was a border dispute and the Chinese armies were active in an area which they claimed as theirs and their adversary knew this. In Viet Nam, however, they are on indisputably Vietnamese soil. This is new and unprecedented in the history of China's foreign policy. The pattern of Chinese behaviour has changed. One does not quite know how and why. This was inevitable, Deng might argue, and the inevitable cannot be resisted for too long.

It is for this new pattern of behaviour, if for no other reason, that the Sino-Vietnamese war has to be seen and understood as *sui generis*. It is no use linking it with the other three wars or battles (Korea, Sino-Indian war of 1962 and the Sino-Soviet hostilities of 1969). What has made the Chinese bring about such a drastic change in the conduct of foreign relations? That is the crucial question regarding the present hostilities.

False Equation

But before we answer that it is important to point out that the equation sought to be established between the 1962 and 1979 hostilities is entirely false. For one thing, in 1962 there was a border dispute. The Chinese wanted to and succeeded in enforcing a *de facto* solution to the dispute and then withdrew. There does not now appear to be any real possibility of altering the *de facto* alignment of the Sino-Indian border. Brave statements on the question will continue to be made in India but the hard fact is that although India might over a period of time secure minor adjustments here and there, there is no question of the Chinese, for example, giving up the Aksai Chin or the road that they have built in the area. In short, there was a clear definable territorial content, a definable objective, to the hostilities then. There is no such problem as far as the Sino-Vietnamese hostilities are concerned.

For another, Viet Nam is an ally of the Soviet Union. That places Viet Nam today firmly on one side in the Sino-Soviet cold war. India was not so aligned in 1962. Maxwell might argue that India was itching for a confrontation with China. But even he has not suggested that India was in the imperialist camp as the Chinese understood the term then. The 1962 conflict may never be adequately explained. But surely it does not help our understanding of the events of 1962 to suggest that what has happened in 1979 is something similar to what happened in 1962. The comparision might help us to bask in the glory of anti-imperialism of which the Vietnamese have been and are a solid example. Our anti-imperialist record is dubious by comparison. Many people in this country seem to hope that by relating the two conflicts some glory might, after all, come our way. A clever calculation no doubt, but not very useful in understanding

Teaching Lessons

Ever since the late sixties the socialists of the world seem to have established an extraordinary pattern of behaviour among themselves. To use a rather ancient and tried expression, contradictions between peoples are now being treated as antagonistic, as compared to contradictions between the people and the enemy! The Soviet Union moved in great force to teach a lesson (although to be fair to the Soviet Union its leaders did not use such language; they concentrated, instead, on the question of sovereignty) to Czechoslowakia in 1968. Later in 1969 they did the same to the Chinese on the Ussuri. Last year by no means ideal government of Pol Pot was taught a lesson by the Soviet Union and Viet Nam. Now Deng Xiaoping has done the same to the Vietnamese. Of course, there are differences. Not all these cases are identical. The details are different. But the basic fact is the same. "In my area of socialism, I decide the norms." That is the logic. It is no longer socialism in one country. It is socialism by one country.

The Sino-Soviet feud has long gone beyond the ideological questions. Lean to one side, Brezhnev and Deng Xiaoping seem to say, but let that side be mine. Otherwise I will take punitive action. One can make too much of Deng's phrase of punitive action. But the Soviet action in Czechoslovakia and on the Ussuri or Viet Nam's in Kampuchea was no less punitive in character than Deng's action in Viet Nam today.

Who aligns with whom is the issue. Pol Pot's major error was not that he ran a totally incompetent government. His error was that he sided completely with the Chinese. The Soviets and the Vietnamese taught him a lesson last year. Now it is the turn of the Chinese. The socialists can sometimes be quite thorough in such matters.

Alignment is All

The point simply is that the issue of alignment is being sought to be settled. The Chinese cannot settle it in their favour in Viet Nam. The Soviet Union was able to do so in Kampuchea. It not only overthrew the Pol Pot regime, but also demonstrated that the Chinese cannot be a very credible ally. A superpower can act in a way in which the Chinese would never be able to act not for some time anyway.

Chinese have now moved into Viet Nam perhaps to demonstrate that the Soviet cannot be a very reliable ally either. This is the major blunder of the Chinese calculations in Indo-China. The credibility of the Soviet Union (in power terms) has already been demonstrated in Kampuchea. The Chinese cannot undo what has been done in Kampuchea. The Soviet-Vietnamese success there cannot be undone by moving into Viet Nam.

It is a classical power game that is being played in Indo-China. Deng Xiaoping and his comrades obviously thought that something can and must be done to retrieve their position in Indo-China. This is how the nation-states have always behaved. Deng's China is no exception to the rule.

The pity of it all is that the Chinese had opened their attack on the Soviet Union in the early sixties precisely on the premise that social-imperialism and revisionism are related phenomena. During the past few years there is a grand revision of verdicts going on in China. Chairman Mao, who was held responsible for 'anti-Sovietism' by the comrades in Moscow and their followers all over the world, ironically appears in retrospect easily the most moderate Chinese leader in his responses to the Soviet moves. He might have been anything, but he was not a Han chauvinist. One is not so certain of Deng Xiaoping. It is unthinkable that Mao would not have understood the significance of Viet Nam.

Indeed, there is evidence to suggest that the Great Helmsman of China understood that. Replying to a discussion on Viet Nam which seems to have centered around the possibility of a Viet Nam neutral between China and the Soviet Union — or even an outright pro-Soviet Viet Nam — Mao in his cryptic sort of way said that Viet Nam was like a Buddhist temple having four abbots distributing four different things. The significance of this was clear. An exception has to be made even if Viet Nam were not quite neutral as between China and Soviet Union. Viet Nam's abbots will occasionally dish out one thing to Moscow and another to Peking. But so be it, for Viet Nam has made an anti-imperialist revolution.

A Great Revision

The modernisers of the Deng variety do not believe in such simplistic and peasant-like formulations. They, like their counterparts everywhere else, believe in power. A great revision is going on in China. It is not altogether impossible that the new adventurism in Chinese policies and thinking is related to this revision. The Chinese were right in linking revisionism and big power chauvinism. They did not have to demonstrate the linkage themselves. China of the early sixties appears to be so distant today — one more reason perhaps why one should not confuse 1962 and 1979.

But then all this still does not answer why and with what objective the Chinese have moved into Viet Nam. After all, to get into a war of this kind, one has to have a definite objective. What are, after all, the Chinese demands? To force the Vietnamese to the negotiating table? But to negotiate what? Do they want to occupy the northern provinces? Not a plausible objective, for they cannot retain them, and the Chinese know this. Do they hope that through an operation of this kind they can alter the situation in Kampuchea? That does not seem likely either. The new Kampuchean government which is a creation of the Soviets and the Vietnamese cannot simply disappear by throwing a few punches at Viet Nam. Besides its future cannot be determined in Hanoi alone, even if it were a purely puppet government. Moscow is another capital which the Chinese cannot simply wish away. Are the Chinese, then, trying to establish a *de facto* solution to the problem of the disputed islands in the South China Sea? That is not very likely either because such a *de facto* solution already obtains on the ground. What then are the Chinese seeking?

All normal power considerations thus do not suggest an answer which would, in operational terms, explain the Chinese move. Against this background the Chinese moves appear to be simply acts of desperation undertaken in total disregard of consequences. They had not acted so irresponsibly before. Further the Vietnamese are as tough as, if not more than, the Chinese. The Chinese may therefore have bitten more than they can chew. Let us wait and see.

ASSAM

After the Raid

Udayon Misra

WHEN in June last year the chief minister of Assam declared the Doyang Reserve Forest in the Golaghat sub-division open to settlement, the move was widely welcomed; for, already about 12,000 families, mainly of Ahom, Chutia, Bodo, Kachari, Mikir, Miri, Nepali, Naga and ex-garden tribes, were living in the area. In the last general elections 35 polling centres had been set up for about 24,000 voters; and there are 106 primary schools, three high schools, 11 ME schools as well as two health centres in the area. For all practical purposes the area had ceased to be a reserve forest and indeed it was the chief minister's Socialist Party that had spearheaded the movement for getting the Reserve Forest declared open to settlement. The movement even had its martyrs when in 1973 two students, Gajen Ingty and Putul Saikia, were killed in police firing at Bhurbandha in Nowgong district.

According to Assam chief minister, the Doyang Reserve Forest area was never a 'disputed area' although in the 1972 interim agreement reached with the Nagaland government, the Assam government had agreed "that the Desoi Valley Reserve Forest and Doyang Reserve Forest shall continue to be reserve forests and maintained as such". Today Golap Borbora (who has inherited that agreement) is being accused of violating the 1972 accord not only by the Nagaland chief minister but also by Congress legislators of his own state who maintain that having opened the Doyang Reserve to settlement, the Janata government offered enough provocation to the Nagas to raid the Assam villages. To be fair to Borbora, one has to grant that by opening up the Doyang Reserve to settlement, he was only giving recognition to a *de facto* situation. Indeed, both the Congress parties which are now trying to capitalise on the situation may with equal justice be accused of having 'surrendered' Dimapur, the capital of the Kachari Kingdom till the middle of the sixteenth century, to Nagaland because of Central pressure and of 'bequeathing' the border problem to the present government.

Whatever be the immediate provocation behind the January 5-6 raids, in scale, intensity and planning the raids seem to have been unprecedented. The pre-dawn attack which was mounted from the Naga villages of Pohoto, Chitoi and Gonovi covered about 50 villages in the South Nambor, Rengma and Diphu Reserves. Over 500 huts were burnt down by the first wave of attackers who were followed in the morning of January 6 by smaller bands of raiders intent upon collecting loot from the villages already destroyed. Entire villages were razed to the ground and the inhabitants were either mowed down with gunfire or hacked to death. The entire operation was carried out in a most brutal manner with not even old people, babies and pregnant women being spared.

The attack broadly followed the historic pattern and execution of Naga raids on the plains of Assam in Ahom and British times. In earlier Naga raids too there were indiscriminate killings, with neither women nor children being spared. The discussion and acceptance of the plan of attack by the village elders, the spontaneous participation in the raid by almost all the menfolk and the manner of the killing — all these fit into with the pattern of traditional Naga raids. Even the timing of the attack — pr-dawn — conformed to the traditional pattern.

According to some eye-witness accounts, a sizeable section of the raiders included men in uniform and this had led to the initial confusion regarding the involvement of Naga 'hostiles'. But the discovery of some Nagaland Police epaulettes and badges in some of the affected villages suggests the possible involvement of the Nagaland Armed Police in the raids — a suspicion strengthened by the arrest of a NAP officer while moving around in the affected areas in a Nagaland government vehicle carrying ammunition. Both Vizol and Borbora have denied the involvement of the NAP in the raids, but it is quite possible that some NAP men while away from duty took part in the raids. The involvement of some former Sema 'hostiles' in the raids has of course been established and a former leader of the Federal Army has been arrested.

The total area under dispute covers 1,929 square miles in Sibsagar district and about 856 square miles in Nowgong district. Nagaland has been claiming the five reserve forests of Desoi valley, Nambor, Rengma, Diphu and Dhansiri. According to Nagaland, the boundary between the two states should be fixed according to the notification of 1867, while Assam maintains that the Notification of 1925 (on the basis of which the Bill for the creation of the State of Nagaland was moved in Parliament) should be the final basis of settlement. Both the chief ministers have in their latest statements reiterated these positions. After his January 2 talks with the Nagaland chief minister, Borbora had said that the 'Sundaram Report' (whose very existence is now being sought to be denied by the Union Home Minister who claims that the one-man committee appointed to go into the Assam-Nagaland boundary question did not actually submit a report but only some 'comments' — what H M Patel describes as 'Sundaram Papers') need not be binding on the two states and could only form the basis of a permanent settlement. At that time he had not made it clear that there could be no settlement outside the 1925 Notification. The Centre's indifferent attitude towards the problem is bound to lead to a further hardening of positions on both sides.

Skirmishes, raids and abductions have been quite common in the villages bordering Nagaland and the events of early January were part of a long-nourished rivalry between Naga and Assamese — primarily plains tribal — settlers over the possession of rich, cultivable land. Armed raids and forced harvesting of crops by Nagas has been a common occurrence. In 1956 the Uriamghat Reserve Office and the Uriamghat Bazar were looted by armed Nagas who adbucted a forest official and set several lorries on fire. In 1957 villages in the Chungajan-Naojan area were raided and the Naojan Railway Station was attacked. The following year a forest contractor was abducted. In 1964 five villagers were abducted from the Nambor reserve forest area and in 1964 an Assamese gaonbura's (village headman) son was killed. In 1965 armed Nagas looted the Doyang Reserve Office and abducted a senior forest official. In 1974 there was a raid in the Geleki Reserve of Golaghat in which a forest official, Abdul Alim, was killed. These are just a few instances, but they clearly show that raids by armed Nagas have been a common occurrence in the villages bordering Nagaland.

The January 5-6 raid was different only in the sense that it was meticu-

...y planned and frighteningly well ... To attribute the attack to international conspiracy or to Chinese designs is worse than being foolish; it is to ignore the real issue which is land. In the present case, a section of Naga village chiefs along with the newly emerging group of Naga landholders carried out the raid in the hope of dispossessing the non-Naga settlers and occupying their land. They were fully aware of the growing boundary tension between the two states and rightly believed that once the raids took place both the Assam and Nagaland governments would be forced to play down the incidents, each in its own interest. That there has been a deliberate attempt to tone down the intensity and scale of the raids is evident from the reporting of the raids. At first the event was almost dismissed as yet another attack by Naga 'hostiles'. Later, efforts were made to cover up the actual number of casualties. While it is true that the actual death toll may be difficult to ascertain, given the nature of the terrain and the fact that during the last Census the affected villages were not covered, yet to put the total number killed at about 50 is a gross underestimation. First hand reports speak of the entire population of at least two villages being wiped out and according to police sources in Assam, at least 800 bodies have so far been recovered. The Assam agriculture minister, Sonoswar Bora, is on record as saying that well over 1,000 persons must have lost their lives. It is widely believed in Assam that many of the dead bodies have been secretly disposed of. But both the state governments, for reasons of their own, are keen to keep the death toll low. Official acknowledgement of higher casualty figures would further embarrass Borbora government which is currently facing strong public indignation for what is being termed as its incompetence; Vizol on the other hand has been saying that taking advantage of the present situation the Assam Police has been uprooting Naga villagers and carrying out atrocities. With the Centre too shying away from a high-level probe into the January events, the total number of deaths will probably never be known.

The immediate reaction to the raids in the Assam valley has been in the form of protests and demonstrations against the state government's failure to take preventive steps despite the chief minister being forewarned of the situation prevailing in the border villages. In the mobilising of public opinion against the Borbora ministry the Purbanchaliya Lok Parishad and the Asom Jatiyatabadi Dal have been on the forefront. The call for a day of mourning given by the Lok Parishad received spontaneous response in the Brahmaputra Valley districts, while the Republic Day functions were boycotted by a large section of students and the public in response to a call given by the All Assam Students Union. There have been some stirrings in the cabinet too and one of Borbora's most trusted colleagues, the finance minister Kehsb Gogoi, wanted to resign but has been persuaded to stay on. For the time being there appears to be no direct threat to the leadership of Borbora. But it is certain that the boundary issue will be used by that section of Janata legislators who are working for a change of leadership.

A notable aspect of the public indignation over the Naga raids has been that political parties and organisations of various shades, while condemning the raid and the state government's incompetence, have continued to call for amity and understanding with the Naga neighbours. There seems to be a growing realisation that mutual quarrels between the north-eastern states is bound to be self-destructive. Even the All Assam Students Union has acted in a sober manner, organising relief and cautioning people against anti-Naga frenzy. Local cultural organisations like the Asom Sahitya Sabha, while expressing sentiments against further fragmentation of Assam, have stressed the need for a peaceful and amicable settlement. Both the regional parties, the Purbanchaliya Lok Parishad and the Asom Jatiyatabadi Dal have dutifully stressed the long-standing historical links between the Assamese and Naga peoples. All this has contributed towards curtailing the growth of anti-Naga frenzy amongst the people and till now there have been no cases of assault on Nagas living in Assam. It is true that Naga students in Assam colleges have not returned to their institutions fearing retaliatory attacks but in the present climate such retaliatory attacks seem unlikely.

It is against the Centre that public feelings seem to be primarily geared. Events as those of January 5-6, had they occurred elsewhere in the country, would have led to a sense of national crisis and would have caused the prime minister to rush to the affected area. But in Assam, the chief minister had to rush to Delhi.

Landlord as Labour Leader!

C V Subba Rao

ENTRUSTING all work, barring actual mining, to private parties in state-owned coal mines seems to be an established practice all over India (see, for instance, "Trade Union Mafia in Dhanbad" by Arun Sinha, *Indian Express*, January 23, 1979). But the case of Singareni collieries in the Telengana region of Andhra is distinguished by the presence of big landlords controlling labourers.

Though the workers involved in mining in pits and screening plants are employed by the state, a large number of workers required to lift the dumped coal are private labourers. While making a mockery of the idea of public sector, this private labour system is often the prime cause of fluctuating coal production, seriously affecting industrial production as a whole. With the extortions by the contractors and insecurity of employment threatening them every day, the pent-up discontent of the workers periodically breaks out in violent protests leading to fluctuations in production While coal companies, railways and electric supply undertakings blame each other for coal shortages and large pit-head stocks, the Government of India lets private contractors play havoc with coal production under its patronage

In the Mandamarri mines, belonging to Singareni collieries, private labourers are under the control of a landlord, Sripati Rao He is the only son of Mandamarri Madhava Rao whom the CPI(M) leader, P Sundarayya, in his book "Telengana People's Struggle and Its Lessons", listed as one of the notorious landlords (owning more than 10,000 acres) against whom the people had risen in the Telengana armed struggle of 1948-51 When the Singareni collieries wanted to take over large parts of his land for mining purposes in 1957, Madhava Rao had offered stiff resistance. Allegedly, he himself opening fire on the officers, killing one. He was reportedly acquitted by the court on grounds of insanity! However, his son has adapted himself far better to the changing conditions. Today he is the biggest individual beneficiary of the coal mines in the area. While effectively owning a little over one thousand acres he is also the biggest arrack contractor and trader in the area, Besides he is also a theatre owner and a movie producer. The panchayat samiti for the villages around is controlled by him. Practising the notorious *vetti* system, he even controls the land legally owned by the collieries.

In 1978, when the company introduced the system of directly delivering the coal from the pits to the buyers, private labourers were required to load the coal into lorries. The labourers generally come from the landless strata of the villages around. Driven by their deteriorating economic conditions they are attracted to coal mines by the prospect of a regular job. Most of them invariably end up as private labourers loading coal into lorries. In the Mandamarri mines, the number of private labourers engaged in this work ranges from 400 to 1,200 a day. The lorry-owners used to pay Rs 60 per lorry, but the labourers can get their daily wage only through middlemen who are merely goondas operating for the landlord. As much as 40 per cent of the wage paid by the lorry-owners is allegedly appropriated by these 'middlemen'. Moreover, the labourers can get a job in the mines only by the goodwill of the landlord which costs anything from Rs 1,000 to Rs 2,000 How the landlord manages to get these appointments made with the officials of a public sector undertaking is shrouded in mystery.

The workers who get their appointments through the landlord are expected to join the INTUC-led National Employees Union This Union along with the Singareni Coal Loaders' Union also led by INTUC, played a key role in getting the wage of the private labourers increased to Rs 100 per lorry With the number of lorries increasing upto 100-150 a day, the landlord is now able to earn more than Rs 4,000 per day through the illegal extortions The president of these INTUC unions is none other than Sripati Rao himself.

There is another union, Singareni Collieries Workers' Union, affiliated to AITUC It is led by a popular CPI leader of the area, V T Abraham. On [illegible] agitated by yet another increase in extortion by the landlord, Abraham mobilised the workers and forced the lorry-owners to pay directly to the labourers. Three days later, on January 5, he was attacked by 40 goondas near KK5 pit. Eventually his unconscious body, along with those of three other activists, was removed to the hospital at Nancharyal by the workers.

Next day morning, incensed by the murderous attack on their leader, over 2,000 workers boycotted work and gathered at the market place. Driven by anger, they damaged the property of the landlord. Later, as the workers were dispersing, the special armed police reached the place and opened fire indiscriminately. Four miners were killed on the spot while two more died in hospital later on. Over 20 persons were injured. As the news spread to other areas, miners from Bellampalli, Ramakrishnapuram and Kagagnagar also walked out of the mines. There was a spontaneous massive demonstration and total bandh in Bellampalli on January 7. The entire coal belt is still reverberating under the iron heels of Andhra's special armed police enforcing the prohibitory orders.

Taking advantage of the presence of a few members of the Radical Students Union, the state's Inspector General of Police issued a statement linking the workers' agitation to "the increasing activities of the extremists". It should be noted that Mandamarri is part of Laxsettipet taluk of Adilabad where, along with neighbouring Karimnagar district, a strong peasant movement is questioning age-old feudal oppression. The IGP's statement is thus ominous for the region. It has always been the practice of the Andhra government to carefully build up its justification in advance for the invocation of the Andhra Pradesh Suppression of Disturbances Act by alleging 'extremist' activity.

The injured AITUC leader is now lying in hospital with serious injuries. No one has been arrested so far for the attack on his life. On the other hand, more than 25 miners have been detained in the Nizamabad jail, well over 180 kilometres away.

Towards a Women's Movement

TWO-DAY women's conference was ;anised by the Stree Mukti Sangathan February 10 and 11 in Pune. In a ,cent women's movement, as wide a ɔport as possible may be needed at initial stages. "Women's Issues" can n generate identification and appeal. is was perhaps what was at the back the organisers' invitation to all ɔups and political parties.

Some 300 women responded to the ʼitation. The participants came from iny districts of Maharashtra: ıule, Kolhapur, Sholapur, Ahmednagar, ıhanu, Nanded, Thane and, of course, ımbay and Pune. There were a ındred or so dalit and adivasi women, ıny of whom had had to bring their bies with them. A couple of them re even accompanied by their ısbands. Middle class, white collar ıd professional women mingled with e dalit women.

In this informal and friendly setting ı adivasi woman from Shahada inıgurated the conference by garlanding e portraits of Pandita Ramabai and otiba Phule. She gave the clenched st slogan 'Stree Mukti Zindabad'.

The sessions were preceded by songs nd skits about women's liberation and mancipation. A small exhibition cf ictures and charts depicting the hisıry of women's enslavement had been ıt up on the walls of the school buildng in which the conference was held. Also displayed were Marathi translations of some well known Marxist classics as well as feminist publications such as *Manushi, Bayja, Mahila Andolan Patrika, Feminist Network* and the Newsletter of the Research Unit on Women's Studies of the SNDT University. The entire proceedings were in Marathi.

In a brief inaugural addresss, the President of the conference traced the history of change in women's status since Independence. The major beneficiaries of legislative reform and development had been educated, middle class women. To the large masses of women, the gap between the rights formally granted in the Constitution and the reality of their daily existence was too great to lend any credibility to these reformist measures. Middle class women had, therefore, to come out of their self-centred lives and help their less privileged sisters. The purpose of the conference was declared to be crystallisation of ideas on how women could organise themselves and launch struggles against oppression; rights, even when they existed, needed assertion for their actualisation.

The participants were divided into ten groups for the discussions: students, teachers, mahila mandals, doctors/paramedical personnel, gramsevikas, trade unionists, political representatives, agricultural labourers / dalits / adivasis. The largest group was that of the dalits and adivasis. Some twenty dalit women spoke of their problems and their experiences in organising and participating in struggles to secure enforcement of the minimum wages act and to protest against atrocities. The importance of women organising themselves, of standing together was repeatedly emphasised by all the speakers. The common problems that rural women faced came up again and again: lack of drinking water, unemployment, need for supportive services like balwadis, enforcement of equal wages act and some machinery to deal with sexual and other atrocities against women. There had to be greater effort to spread adult education among dalit women, to secure better public health and hygiene measures, effective implementation of the employment guarantee scheme (EGS), etc. Many women could not report for work under the EGS as the work sites were far away; the condition about a minimum number reporting for work was unrealistic; payment was often delayed, and so on. The women had no arrangements to look after their babies at the work sites, not even sheds to protect them from the sun. Drinking was a serious problem. Why was the government, many dalit women asked, supposedly interested in their welfare, collaborating with private sector to put up toddy shops?

The trade union group reiterated the need for action to eliminate discriminatory practices by employers. Unions must mobilise more women members. There was discussion on how employers practised discrimination and evaded labour laws relating to women. Women needed to be pulled out of low-paid, low-skill jobs and for that more technical education was needed. Doctors and paramedical personnel recommended that three-four local women be trained by every woman registered medical practitioner to deal with the health care needs of poor women at the local level. Writers and representatives of the mass media pleaded for more coverage of news about women and the need for prompt and detailed reporting of atrocities against women to arouse the public conscience. Also, there was need for close links between journalists and action groups of women's organisations. There had to be more organised protests against the image of women propagated through Hindi films, along the lines of the protest against "Satyam Shivam Sundaram" in Pune.

Mahila Mandals could achieve much more by changing their mode of work and moving out of their welfare and charity oriented framework and operating as agencies to mobilise women. Students could generate greater social awareness among youth, and popularise women's studies courses. There was need for greater representation of girls in technical courses. Women leaders and members of political representatives had so far been exclusively concerned with advancing the general political line of their parties. They needed to shoulder greater responsibility for securing implementation of existing laws pertaining to women.

When the groups emerged from their discussions, a number of major demands were formulated and put forward:

(1) the establishment of an Independent Tribunal consisting of women voluntary workers and with judicial powers, to be operative at the taluka level, to which cases of dis-

crimination, atrocity, etc, could be referred;

(2) enforcement of equal wages act and 25 per cent representation for women in jobs and in technical institutes;

(3) recognition of the social nature of women's work in the family by way of house-work and child-care; only by providing socially arranged services for these activities can women be enabled to play an equal part in the development of our society; a women's cell should operate in every productive organisation to ensure the provision and proper running of such supportive services;

(4) provision of drinking water, as a matter of the highest priority, for the rural and urban poor;

(5) review of the EGS in order to enable women to take better advantage of it; more complete and comprehensive registration of unemployed women;

(6) provision of separate sanitary facilities for women in the rural areas and in areas where the urban poor live.

(7) enforcement of prohibition to save working class women and families from ruin (all the dalit and adivasi women strongly supported this demand).

The list of demands into which the conference tapered off was something of a disappointment after the inspiring beginning. The conference ended without discussion of what the difficulties are in getting the demands met or how various groups can spearhead programmes of action. In a system characterised by massive and growing unemployment, of men as well as women, will reservation have any meaning? Also who are the women who would get the reserved places? The question of minimum wages in agriculture cannot be dissociated from the land distribution problem and the economics of peasant-cultivation, any more than can the question of women's employment be viewed in isolation from the structure of property relations in society. This raises the question of the links of the women's movement to, and its place in, the larger political movement. Even in seeking partial solutions to specific problems questions of how and what action and by whom have to be raised. By skirting many such issues the conference lost some of its significance.

Nevertheless, there can be little doubt that without such initial exercises a women's movement cannot emerge.

LABOUR

Many Loose Ends

Timir Basu

THE proposed indefinite strike in the engineering industry from January 12 was called off following a tripartite settlement, long overdue, arrived at between employers and employees on January 11 on some 16 agreed terms. The last tripartite agreement in the engineering industry had been signed on June 25, 1973. The latest agreement will be binding with effect from January 1 and shall remain in force till December 31, 1981, if otherwise not terminated by either side by serving two months' notice.

The latest agreement is just a carbon copy of the 1973 agreement with some slight difference in the increase in basic pay and DA. The CITU was in such a hurry to avoid the embarrassment of a strike that its leaders forgot to discuss many issues which they had themselves raised in dozens of leaflets, circulars, etc. The objective was to [illegible]w secure an agreement.

After the expiry of the last agreement, employers had deprived workmen of some Rs 1.5 crores by delaying the 1973 settlement by four months. CITU had on that occasion accused the erstwhile Congress government of taking the side of the employers. This time, because of the much longer delay in the conclusion of the agreement, the workers' loss in wages amounts to Rs 10 crores if not more, but CITU is loth to blame its own government for this.

Further, factories employing less than 50 workmen have been kept out of the purview of the agreement. It is workers in these smaller units who are least organised and they continue to be deprived of the benefits of the tripartite settlement. At the time of signing the 1973 agreement it was stated that the case of workers of 'group A' units, i e, the small factories spread all over the Calcutta metropolitan district employing less than 50 workmen, would be separately decided. Nobody, however, cared to raise their case subsequently and the situation is no better today even with a CPI(M)-led government in power. According to the recent agreement, "terms and conditions of employment of workmen in the engineering units employing less than 50 workmen will be separately considered and determined by the government of West Bengal taking into consideration the demands of the federations and the unions". This is exactly identical to the clause, with the same wording, that had been included in the 1973 agreement. Neither the government nor the unions discussed the issue even once during the long period of negotiations leading up to the latest agreement. There is every reason, therefore, to think that, as at the time of the last agreement, the subject will now be quietly forgotten.

The number of parties to the latest agreement is the same as that to the last one, though BMS's Paschim Banga Engineering Mazdoor Sangh is one of the signatories for the first time. Its presence has been neutralised by the absence of the Engineering Association of India. The employers' side was represented this time by the Association of Indian Engineering Industries and any factory that does not owe allegiance to AIEA has thus every right to violate the principles laid down in the agreement.

Again, there is a wide gap between the workers' demands and their achievement. The nine federations of engineering workers submitted charters of demands on different dates in 1977 on the expiry of the June 1973 settlement. The demands included, among other things, a need-based minimum wage of Rs 632 per month, as per the fifteenth Tripartite Labour Conference, reopening of all closed and locked out factories, establishments and offices, stoppage of lay-off and retrenchment, full neutralisation of cost of living through DA, higher rate of yearly increments, increased house rent allowance for all workmen, proper categorisation, *reinstatement of all workers* who were victimised for their trade union activities and of those who had been prevented from joining their duties by hoodlums of employers and subsequently dismissed, filling up of vacancies, and last but not the least, abolition of use of the contract system of labour for doing work of a perennial nature.

The employers kept quiet over the

demands for a long time. The office of the Labour Commissioner did not get the comments of the Association of Engineering Industries before the end of October 1977. The management distorted the meaning of need-based minimum wage and refused to meet any of the demands of the workers. Attempts to open a dialogue with employers failed. So workmen throughout West Bengal jointly resorted to a one day token strike on December 15, 1977. Thereafter, the unions, led by CITU, delayed resort to the strike weapon, under one plea or another. Though in speeches and press statements, it was emphasised again and again that settlement of the workers' long-standing demands could brook no delay, the decision to launch an indefinite strike was taken only in October 1978 at a convention attended by CITU and its three allies

According to the new settlement, engineering units will be grouped into three categories — group A consisting of factories employing less than 50 workmen, group 'B' of units with between 50 and 249 workers and group C of units employing 250 or more workers The group 'D' category, units with more than 1,000 workmen, which had been introduced in the previous agreement, has been dispensed with this time So far as grouping is concerned, the exclusion of group 'A' from the ambit of the settlement is the most objectionable part of the agreement.

The basic wages of workmen in group 'B' will be increased by Rs 52 per month and that of those in group 'C' by Rs 56. The rates of increments of all categories of workmen at all stages will be enhanced by Rs 2 over the existing rates The last agreement had resulted in a pay rise of Rs 50 and Rs 54 on average and so the present settlement represents no marked improvement over it. Most important, the workers are still far from achieving their demand for a need-based minimum wage

Under the settlement, DA will continue to be linked with the consumer price index for the working class for Calcutta with 1960=100 as base. This 1960 base needs a thorough revision, if not total rejection. That the compilation of the 1960 series suffers from a number of defects, resulting in enormous loss of wages to workers, was never even raised by any of the unions at any stage. The rate of neutralisation is to be Rs 1.30 per point of rise or fall in the index, instead of Rs 1.15 as under the previous agreement But even this rise of Re 0.15 is not uniform, DA has been pegged at 300 points, which will be regarded as the floor level. For rise or fall between 300 and 314 points, the adjustment will continue as before, i e, at the rate of Rs 1.15 per point instead of a Rs 1.30.

The workers' demand for categorisation has been referred to the government for action, which simply means that there will be no action before the next settlement. Another controversial issue which has, as usual, been left undecided is that of piece rates and that of bringing piece-rating on par with time-rating. It has been agreed that "the existing piece rates (based on job rates) shall be suitably adjusted taking into account the average wage increase of the time rated workmen of the corresponding category. Pending suitable adjustment of the existing piece rates, these categories of workmen shall be given with effect from the date of effect of this agreement an *ad hoc* increase commensurate with the wages of the time-rated workmen of similar category". This will create many complications which might jeopardise the very purpose of the agreement.

Strangely enough, not a single union insisted on the abolition of contract labour in jobs of a perennial nature and there is no reference to this subject in the agreement. The fact is that even the most sophisticated units are resorting more and more to contract labour practices. Fresh recruitment of permanent workers has been virtually topped. Posts lie vacant year after year. Some one lakh workers have been thrown out of employment during the last few years and no retrenched worker will have his job back as for the next three years there will have to be complete industrial peace at any cost — that is the condition binding upon the parties to the latest agreement. Nor will the workmen get a single paisa for the period of the deliberate delay by the management in the conclusion of the agreement.

The implementation of the agreement can by no means be taken for granted. It is quite likely that a large number of employers will violate the principles of the agreement if past experience is any guide. Disputes regarding violation of the June 1973 agreement are still pending before the legal authorities without any action. For instance, 12 workers of Austin Distributors were sacked when they asked the management to implement the 1973 award. Such victimisation has been rampant. The cases of such workers should have been settled before the final seal was put on the latest settlement. This time once again there is no guarantee that workers in different establishments will not be victimised. Certainly, these factories which did not implement the 1973 award cannot be expected to take the new award any more seriously.

The government of West Bengal had issued an order on February 22, 1974 asking small engineering firms to pay a minimum wage of Rs 200 per month. However, the Calcutta High Court, on a petition under article 226 by some employers, passed a stay order in respect of their factories. The issue has been hanging fire since then and workers have not been getting the minimum wage. The CPI(M)-led Left Front government too has failed to single out the problems of workers of such small firms.

There will also be serious disputes over the fixation of the productivity norm, as this has been left to be done at the plant level. In the absence of any concrete guidelines, management will try to increase the workload as part of the implementation of the new agreement

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OFFICIALESE is the idiom in which the ruling class addresses what it calls "society". The importance of officialese in obfuscating blatant class interests and fostering a false consciousness is a matter that merits more than passing attention.

A good example of officialese at its obnoxious best is the Economic Survey for 1978-79 presented to the Lok Sabha by the Finance Minister. If sense has to be made of it, it has to be read, re-read, and cross-checked. On a single reading — which is what most people will give it — it tends to lead one away from fundamental issues in a reasonable sort of way. That is what it is meant to do, and that is why it is an important weapon in the armoury of the ruling class.

Two examples should suffice to make this point. The Economic Survey ends (page 58, para 8.27) thus: "Finally, a reference must be made to a problem which vitiates India's entire development effort, *viz*, the growing population. The problems of poverty and unemployment which the country currently faces are as much due to growing numbers as to the failure to raise national income rapidly .... It [the employment problem] would become almost insuperable if numbers are allowed to grow at current rates. .".

This, at the end of eight chapters and 57 pages in which the Indian economy's performance in 1978-79 is discussed. On a number of counts, it is flogging a dead horse. It assumes without proof that India's entire development effort is vitiated by the growing population. If we look at the per capita availability of food, we see that it is (marginally) higher today than in the late forties. So is the per capita availability of power, or of steel. But like the average depth of a river, this figure, even if taken together with the twenty million tons of food that are stockpiled, is deceptive, for it tells us nothing about why such large disparities exist. It is to this — actual policy of distribution in all its dimensions — that attention must be directed, not to the absolute number of people. And the point about the entire development effort must be exposed too. The Economic Survey itself talks of unutilised capacity and locked up resources, which on the whole has not shown any improvements over the last year (page 14). A development effort which keeps unemployed labour side by side with unemployed capital (in a situation that is not a Keynesian depression) is hardly one that deserves to be taken seriously. Thus one must ask why the false bogey of numbers of people is put together with a ludicrous development effort to conclude that population growth is the cause why "as a nation, we may be running as fast as we can, in Alice in Wonderland fashion, to remain in the same place".

Without in anyway denying that high rates of population growth will cause major problems in the future, it can be argued that the mythical population problem diverts people's attention from the basic cause: class domination.

The other case is the discussion on industrial unrest (page 56, para 8.16). The Economic Survey notes that the current state of industrial unrest indicates that it is more than a "natural reaction" to the "stringent restrictions imposed on legitimate trade union activity during the emergency". It goes on to say that "it seems that legitimate wage bargaining disputes are not always at the root of the unrest". Legitimate according to whom? And is wage bargaining the only sort of trade union activity that is legitimate, as this sentence implies? The Survey adds that "organised labour seems increasingly willing to use its strength to secure short term benefits for itself unmindful of the consequences of its actions on the society at large and on itself in the long run". The Economic Survey's argument about industrial unrest only needs to be related to the thesis of the Karnataka Chief Minister, Devraj Urs, that organised labour is responsible for poverty because it exploits unorganised labour. Apparently, the capitalist stands aloof from this whole process. The relevant section of the Economic Survey ends by advocating class harmony. "It is necessary to evolve a certain understanding in this regard with organised labour and other productive sections and society . it is most important that there is co-operation among the different sectors of society to increase the size of the national cake rather than competition in sharing it...".

The class role of officialese becomes clear.

A Case of An [illegible]

S K Bhattacharyya

Accumulated Deficits of Public Enterprises by J Satyanarayana, Institute of Public Enterprises, Hyderabad; pp 317, Rs 40.

IT is difficult to maintain the required academic-philosophical objectivity in looking at detailed statistical analysis of accumulated deficits of pubilc undertakings when a body so august as the World Bank said in its 1976 report on the Indian economic environment that the surpluses of Indian public enterprises were one of the most significant factors in the reversal of the inflationary trend. There has been much indulging in bravado at the turnaround in public enterprises' performance — figures have been quoted as to how companies which had wholly lost their equity base are now earning crores of rupees of profit. This is all to the good though some skeptics say that at least part of such profits can be attributed to the niceties of accounting, i e, innovative valuation of work-in-progress, turning the "stone eye" on uncollectible revenues, capitalising expenses which seem to lesser mortals to be revenue expenses! The new generation of accounting experts — at least some of them — in public enterprises seem to be able to take on their brothers-in-faith in private sector and beat them at their own game.

There is no doubt though that a new wind is blowing in the corporate world of the public sector and that several able and outstanding chief executives in key public sector undertakings have brought in a new dimension of management which is making these enterprises key instruments for the translation of our aspirations for economic development and growth. There is also little doubt that nowithstanding the change in the government, public sector undertakings will continue to play this new role of provider of resources for growth and development plans, generator of services and goods badly needed by the economy, innovators of R and D, exporters of goods and equipment which were always considered beyond the Indian threshold level. Many public undertakings are still lagging behind, but in statistical terms they are not all that significant, particularly after the turnaround of the high technology based enterprises.

In this [illegible]t, one is somewhat hard put to [illegible]n the required detachment [illegible]ectivity which seems to pervade Satyanarayana's work. Perhaps what renders it somewhat less than valuable at this point of time is that it relates to the period upto 1968 — almost a decade ago. Even then it would have been a useful contribution if one could glean from this exercise a historical understanding of why in the earlier stages, public sector undertakings incurred such heavy losses. The statistics are formidable. Even though the study relates to only 26 "losing concerns" (as the author terms them), the 300-odd pages including 97 tables — accounting for almost 50 per cent of the total volume — analysing in assorted permutations and combinations the different balance sheet figures of these 26 undertakings. It was Livingstone of Harvard Business School who said that statistical analysis carried out in a completely dispassionate manner unrelated to managerial purpose generates analysis paralysis. The book would have provided considerable grist to Livingstone's mills. Esoteric permutations and combinations are attempted. Some of them are not employed by financial analysts in real life situations, e g, analysis of sales to capital employed, loss on township as percentage of equity ("loss" being defined as the expense on township!), etc. Even the more conventional ones attempted by the author raise the basic question which has nagged financial analysts for many years, *viz*, how do you compare the figures in the balance-sheets of two companies when accounting methods relating to valuation of inventory, provision of depreciation, amortisation of expenses, etc, could be completely different? How relevant would be the comparison of undertakings with relatively modern equipment and technology with those which are not so blessed? How do you build into the analysis the problems of location, managerial styles and beliefs, problems of management structure and control, etc. Indeed there are some who contend that financial ratio analysis is useful only as trend analysis of the same enterprise over a period of time rather than as comparisons of ratios of one organisation with another.

Satyanarayana does provide overwhelming statistical evidence that in the sixties the profitability ratios of these 26 undertakings were low, inventory was high, social expenditure was considerable, etc, but can one look at all these without examining at some depth the context in which these undertakings operated. Is it not necessary to relate such analysis to the role assigned to them either in relation to generation of goods and services required for the economy or maintaining the price level or ensuring the critical mass of supplies. Since many of these undertakings were monopoly organisations, the easy solution would have been to just increase the prices of products, equipments and services to turn such "losses" into profits Would the deficit then become converted into desirable surpluses? If so what violence would it do to the very basic concept of the public sector? It would have been therefore reasonable if the analysis had been extended to the examination of the difficult, but nonetheless necessary, matching of social and financial objectives as also the managerial perspective of the operations of public undertakings during that period. In spite of very considerable statistical analysis work done, there is no evidence that this was attempted. Such an analysis would have required more than computation of financial ratios — analysis of the "policy" papers leading to the establishment of the unit, the annual reports of the administrative ministries, parliamentary debates and most importantly, interviews with the ministers, secretariat officials concerned with the operation of these undertakings, Planning Commission, Bureau of Public Enterprises and, most importantly, the managers at all levels of these public undertakings. Unless the problems identified by the financial analysis were matched by such indepth probes, they can only result in a morass of figures. The fact that during the last decade the situation has completely changed merely serves to strengthen the feeling of irrelevance of such studies. Obviously, the chemistry of management of public undertakings has changed during the last decade. Satyanarayana's work provides us with no clues about the backdrop for that forthcoming chemical reaction.

[illegible]

G R Kulkarni

This paper examines one typical case of a public sector company so as to study how problems arise in actual practice and what needs to be done to enable the management of that particular enterprise to further improve its working.

In the first part of the paper the author studies the functioning of the State Trading Corporation of India. The second part of the paper draws on this experience to formulate some tentative conclusions and recommendations with respect to the management of public sector enterprises as a whole. These may help in improving our understanding of the behaviour and performance of public sector managers and in examining the need for a clearer ideology for public sector management.

THE purpose of this paper is to identify and analyse some concrete problems which arise in the management of corporate public sector enterprises in India, and to make recommendations for treating them.

A number of public sector corporations have been set up under the Indian Companies Act during the past few years. These corporations are expected to function as autonomous undertakings on sound commercial principles. They are expected to operate efficiently and economically so as to minimise their costs of production, and also to serve social objectives. In certain cases social objectives are given more importance whereas in others social objectives may play a secondary role. Whereas profit is considered a good indicator of performance, it is not the only indicator. In cases where social objectives are given greater prominence, a shortfall in profitability may not be regarded adversely if the enterprise can show that it has made every effort to keep all its costs down to the minimum.

Public sector companies face the same problems in management as companies in the private sector, though it may appear that on account of government ownership and the privileges arising therefrom they are sometimes at an advantage over private companies with regard to the discharge of some of their functions. For example, they can raise funds more easily, they give the impression of being subject to lesser regulation and, on paper at least, they have greater freedom to expand, diversify, modernise, and innovate. Such advantage does not extend to areas like labour relations, availability of technology and technical manpower and the operation of market forces. However, when one talks of management problems in the public sector, one generally refers to problems which arise on account of the enterprises being government-owned, and being publicly accountable. Literature on the subject categorises such problems as those which arise from :

(a) multiple public accountability,
(b) interference from government,
(c) bureaucratic style of functioning, and
(d) lack of continuity and absence of stakes arising from lack of ownership status for management.

Many recommendations have been made to treat these problems in a generic way. In this paper we propose to take up one typical case of a public sector company so as to study how problems arise in actual practice and what needs to be done to enable the management of that particular enterprise to further improve its working. In the first part of the paper we shall study the functioning of the State Trading Corporation of India. The study is based on information collected from published sources such as annual reports, chairmen's speeches, publications of the Bureau of Public Enterprises and comments in various studies and reports, including reports of the Committee on Public Undertakings.

In the second part of the paper we shall draw on this experience to formulate some tentative conclusions and recommendations with respect to the management of public sector enterprises as a whole. These may help us in improving our understanding of the behaviour and performance of public sector managers and in examining the need for a clearer ideology for public sector management in this country.

I

The STC Situation

The State Trading Corporation was set up as a public sector company in 1956. It had two principal objectives :

(i) to broaden and enlarge the scope of India's exports, and thereby serve as a catalytic agency for developing non-traditional items for non-traditional markets; and
(ii) to arrange for essential imports.

Over the years, STC has come to be recognised as a successful public sector undertaking. As will be seen from Table 1, its turnover has increased rapidly.[1] Between 1972-73 and 1976-77 its exports increased from Rs 158 crores to Rs 661 crores and its imports increased from Rs 126 crores to Rs 299 crores. It has been a highly profitable undertaking. In 1975-76 the profit had risen to Rs 26.06 crores (Table 2). A substantial part of the profit is being made over to the exchequer in the form of taxes and dividends. STC has, therefore, acquired an image of a successful public sector company, in spite of its having to operate in the sensitive area of foreign trade, against world competition, on sound commercial principles.

Soon after the close of the accounting year 1976-77, two major developments took place. The international price of sugar (an important item in STC's export basket) dropped from a peak of £ 600 per tonne to £ 90. Sugar had contributed to Rs 464 crores to STC's export turnover in 1975-76, and Rs 152 crores in 1976-77 (Table 3). Now sugar had ceased to be an exportable commodity because, at £ 90 per tonne, it was no longer worth exporting any sugar from India.

The second development related to changes in government's foreign trade policy. Between 1964 and 1974, government had canalised a number of items for export and import exclusively through the STC (Table 4). In 1976-77, 76 per cent of STC's exports and 97 per cent of STC's imports consisted of canalised items (Table 1). The trend towards decanalisation, started in 1974, was accelerated after the recommendations of the Alexander Committee on Foreign Trade Policy in early 1978. Several items were likely to be decanalised and imports were likely to be liberalised.

These two developments posed a threat of an immediate and substantial drop in STC's turnover and profits. Since there was very little scope for an

Table 1 : Performance Record of STC

(Rs in crores)

	Total	Canalised	Per Cent	Non-canalised	Per Cent
Exports					
1972-73	158	117	74	41	26
1973-74	260	229	88	31	12
1974-75	549	515	94	34	6
1975-76	744	681	92	63	8
1976-77	661	505	76	156	24
Imports					
1972-73	126	94	75	32	25
1973-74	159	121	76	38	24
1974-75	215	198	92	17	8
1975-76	158	114	72	44	28
1976-77	299	291	97	8	3
Trading Profits[1] on Exports and Imports (Per Cent)					
Exports					
1975-76	26.66	NA	NA	NA	NA
1976-77	30 29	NA	NA	NA	NA
Imports					
1975-76	73 34	NA	NA	NA	NA
1976-77	30 29	NA	NA	NA	NA

[1] Excluding profits/losses on imported cars and other domestic turnover

immediate expansion of trade in the other remaining products, STC's management was faced with two major problems :

(i) There could be a substantial reduction in the volume of work. What should be done to find work for the staff which STC had recruited over the years as its business expanded, and what should be done to cover fixed costs;

(ii) What new business should the STC undertake immediately and over the next few years; and for this purpose :

(a) how should new products be identified,

(b) how should new markets be identified,

(c) how should sources of supply be developed,

(d) how should markets be developed,

(e) how should personnel be developed to undertake new tasks, especially in the areas of procurement, merchandising and marketing, and

(f) how should the new operations be funded.

Alternative Approaches

In dealing with the two management problems described above, STC could possibly consider the following alternatives :

(i) Keep its fingers crossed and hope that, in spite of government's declared policy to reduce canalisation, market forces may still compel government to resort to canalisation and/or trading on government account in certain specific commodities and to use STC as a canalising agency This approach involves great uncertainty, in any case, trading opportunities may not come forth in sufficient volume to make up for the volume likely to be lost

(ii) Select a few products on its own and take steps for a rapid increase in their exports/imports so as to eliminate dependence on government to assign business from time to time. If this alternative is to be pursued, several difficult questions have to be answered, e g, what should be the criteria by which these products are to be selected? Where is information available about export potential or import needs? Should STC start a manufacturing activity, to provide an assured supply base for exports? What should this be and how big should be the activity? What could be done to attract Indian producers/manufacturers to come to STC for exporting their products? Do they have surpluses to export? What should STC do to motivate them to increase the surpluses available for export? What if they desert STC after STC has established a market for their products overseas? Would these operations result in profit or loss? Would not the image of STC suffer if it incurs a loss for the first time in several years? How would government view this approach?

(iii) The Commerce Minister, Mohan Dharia, has suggested some broad guidelines for STC's future working.[2] These include STC becoming an instrument of socio-economic development and for assisting the government in controlling the commanding heights of the economy. STC is also expected to assist in securing job-oriented economic development in the small scale sector. Should STC give these considerations primary importance in selecting its new product markets even though it might mean lesser profitability and even losses in the bargain? But what about its image? And what about the adverse notice it will attract in Parliament? So, should STC take up such activity on a smaller scale, and concentrate on other profit producing opportunities?

Implications of Change

Unless some unexpected development takes place, whereby alternative (i) above becomes feasible, a major strategic shift is inescapable, and such a shift can neither be planned nor implemented easily The STC management is likely to find that the initiative it can take is considerably limited because of its special status as a public sector company. The following observations help clarify this further :

(i) Though the objectives with which government established STC are known and clear, STC management has rarely taken any major entrepreneurial decision on its own Almost all business has been assigned to it by government notifications. The organisation has almost got into the habit of looking to government for providing leadership in making entrepreneurial choices.

(ii) Over the years the "concept of business" has turned out to be to trade in products/commodities assigned by government from time to time. There seem

Table 2A: Profit and Loss Account for the Year Ended 31-3-1977

(Rs in crores)

Particulars		1976-77	1975-76
Income			
Net sales		975.45	980.99
Stock transferred to subsidiary		11.73	—
Other Income		41.99	5.45
		1029.17	986.44
Less: Cost of sales		1002.73	969.93
Trading profit		26.44	16.51
Interest		3.06	2.39
Miscellaneous income		5.70	3.19
		35.20	22.09
Expenditure			
Administrative overheads		7.15	6.17
Interest		0.67	0.95
Depreciation		0.21	0.17
Write-offs		0.03	0.06
Provisions		0.48	0.19
		8.54	7.54
Profit before tax		26.66	14.55
		35.20	22.09
Profit before tax		26.66	14.55
Provision for tax		17.22	8.85
After tax		9.44	5.70
Appropriation			
Profit after tax		9.44	5.70
Reimbursement of past deficit on edible oils	19.76		
Less Provision for tax	14.40	5.36	
Transfer from bonus reserve		0.28	0.22
		15.08	5.92
Proposed dividend		1.50	1.50
Transfer to export development reserve		3.00	3.00
Transfer to bonus reserve		0.25	0.28
Transfer to general reserve		10.33	1.14
		15.08	5.92

to be no guidelines or criteria for choice by STC management of new products/markets. The product mix of the company is highly unstable. There is no distinctive competence in any particular product or market or in any task or activity. It will be immensely difficult for management now to choose a few new areas for concentrated effort on their own.

(iii) Trading in exclusively assigned items constitutes monopoly. Exporters themselves have to approach STC and so also importers. Therefore, little is developed by way of expertise to locate and develop sources of supply for exportable products. There seem to be no major long term relationships between STC and Indian producers nor major long term stakes through developmental efforts in foreign markets.

(iv) Little is also developed by way of expertise in procuring imports from sources of supply abroad. In the past the approach has been *ad hoc* and if, in the process, imports were procured at higher than the justifiable prices, the burden could always be passed on to the actual user of the imported item by charging him higher prices. Procurement was in turn dependant on the line of credit available and there was little choice but to import from that source at the stated prices.

(v) Much of the expertise is in operating as an agent, in processing indents and tenders and in transportation and distribution, not in merchandising, procurement, or marketing. It will take considerable time and effort to develop such expertise within the Corporation.

(vi) A strategic shift may involve trading on the company's own account and at its own risk. Since risks have not been taken in the past, it will take quite some time and effort to inculcate a change in attitude among personnel at this stage, after some 20 years of working under a different system. Secondly, the nature of accountability to Parliament, Audit, etc, as perceived by people, whether real or not, may act, as a further deterrent to a move in this direction.

(vii) In the past profits have come mainly from canalised imports. If the emphasis now shifts to exports, which in a competitive situation may not be profitable, a conscious decision will have to be taken to remain satisfied with a reduced or negative profitability for several years to come. This may not be an immediate cause for concern in view of the comfortable financial position of the company. It has Rs 36 crores of accumulated reserves against a requirement of only Rs 1.8 crores to meet a 15 per cent dividend payment on the paid up capital. But a conscious and a clear-cut decision on these lines will be needed on the part of the company as well as the government.

(viii) As a public sector corporation, what will be the limits to the authority and power of corporate management? What will be its role in bringing about change and what will be the role of the "government"?

The Management So Far

If one looks at the objectives with which STC was started in 1956, and the objectives which it may now try to pursue, there is little noticeable difference. Development of new export items to new markets continues to be the principal objective. So does management of essential imports. The first one implies overseas market surveys, identification of product markets with potentials, working with other development agencies within the country to secure production of desired items by different producers/manufacturers, assured offtake by STC of such production at remunerative prices, development of proprietory brands where necessary and effective marketing overseas with an assurance of sustained supplies for a long period. Managing imports of essential items implies formulation of a system to identify items where imports are currently essential or may become essential some time later, monitoring the supply and demand situation as also the price levels within the country, working with different government and non-government agencies to forecast

TABLE 2B : BALANCE SHEET AS AT 31-3-1977

(Rs in crores)

Particulars	31-3-1977		31-3-1976	
Funds Employed				
Shareholders' Funds				
Share Capital	10.00		10.00	
Reserves	36.15	46.15	23.90	33.90
Loan Funds		7.21		7.54
		53.36		41.44
Application of Funds				
Fixed assets		3.34		3.07
Investments		6.30		14.20
Current Assets				
Stock, sundry debtors, cash and bank balance	144.45		54.78	
Loans and advances	48.37	192.82	99.54	154.32
Less : Current liabilities and provisions		149.10		130.17
Net current assets		43.72		24.15
		53.36		41.44

import requirements, making adequate arrangements for imports at competitive prices, as also for distribution within the country. However, over the years STC has not concentrated on such tasks. It has functioned mainly as an agency house for government, which was perhaps never the stated objective. The explanation for this situation probably lies in the system under which STC operates, the public sector *management* system.

INSTRUMENT OF POLICY

After incorporating the STC as an autonomous public sector company, government set about shaping it into an instrument of government policy. For that is what public sector corporations are intended to be; and, in turn, government is also held accountable for their performance to Parliament.

Initially, civil servants manned all senior positions in the Corporation including that of Chairman and Managing Director. *Being civil servants themselves*, they would probably have been in the best position to understand government policy and help constructively in shaping the STC into an instrument of such policy.

The Board was constituted from among representatives of different ministries so that "interests", "viewpoints" and "policy" of different ministries got due representations.

Very few important decisions were to be taken without reference to government. High value sales and purchase contracts were to be approved by government in advance. Sales prices for imported commodities were to be fixed by the government. Opening of offices, appointment of senior personnel and proposals for capital expenditure could be finalised only with government's prior approval.

Government issued notifications canalising one item after another through the STC. STC was rarely consulted.

(a) whether STC considered such canalisation necessary,

(b) whether it had done adequate preparatory work to administer it, and

(c) the extent to which STC could do justice to the objectives of canalisation within its existing resources, the additional resources needed and the ultimate cost benefit of the proposed policy. In fact even after canalisation government may not have necessarily communicated to STC the exact objective of canalisation and the qualitative results expected of STC with reference to which its performance in this regard could be apprised.

The STC management came to regard canalisation as a great blessing, because it conferred on it monopoly rights. It provided an opportunity to make a profit without the probability of any serious questioning or evaluation of the attention paid to socio-economic considerations. In later years, we also witnessed the spectacle of some canalising agencies fighting with others to ensure that particular items on the canalisation lists were assigned to them and not to the others.

At this stage the original objectives of promoting exports, STC being a major catalytic agency for broadening and diversifying India's export base, etc, were probably lost sight of both by the government and STC. The policy for which STC was the instrument no longer related to these objectives. Instead STC became an instrument to implement the policy of canalisation. The Ministry of Commerce evaluated its own performance by reference to the total export turnover from India. As it rose, the Ministry felt contented. No questions were asked as to the earnings of convertible currency, the degree of subsidisation of exports or the adverse changes in the terms of trade. The only indicator of performance of the ministry was India's export turnover. STC also came to evaluate itself in terms of growth in its own turnover. No questions were asked about profitability of exports, balance between canalised and non-canalised items, development of marketing expertise or the concern for socio-economic objectives. No questions were also asked while evaluating performance about the degree of satisfaction of customers of STC, its quality of service or the efficiency of its operations. Profits reached record levels. Dividends were declared. Huge reserves were built and large cash balances were accumulated much in excess of the company's requirements. The company got credit for profits which it could earn only because it had a monopoly and it could charge very high prices from importers of canalised items. Sometimes questions were, in fact, raised whether these profits rightfully belonged to the Corporation or to the government. Those who believed that such a distinction did not matter because both agencies were ultimately "government", had come to treat STC not as a distinct autonomous entity, but as a part of government itself. In fact many in the STC also came to share this belief.

DEFINING STC's NEW ROLE

From the speeches of the Commerce Minister[3] and the STC Chairman,[4] it seems clear that both the government and the company are keen on changing STC from an agency of government to an effective, autonomous company which acts as a spearhead of India's export effort as also a stabilising influence on domestic prices through timely imports. In choosing its product-markets in furtherance of this primary objective STC will have to give substantial consideration to the prospects of creating new job opportunities in the small-scale

TABLE 3 : PRINCIPAL EXPORTS AND IMPORTS OF STC DURING THE PERIOD 1971-72 TO 1976-77

EXPORTS

(Items of Rs 1 crore and above—fob value, Rs crores)

Commodity	C/NC	1971-72	1972-73	1973-74	1974-75	1975-76	76-77
Sugar	(C) (G)				313	464	152
Semi-processed leather	(C)	1	58	141	110	138	150
Castor oil	(C)	3	14	22	16	16	30
Footwear leather	(C)	3	6	11	19	15	26
Cement and clinker	(C)	2	2	2	9	13	22
Army software		*	1	1	8	11	3
Rice basmati	(C)	2	3	8	26	11	6
Shellac/lac	(C)	—		—	—	11	9
Art silk fabrics		5	9	32	15	6	3
Silver		—				5	91
Opium crude	(C)	1	2	2	3	5	5
Readymade garment		1	3	2	3	5	4
Coffee		2	7	3	6	5	56
Tobacco (unmfd)		1	10	6	1	4	11
Linseed oil		—	—		—	4	
Jute goods		20	11	11	4	4	7
Salt	(C)	1	2	1	2	3	2
Leather finished		—		—	—	2	9
Lemongrass oil	(C)	1	1	2	1	2	1
Cnvs/plastic footwear	(C)	*	1	*	—	2	3
Groundnut ker HPS		—	—			2	1
Molasses		*	*	*	*	2	2
Processed foods		1	2	*	*	2	3
Leather component		*	1	1	2	2	4
Rosh meat		—				1	2
Cotton textiles		—	—	—	1	—	3
Spices							5
Barley					—	—	3
Construction materials		—	1	1	1	—	2

IMPORTS

Commodity	N/NC	1971-72	1972-73	1973-74	1974-75	1975-76	76-77
Newsprint	(C)	17	11	12	41	33	57
Wool	(C)	14	18	22	20	19	15
Palm oil (edible)	(C) (G)	*	2	16	11	16	28
Rayongrade woodpulp	(C)	6	13	0	10	14	11
DDT		1	2	2	5	7	5
Synthetic rubber	(C)	1	4	4	6	6	7
Caprolactum	(C)	3	6	5	8	5	5
Rapeseed oil		—	2	14	17	4	25
Alkyl/dod benzene	(C)	1	2	2	6	3	NA
Eadrine technical	(C)	1	2	2	3	3	NA
Chlrene diphsphat	(C)	*	*	*	1	3	NA
Palm oil (soap)	(C) (G)	—	—	13	1	3	1
Sunflower seed oil	(C) (G)	—	—	—	—	2	2
Rapeseed		4	10	3	2	2	Nil
Sisal/manila hempt	(C)	1	2	2	1	2	1
Paraxylene	(C)	—	*	—	1	2	NA
Tallow	(C)	19	10	7	21	2	17
Carbaryl tech	(C)	—	*	*	3	1	NA
Tetracycline HCL	(C)	1	*	1	2	1	NA
Poly fila yarn	(C)	*	1	*	*	1	1
Stainless steel		—	2	1	1	1	
Ampicil trihyd	(C)	—	—	*	1	1	NA
B H C technical		—	—	—	2	1	NA
Art silk yarn	(C)	—	—		—	1	—
Chloram powder	(C)	1	1	1	1	1	NA
Pot chloride	(C)	*	1	1	1	1	NA
Soya bean oil	(C) (G)	—	18	12	4	2	96
DMT	(C)	—	5	1	—	—	11
M E glycol	(C)		—		—	—	6
Poly fibre		—	2	1	—	—	5

(C) Denotes Canalised. (G) Denotes on Government account.
*Denotes value below Rs 50 lakhs.

sector and will also have to bear in mind the need to acquire market influence in those sectors which enable government to exercise greater control over the commanding heights of the economy.

What are the implications of STC planning for such a role:

(i) As captive business declines, STC management will be called upon to do some strategic thinking to create new business, much of which may be in the area of developmental exports. In the past STC management had devoted little time to such thinking.

(ii) Much of the new business will be on STC's own account and at its own risk. STC will, therefore, have to assume the role of a genuine trader operating in a competitive environment. This implies greater initiative and care in the choice of business, commitment of resources and formulation of buying and selling strategies.

(iii) Further strategic thinking will be called for on the part of STC management to ensure internal consistency among the above sets of policies and other connected policies so as to ensure overall viability.

(iv) STC management will have to *initiate action to create* sources of information on the basis of which strategic decisions could be taken.

(v) Appropriate skills will have to be developed among personnel to carry out the new tasks. First an assessment has to be made of the available skills and expertise. This will indicate the degree of internal competence. Trading operations are not all of the same kind and require different types of expertise and competence. For example, very broadly speaking trading in "commodities" differs from trading in "products". In the case of agricultural commodities supplies depend on the availability of surpluses in the market. Demand overseas depends upon the world crop situation. International trading is done through organised markets, called "commodity exchanges" or through direct government to government negotiation. Transactions are put through *via* telexes and telephones, exchanging information and instructions between STC officers and brokers. The number of transactions is limited and each transaction is of a very high value, often over a crore of rupees. Field trips for marketing are comparatively limited. Prices fluctuate erratically and there is a tendency for cyclic behaviour. On the other hand.

TABLE 4 : NUMBER OF ITEMS CANALISED AND DECANALISED

Year	Imports		Exports	
	No of Items Canalised	No of Items Decanalised	No of Items Canalised	No of Items Decanalised
Until 1967-68	5	0	11	0
1968-69	4	0	—	0
1969-70	12	0	1	0
1970-71	36	0	—	0
1971-72	40	0	1	0
1972-73	39	0	3	0
1973-74	23	0	14	0
1974-75	7	0	3	2
1975-76	1	9	8	0
1976-77	7	10	4	2
Total	174	19	45	4

in the case of "products", that is manufactured and proprietory items, the situation is radically different. Sources of supply can be developed through managerial action. Better values can be obtained and demand created through "brand" selling and strategies. Product management, merchandising, and marketing can help management get on top of the market as against being at the mercy of the market, as in commodity selling. Prices can be managed. The contribution of 'product' selling to improving the "terms of trade" is much more than in the case of 'commodity' selling.

Just as management of commodity trading and management of product trading require different strategic approaches and operational skills, different commodities and different products will have their own individualities from the point of view of management. The choice of products and markets has to be matched with available skills in the first instance. Thereafter skills have to be developed where they are lacking.

(vi) For the purpose of trading in commodities, a commodity specialist group will have to be developed. The choice of commodities will depend upon the availability of the concerned specialists. For the purpose of trading in products, the emphasis will no doubt be on an appreciation of all important developments with regard to the concerned product in its global context, but with a special stress on the constantly changing merchandising and marketing techniques and the emergence of competitive product substitutes in different parts of the world. This will involve a major strategic shift in so far as STC may have to go into brand selling on a substantially increased scale than it has ever attempted in the past. Product specialists will have to be developed individually for different product groups. New products can be taken up only along with the development of such expertise.

(vii) A time-horizon during which the above changes should be put through will also have to be determined in advance.

Operationally speaking, the above approach would involve a detailed understanding and appraisal of several factors. Final choices will depend upon the results of such appraisal, value judgments and degree of risk which STC management is willing to undertake.

Government could lay down the policy objectives; but cannot become a party to the decisions as regard to choice of management strategy or operational issues such as approval to individual contracts, their pricing and their profitability, save in very exceptional cases. If a practice had evolved to delegate some decisions to Board sub-committees, care should be taken to see that a government director is not a member of such sub-committees; otherwise the decision is likely to be pushed on to him. Likewise, in the matter of personnel to be employed, the manner in which the organisation is to be structured and the nature of schemes to be formulated to implement government's policy objectives etc, decisions should be substantially left to the STC management itself; subject of course, to the overriding condition that all actions are in conformity with government directives already issued on the subject.

RELATIONSHIP WITH GOVERNMENT

Can the STC go over to such a system of decision making? STC is a fully owned government corporation. It is government's responsibility to ensure that it performs effectively as an instrument of government's policy. Government is accountable to Parliament for such performance. If government does not take such part as it used to in the management of STC, how can government be expected to discharge such responsibility? There are two possibilities :

(a) have STC's task determined well in advance and hold STC management accountable for results, and

(b) require that all important decisions are taken with the knowledge, involvement and approval of government.

A number of positions between these two extremes are possible, depending upon various factors such as historical practice, operational styles of different executives and conscious attention devoted to a periodic review of systems and procedures. Perhaps current practice is more close to alternative (b) than alternative (a). Unless we move closer to alternative (a) and away from alternative (b), we shall be faced with the same problems as in the past.

As against the present practice of securing annual performance budgets in advance in quantitative terms from the STC, it might be advisable to obtain comprehensive budget proposals indicating not only quantitative targets, but also qualitative information such as (1) proposals, if any, for canalisation, (2) criteria for choice of new business and new schemes including proposals for new products/commodities to be taken up during the following year, having regard to social, developmental and commercial objectives. (3) guidelines for allocation of resources (4) indicative advance planning of trading on government account and (5) an integrated review of performance by reference to already established criteria.

Similarly, there could be frequent exchanges and consultation between the company and the government on strategic aspects of developments in the international environment, as monitored by the STC, with recommendation for advance planning or action by government including the additional role to be assigned to the STC. In other words, STC could function as a field agency monitoring

different sectors of the trading environment, not only through its own perspective, but also through the eyes of the government and making available to the government useful feedback for timely action. It is possible that the STC may like to limit its concern to the monitoring of the environment with respect to a few selected commodities which it can competently manage, instead of being asked at the last minute to take up the management of a product or commodity which has already become problematic in the Indian market.

WORKABILITY OF RECOMMENDATIONS

From the foregoing analysis, it would appear that to ensure success in the changed role which is envisaged for the STC, a basic change will be required in the relationship between government and the company. Government will have to limit its role to defining policy and giving advance instructions and directives. STC management will have to be rendered substantially autonomous and accountable to the government for a predetermined range of performance to be evaluated by pre-determined criteria. Will it be possible to meet this requirement and if it is not met, would the degree of success in achieving the objectives be affected adversely? The experience with regard to management of public sector enterprise so far shows that the probability of the requirement being met is low and also that the answer to the latter part of the question is in the affirmative unless special efforts are made both by government and the company to forge new relationships and new methods of working. The general experience so far shows that there are likely to be several difficulties in practice to a change-over in the pattern of relationships from the existing to the desired form. The present manner of functioning provides for an effective diffusion of responsibility. A ministry and a company can be mutually supportive as against the outside world. Secondly, the present style of management enables the system to acquire reserves outside the Consolidated Fund of India. A good deal of initiative and effort will, therefore, be needed to secure a break from the past and introduce new styles and new relationships. This may mean a change-over to performance orientation as against procedure orientation and a long term commitment to the strategy once developed. The staff will need to be reassured and given protection as also encouragement in changing over to a result based system. The competence to create a new managerial system is there; the compelling force has to be developed. Otherwise STC might end up wishing for some new external developments, which could enable it to continue the *status quo* and successfully operate along alternative one out of the three alternative approaches identified earlier.

II

Management Problems: Conclusions and Recommendations

The STC experience described in the preceding section has helped us to see how some unique management problems arise in a public sector corporation. It can be argued that STC is not a typical public sector undertaking and that the kind of problems described in the STC situation have little wider relevance. For, STC is a trading company whereas many of the important public sector companies are manufacturing concerns. In the STC, several buying and selling decisions involving large sums of money are taken regularly, whereas in the case of a manufacturing concern major investment decisions are taken only very rarely. Similarly, government officers are likely to feel more at ease with trading type of decisions as compared with decisions involving considerations of complex technology. Therefore, it can be argued that there is likely to be a much greater degree of managerial autonomy in the case of manufacturing concerns. In our opinion, this is not so. Even though capital investment decisions may be taken less frequently, there are a host of decisions including product mix decisions, pricing decisions, personnel decisions, etc, which are called for almost from day to day. The similarity or dissimilarity between STC and other undertakings does not depend on the nature of activity or the nature of the product mix, but on the fact that the ministry and a public sector company under its control often constitute a mutually supportive system. The management of the enterprise likes to lean on the ministry so that the ministry shares in its responsibility and the ministry, in turn, likes to let it do so, so that it can duly exercise effective control and enjoy a sense of real power. Together they face the outside world as a unified entity. Many people perceive a public sector enterprise to be synonymous with government and the perception is not called in question often.

The STC experience, therefore, has a much wider relevance and should help us see some typical problems of public sector corporate management in their true perspective.

We notice that STC has been making good profits and enjoys a good image on this score. We also notice that the good profits are a result of the choice of business mix which includes more of monopoly trading and very little by way of attention to the difficult task of social change and/or development. Whether by accident or design, the pattern of choice has been consistent for several years. We notice similar behaviour on the part of many public sector companies, all of which are either making good profits or trying to do so. As a general proposition, we can hypothesise that a public sector company which makes good profits acquires a reputation as a well managed company. Such reputation creates good morale all round, especially good employment morale. Once a company has earned such a reputation no questions are raised or exception taken to the degree of attention (or the lack of it) paid to socially oriented objectives etc. Conversely, every management wants to try its utmost to secure a high degree of profitability for its operations from year to year. This compelling need to improve its profit performance influences the manner in which choices are made in business decisions such as: less/more social objective, lower/higher prices for products etc. BHEL, HPF, IOC and EPIL are instances which show how reputations are made through superior profit performance. ECIL is an instance which shows how reputations are lost through failure to sustain the level of performance. We can, therefore, conclude that profit now has come to be regarded as the single-most important indicator of managerial efficiency and performance in the public sector.

Public sector companies are considered to be instruments of government policy. The need for adequate economic performance, measured by "profit", sets certain limits within which a corporation can be used as an instrument of policy. For example, in the STC case, government has intended to use STC as an instrument of policy for diversifying the export base, manage imports, check profiteering, assist in developing the small sector and backward areas and create employment. We notice that STC has done a good job of trading as an agent of government. It has not been

is an instrument in other [illegible]. In future also the likelihood of actual schemes being formulated in furtherance of these objectives will depend upon the extent to which they are likely to contribute to STC's profits in the near future. If profits are not seen as likely to accrue, there is going to be much lesser interest in thinking through such schemes and overall commitment will tend to be marginal. In the long run, such schemes may peter out and be rendered defunct. It is, therefore, desirable that the government clearly identifies the limits within which a particular corporation can function as an instrument of policy. Where different policies of government have contradictory objectives, e g, commercial efficiency, performance of developmental tasks, service orientation, etc, it may be unwise to use the same corporation as a combined instrument for all the policies. For, in the long run, the economic objective will tend to gain preference over all other objectives which are socially important and desirable. There is a risk of the latter being neglected altogether. Other instruments of policy should be thought of to give effect to such objectives. These may include development agencies financed independently for the tasks they are expected to perform. They may be entrusted with an expenditure budget and held accountable for securing certain specific qualitative and quantitative results. They need not make profits.

Identifying long term corporate goals in a public sector company is a great problem. These get decided, from time to time, by the Chairman and corporate management, the Secretary of the Ministry and the concerned minister. We need a long term corporate commitment expressed as an entrepreneurial perception, i e, in the form of a "concept of business" of the corporation — not in the form of components of the utility function but its vector. Such a commitment only will enable a corporation to acquire and develop a certain distinctive competence, which will give it a uniqueness of individual personality and character. However, in practice it is most difficult to satisfy this requirement. Political discontinuity at the ministerial level in government affects the continuity of policy at the corporate level. Similarly corporate managements themselves seek to surrender some of their autonomy to government.

It has to be accepted that the degree of autonomy, which managements of public sector corporations will enjoy, is bound to be limited as compared with the autonomy enjoyed by the managements of certain private sector companies. This is because the public sector company is an integral part of the public sector management system consisting of itself and its controlling ministry. Once this is realised, the nature and quantum of autonomy has to be worked out mutually by negotiation and exchange of views. There is no other standard solution. It will take some more time for government and companies to understand and appreciate the reality and seriousness of this proposition. With more experience of working the system, the concerned partners will acquire the necessary perspective and negotiating skills. Most public sector companies at present enjoy exclusive market power which is almost monopolistic in nature. It is natural for their management to want to continue to be in this situation as also be able to prescribe the desired levels of prices for their products. It is only situations where the product is marketed to the masses that the community controls those monopolies, e g, the post-card of P and T and second class fares in Railways. In other cases, "public" accountability is not a serious deterrent to the exercise of monopoly power by public sector companies. However, support of the ministry is needed. This is sometimes justified in the name of preventing "unhealthy" competition. It is this factor which prevents corporate managements from working out greater autonomy for themselves *vis-a-vis* the ministries; the discomfort and fear of losing the sympathy and support of the ministry in being able to perpetuate the monopolistic advantage. Support of the ministry is needed also for various other reasons from time to time. The company management is therefore willing, and sometimes even desirous, of shedding a part of its autonomy in favour of the ministry. We will continue to have instances like "77" cold drink being assigned to Modern Bakeries, without examining whether the product fits with the other product mix of the company. We will also have instances of two public sector trading companies insisting that a particular product may be "assigned" to each of them exclusively by a ministry order. Therefore, the degree of autonomy desired by corporate managements will be less than what may be considered ideal from the point of view of efficient management.

There will be no easy solutions to problems of management in the public sector. The limitations identified above will have to be accepted as facts of life and attempts made to optimise the efficiency of the system to which the unit in question happens to belong. Changes will come as more experience is gained and pressures mount on the public sector systems to show better performance.

Notes

[An earlier version of this paper was presented at the Third National Conference on Management Research held at the Indian Institute of Management, Calcutta The author is grateful to K Balakrishnan and N C B Nath for their comments.]

1 Particulars of important items with appropriate classification could be had from Table 3.
2 Commerce Minister Mohan Dharia's speech at 21st Annual General Meeting of the Corporation in September 1977.
3 See, for instance, *ibid.*
4 Chairman, S C Bhattacharjee's speech at 21st Annual General Meeting of the Corporation in September 1977.

A Case Study

K P Kannan

This paper presents an economic evaluation of a land development project in a water-logged area in central Kerala — the Trichur Kole Land Development Project — recently undertaken by the state government with financial assistance from the Agricultural Refinance and Development Corporation.

The author attempts to distinguish the different groups that would be affected by the project, their respective net gains, and how they affect considerations of social profitability.

This attempt at a cost-benefit analysis specifically views the project from the point of view of its benefits and costs at market prices, its impact on farmers, labourers and poorer sections, and in terms of regional development and larger social values.

I

IN the selection of development projects, economic evaluation, understood in the sense of detailed social cost-benefit analysis, is being increasingly advocated by not only national planning authorities but also domestic as well as international financing agencies. The purpose is to assess the net worth of a project not merely from the point of view of the groups directly involved but also from the broader social angle. The latter alone would provide a total framework to judge a project's overall impact. In practice, however, very few projects are subjected to an economic evaluation in the above sense, in a systematic fashion. The problems encountered are not merely one of methodology; they are often much more basic in character. Some of them relate to the total absence of technical alternatives being considered at the stage of design, the tendency to rely on *ad hoc* methods of estimating costs and benefits — often inflating both or underestimating the former and overestimating the latter — and a clear lack of interaction of persons from different disciplines which is particularly crucial in agricultural projects. It is, however, not contended that these aspects of micro-level planning are the only important considerations, the intention is only to point out that they constitute the foundation for a sound project analysis.

The project under examination is a land development project in a water-logged area in central Kerala (Trichur Kole Land Development Project) recently undertaken by the state government with financial assistance from the Agricultural Refinance and Development Corporation. The project, as conceived by the authorities, is not an exception to the limitations mentioned earlier. However, our exercise is an attempt to demonstrate how best one can go about with the economic evaluation of a project of this kind. More often than not, both the project sponsors and financial institutions are satisfied with the evaluation which takes into account their respective costs and returns. The role of different groups involved and their respective net gains and how they affect the considerations of social profitability are hardly tackled. Particular emphasis has been given here to such aspects.

For our analysis, we had to rely in a number of places on independent sources of data and our informed judgments. On this basis, four alternative variants of the project were considered and their relative worth examined. Methodologically, the general principles of project evaluation have been applied although no attempt has been made to strait-jacket the analysis to any standard methodology of project evaluation in its entirety. The scope of our evaluation could have been expanded to take into account such aspects of 'externalities' as the impact on the ecology of the area and objectives like income distributional effects since the benefits accrue to different sections consisting of farmers from various size-groups and agricultural labourers. Omission of these aspects, especially the former, is due mainly to the non-availability of reliable data at a sufficiently disaggregated level.

First, a brief description of the project. The low-lying area extending from the banks of the Chalakudy river in Trichur district upto Ponnani in the north is known as Kole land. These lands covering an area of about 180 sq kms being below mean sea level remain water-logged for a major part — about seven months — of the year. Another similar land-depressed area in the state is the Kuttanad region covering an area of about 874 sq kms.

Though the Kole land area is very fertile because of the silt and other waste materials deposited during floods, the scope for regular cultivation of paddy is confined largely to a single crop (*punja*) during summer, between January and May. When the north-east monsoon tapers off by the end of November the fields are dewatered by pumping water out into the canals. To start with, the water requirements of this crop were being met from water stored in the channels and depressions but from 1957 onwards they are met mainly from the Peechi reservoir. The total area in the Kole lands under the summer crop is about 11,000 hectares.

A winter crop (*mundakan*) was first raised in the Kole lands in 1966 and winter cropping has gradually been extended to an area of 3,500 hectares. The major hazard this crop faces is of flooding during the north-east monsoon. The winter crop is raised by dewatering the fields immediately after the cessation of south-west monsoon in August. Temporary bunds are then constructed to prevent flooding during the north-east monsoon in October-November. The crop is of a shorter duration and the risks involved in raising this crop are considerably greater than the summer crop. Table 1 summarises the present cropping pattern in the Kole lands.

As part of the state government's programme of increasing the production of paddy through intensive cultivation measures — the scope for extensive cultivation is limited in Kerala because of the near-full utilisation of cultivable area — Kole land area was taken up for development.[1] Accordingly, a feasibility study conducted in 1969 suggested permanent bunding of the Kole fields and improving and widening of the Kole canals for preventing water-

TABLE 1 : PRESENT CROPPING PATTERN IN KOLE LANDS

	Summer Crop	Winter Crop
Duration of crop	January-April	September-December
Variety of paddy grown	C-28 (HYV)	IR-8 (HYV)
Water requirement (MM [a])	100.63	43.69
Source of irrigation	(i) Peechi reservoir (ii) Water stored in canals and depressions	(i) Rainfall (ii) Water stored in canals and depressions
Total cultivated area (hectares)	11,000	3,500
Average yield per hectare (quintals)	27 3	19.0
Total output (tonnes)	30,000	6,650
Major problems in cultivation	Shortage of water	Floods during N-E monsoon

TABLE 2 : ESTIMATED COST OF DEVELOPMENT OF KOLE LAND AND CONSTRUCTION OF CHIMONI DAM

Nature of Work	Estimated Cost (Rs in lakhs)
Kole Land Development	
Land acquisition	137.05
Earth work	331.37
Bridges and regulators	162.69
Miscellaneous	110.40
Total	741.51
Construction of Chimoni Dam	
Works	576.68
Establishment charges	46.13
Tools and plant	5.77
Less : Resale value of temporary buildings	1.62
Add : Audit and account charges, etc.	5.76
Total	632.72
Grand Total	1,374.23

logging of the area during the cropping season.

Based on this report but incorporating certain additional proposals, a Project Report was prepared in 1971 by the state Public Works Department. This proposal envisaged: (i) the construction of two storage reservoirs at the Chimoni and the Mupli tributaries of the Karuvannur river for purposes of irrigating a net area of about 20,200 hectares, (ii) the construction of two regulators for preventing the intrusion of salt water from the sea; and (iii) the development of 11,000 hectares of Kole and adjoining lands for raising an additional crop together with the construction of flood outlet to the sea at Kuttamangalam.

In 1973, the state Planning and Economic Affairs Department updated the above project and submitted it as the Chimoni-Mupli-Kole project to the World Bank for financial assistance. The project did not pass muster because (a) the benefits were overestimated in that the feasibility of raising an additional third crop was not clearly established and (b) the cost estimates were found to be on the high side. The Trichur Kole Land Development Project now under consideration can be said to be a scaled down, modest version of the 1973 project.

The project seeks (i) to construct permanent earthen bunds around the paddy fields to prevent flooding during the north-east monsoon thus enabling the cultivators to raise *mundakan* (winter) paddy crop in an additional area of about 7,100 hectares (i e, total 11,000 hectares *minus* 3,500 hectares already under *mundakan* cultivation *minus* 400 hectares to be submerged in the course of widening and improving existing water courses); (ii) to widen and improve the existing water courses for diverting the flood waters through new cuts into the lake and improving the existing flood banks and levels; and (iii) to construct a dam across the Chimoni river for irrigating not only 11,000 hectares of Kole lands but also 2,000 hectares of periphery land for the first *punja* (summer) paddy crop. (The Project Report itself does not claim the extension of irrigation to periphery land.) While the first two items come under the land development scheme to be implemented by the Kerala Land Development Corporation, the construction of the dam will be the responsibility of the Public Works Department.

The water requirements of the Kole lands (i e, the entire 11,000 hectares) for the summer crop are at present being met from (a) the Peechi Reservoir which was completed in 1957 and (b) water stored in the channels and depressions. The Chimoni dam is supposed to replace the Peechi reservoir as a source of irrigation for the Kole lands.

The cost estimates for the (1) development of Kole lands and (2) construction of Chimoni dam are summarised in Table 2.

II

Though the project, as formulated, does not make explicit the various technical alternatives which might have been considered for the purpose of this evaluation exercise, it is assumed that there still are at least two alternative ways of developing the same area. One is to undertake both the construction of Chimoni dam and development of Kole lands — both works to be completed within a period of four years — as provided for in the Project Report itself; the other, we believe, can be to undertake only the development of Kole lands but omit altogether the construction of the Chimoni dam.

The proposal for the construction of the Chimoni dam assumes that (a) the water now made available from Peechi reservoir for irrigating the summer crop in the Kole lands is not adequate and (b) that the substitute water made available during summer from the dam will be more than adequate and therefore stabilising. In short, both the construction of a dam across the Chimoni river and diversion of water from the Peechi reservoir are considered essential

Though the assumption regarding the inadequacy of the existing supply of water to Kole lands for the summer crop is extremely crucial to the proposal for constructing the Chimoni dam, it has not been elaborated upon in depth with supporting data in the Project Report. To examine the viability of this assumption, estimates of yield for the three taluks comprehending the Kole area were collected. The yield per hectare of 27.3 quintals (average for the five-year period, 1969-74) and 29.4 quintals (average for the three-year period, 1971-74) is one of the highest for the state. Since the yield figures, as mentioned above, refer to the 3 talukas and not to Kole area proper, it is very likely that the Kole area itself, being more fertile than other lands, had even higher yields. Hence it is difficult to accept the proposition that Kole lands are, at present, suffering from a shortage of water during summer. As for the winter crop, the question of shortage of water does not arise, the problem then is one of flooding

Further, information on the incidence of crop failure in the area was sought from the state Department of Agriculture. The information furnished showed that for the past five years the area adversely affected by shortage of

TABLE 3 : COSTS AND BENEFITS UNDER DIFFERENT PROJECT ALTERNATIVES

Costs	Benefits	Area Benefited (hectares)	Phasing
Alternative I			
Capital Investment			
Land Development	Additional winter (*Mundakan*) crop in Kole lands	7,100	
Construction of Chimoni Dam	Stabilisation of existing winter (*Mundakan*) crop in Kole lands	3,500	4 years
Annual Costs			
Cultivation of Paddy (Winter and Summer Crops)	Additional summer (*Punja*) Crop in the periphery lands	2,000	
Cultivation of coconut	Stabilisation of existing winter (*Mundakan*) crop in the periphery lands	2,000	
	Additional yield from coconut cultivation		
Alternative II			
Capital Investment			
Land Development	Additional winter (*Mundakan*) crop in Kole lands	7,100	
Annual Costs			
Cultivation of paddy (Winter crop)	Stabilisation of existing winter (*Mundakan*) crop in Kole lands	3,500	4 years
Cultivation of coconut	Additional yield from coconut cultivation		
Alternative III	As in Alternative I		8 years
Alternative IV	As in Atlernative II		8 years

water was only 5 per cent. In the circumstances, it appears that the second alternative of developing only the Kole land proper through the construction of permanent bunds and widening and improving water courses without the construction of Chimoni dam is quite feasible and worth examining. Whatever little shortage of water exists at present could be overcome by deepening the channels and depressions in the area, an alternative which finds no place in the project report. In fact, the main source of water for irrigating the summer crop in the Kole lands before the commissioning of the Peechi reservoir in 1957 was the channels and depressions.

The two alternatives mentioned above have been evaluated first with a phasing period of 4 years and then with an 8-year phasing. Thus, the exercise can be said to consider four alternatives (Table 3).

III

As a first step in this evaluation exercise, it was necessary to scrutinise the estimates of costs and benefits in terms of resource flows of the project over its life time. For the purpose of this exercise, evaluation has been attempted separately assuming life-spans of 20 and 30 years. However, it is felt that for a project of this type with a long physical life, evaluation on the basis of a somewhat longer life-span than is usually allowed for by financial institutions would be more reasonable.

Costs are divided into two major categories: capital costs and operating costs. Capital costs cover the costs of land development including construction of permanent bunds and construction of the Chimoni dam. The information given in the Project Report was subsequently supplemented by the project formulators by a breakdown of these costs in terms of their material and labour (skilled and unskilled) components. Neither the engineering details of these estimates nor the technical choices considered in various items of work have been scrutinised by us for the purpose of this exercise. Nevertheless, it should be borne in mind that the technical choices implicit in such estimates do have certain cost implications. The costs may be higher or lower depending on the materials used and designs adopted.

Operating costs include not only the maintenance of the capital assets but also the costs of cultivation of paddy and coconut in the project area. Though the Project Report does not envisage planting coconut trees along permanent bunds, costs as well as benefits of planting coconuts have been incorporated in this exercise because it would add, marginally though, to the net benefit of the project. For this purpose, reasonable estimate of the cost of coconut cultivation was relatively easy to make on the basis of the cost data collected by the Central Plantation Crops Research Institute, Kasaragod. Estimates, however, of costs of paddy cultivation incorporated in the Project Report were found to be at great variance with the data used in the Engineering Report on the Chimoni dam. Further both these sets of data were not found to comprehend the existing cultivation practices. They appear to have been worked out on the basis of some normative judgment of optimal system of cultivation. It was felt however that valuation on the basis of such estimates would be quite unrealistic.

Fortunately, data on cost of cultivation of paddy in Kerala has been regularly collected under a research programme of the Ministry of Agriculture, Government of India. These data were collected on the basis of accepted methods of sampling and data collection and hence carry a better scientific basis than other sources. The data on cost of cultivation for a representative area in the Kole lands are for the winter and summer crops. Comparison of these costs with the estimates given in the Project Report shows that the latter are overstated to the extent of 16 per cent (for summer crop) and 22 per cent (for winter crop). For the purpose of this evaluation exercise, the former cost estimates have been adopted.

The most important benefit of the project would be the yield from raising the second, that is, winter crop. To estimate the yield, a five-year, 1972-76, average for the three talukas in which the Kole lands fall, has been taken as the basis. It ought to be stated, however, that only 3,500 hectares of a total of 11,000 hectares of cultivable Kole land has so far been under winter crop. To the extent that land already brought under winter crop was of better quality and therefore had better yield the adoption of a five-year average yield could be said to result in overestimating the benefit of this project. At the same time, it cannot be overlooked that the entire Kole lands are likely to benefit during winter from the fact that permanent bunds will reduce the incidence of flooding. So there is scope for improvement in yield for the entire area.

TABLE 4 : SUMMARY OF FLOW OF BENEFITS AND COSTS (Rs IN LAKHS)

Sl No	Item	Life-Span of Project (Years) 0	1	2	3	4	5-7	8	9	10-30
A : Benefits										
1	Additional winter crop in Kole land	—	—	25.0	87.6	250.3	250.3	250.3	250.3	250.3
2	Stabilisation of existing winter crop in Kole lands	—	—	2.1	7.5	21.5	21.5	21.5	21.5	21.5
3	Additional summer crop in periphery lands	—	—	8.3	29.3	83.7	83.7	83.7	83.7	83.7
4	Stabilisation of existing winter crop in Periphery lands	—	—	1.2	4.3	12.3	12.3	12.3	12.3	12.3
5	Coconut cultivation	—	—	—	—	—	—	0.6	2.0	5.7
B : Costs										
6	Land development	49.2	85.7	111.8	68.2	—	—	—	—	—
	(a) Materials	19.6	29.8	39.1	22.7	—	—	—	—	—
	(b) Skilled labour	9.1	17.4	24.3	15.0	—	—	—	—	—
	(c) Unskilled labour	20.5	38.5	48.4	30.5	—	—	—	—	—
7	Maintenance	—	—	—	—	7.9	7.9	7.9	7.9	7.9
	(a) Materials	—	—	—	—	2.4	2.4	2.4	2.4	2.4
	(b) Skilled labour	—	—	—	—	2.4	2.4	2.4	2.4	2.4
	(c) Unskilled labour	—	—	—	—	3.1	3.1	3.1	3.1	3.1
8	Chimoni Dam	36.7	136.4	223.7	223.7	—	—	—	—	—
	(a) Materials (including other charges)	27.6	55.8	78.6	78.6	—	—	—	—	—
	(b) Skilled labour	2.5	24.2	44.1	44.1	—	—	—	—	—
	(c) Unskilled labour	6.6	56.4	101.0	101.0	—	—	—	—	—
9	Maintenance	—	—	—	—	5.21	5.21	5.21	5.21	5.21
	(a) Materials	—	—	—	—	1.56	1.56	1.56	1.56	1.56
	(b) Skilled labour	—	—	—	—	1.56	1.56	1.56	1.56	1.56
	(c) Unskilled labour	—	—	—	—	2.09	2.09	2.09	2.09	2.09
10	Coconut cultivation	—	—	0.2	0.6	1.8	2.1	2.1	2.4	3.2
	(a) Materials	—	—	0.1	0.4	1.2	1.5	1.6	1.7	2.1
	(b) Labour	—	—	0.1	0.2	0.6	0.5	0.5	0.7	1.1
11	Cultivation of paddy (winter crop)	—	—	17.9	62.6	178.9	178.9	178.9	178.9	178.9
	(a) Materials	—	—	11.1	38.8	111.0	111.0	110.0	111.0	111.0
	(b) Labour	—	—	6.8	23.8	67.9	67.9	67.9	67.9	67.9
12	Cultivation of paddy (summer crop)	—	—	6.1	21.4	61.0	61.0	61.0	61.0	61.0
	(a) Materials	—	—	3.7	13.1	37.4	37.4	37.4	37.4	37.4
	(b) Labour	—	—	2.4	8.3	23.6	23.6	23.6	23.6	23.6
13	Saving in annual repairs to bunds	—	—	0.3	0.9	2.7	2.7	2.7	2.7	2.7
C. Transfer Payments										
14	Repayment of Loan*	—	—	—	—	13.9	13.9	13.9	13.9	13.9
15	Land Acquisition (land development)	69.02	68.03	—	—	—	—	—	—	—
16	Land Acquisition (Chimoni Dam)	6.50	6.50	—	—	—	—	—	—	—

* Rs 1310/- hectare of equal instalments for 11 years.

However, this is an aspect considered separately. The major benefit of the project is claimed in terms of improvement in yield from the land already under cultivation for one or two crops. It is not quite clear what the basis is for expecting improvement in the yield from summer crop. As was noted above, the average yield is high. It could be argued that since the same land will hereafter be used to raise two crops, the yield from the crop will decline though the overall yield per hectare from the two crops taken together is very much higher than before. Therefore, in this exercise no credit has been taken for improvement in yield per hectare, as far as summer crop is concerned. Credit has been taken however at 20 per cent of the existing average yield of winter crop as likely to accrue from improvement on account of better protection afforded to this crop against flooding. This improvement in yield per hectare, it is assumed, can be brought under winter crop as a result of this project. No additional cost has been provided for in this evaluation so that the improvement in yield allowed for in the estimates of yield of winter crop raises the net benefit from the project by the full amount.

Thus, for the purpose of this exercise, the paddy output is projected at the rate of 27.3 quintals per hectare for the summer crop and 23 quintals per hectare for the winter crop as against the estimate of 30 and 37.5 quintals respectively given in the Project Report.

It must be added however that to project output per hectare on the assumption of existing cultivation practices which is implicit in the adoption of a five-year average yield ignores that yield could be much higher than what it actually is, if (a) better water management practices are followed like supply of adequate water at critical periods during summer crop and (b) still better protection is available from floods to the winter crop. It could lead to the increased use of inputs like fertilisers, pesticides, etc, which would raise the cost of cultivation but would also simultaneously result in higher yields. On this basis it is possible to talk of 'expected benefits' at a higher level of technology of cultivation. However, to estimate such 'expected benefits' is difficult in the absence of data from studies on comparable land with similar agroclimatic conditions.

The pricing of paddy is the next important problem to tackle in order to evaluate the benefits of the project. For rice/paddy, dual pricing obtains in Kerala where some 40 per cent of the rice consumed is distributed through fair price shops and the balance is sold in the open market at a clearing price much above the fair price. While the adoption of the fair price would underestimate the benefit of the project, to adopt the market clearing price would overestimate the benefit. In a situation like Kerala's, where the paddy/rice is regularly purchased in

TABLE 5 : PRESENT VALUES OF COSTS, BENEFITS AND TRANSFER PAYMENTS (Rs IN LAKHS)

Sl No	Item	20 years			30 years		
		Discount Rate (Per Cent)			Discount Rate (Per Cent)		
		8	10	12	8	10	12
A	*Benefits*						
	1 Additional winter crop in Kole lands	1903.6	1959.7	1351.6	2263.8	1824.3	1498.5
	2 Stabilisation of winter crop in Kole lands	163 4	137.0	116.0	194.4	156.6	128.7
	3 Additional summer crop in periphery lands	636 5	531.3	451.9	757.0	607.0	501.1
	4 Stabilisation of winter crop in periphery lands	93.5	78.4	66.4	111.2	89.6	69.6
	5 Coconut cultivation	21.7	16.8	13.2	29.9	22.1	16.5
B	*Costs*						
	6 Land Development	278.5	270.6	263.3	278.5	270.6	263.3
	(a) Materials	98.7	96.0	93.5	98.7	96.0	93.5
	(b) Skilled labour	57.9	56.2	54.6	57.9	56.2	54.6
	(c) Unskilled labour	121.9	118.4	115.2	121.9	118.4	115.2
	7 Maintenance	57.3	47.7	40.1	68.5	54.9	44.7
	(a) Materials	17.4	14.5	12.2	20.8	16.7	13.6
	(b) Skilled labour	17.4	14.5	12.2	20.8	16.7	13.6
	(c) Unskilled labour	22.5	18.7	15.7	26.9	21.5	17.5
	8 Chimoni Dam construction	523.3	513.6	496.1	523.3	513.6	496.1
	(a) Materials	209.0	202.3	196.0	209.0	202.3	196.0
	(b) Skilled labour	97.7	94.1	90.7	97.7	94.1	90.7
	(c) Unskilled labour	225.6	217.2	209.4	225.6	217.2	209.4
	9 Maintenance	37.7	31.4	26.4	45.1	36.1	29.4
	(a) Materials	11.3	9.4	7.9	13.5	10.8	8.8
	(b) Skilled labour	11.3	9.4	7.9	13.5	10.8	8.8
	(c) Unskilled labour	15.1	12.6	10.6	18.1	14.5	11.8
	10 Coconut cultivation	21.2	17.6	14.8	25.8	20.5	16.6
	(a) Materials	14.2	11.8	9.9	17.2	13.7	11.1
	(b) Labour	7.0	5.8	4.9	8.6	6.8	5.5
	11 Cultivation of paddy (winter crop)	1479.6	1240.3	1050.4	1759.5	1417.8	1164.6
	(a) Materials	776.0	650.5	550.9	922.6	943.6	610.8
	(b) Labour	703.6	589.8	499.5	836.7	674.2	553.8
	12 Cultivation of paddy (summer crop)	327.9	274.9	238.2	390.0	314.3	258.2
	(a) Materials	158.5	132.9	117.9	188.5	151.9	124.8
	(b) Labour	169.4	142.0	120.3	201.5	162.4	133.4
	13 Saving in annual repairs to bunds	20.5	17.2	14.6	24.4	19.7	16.2
C	*Transfer Payments*						
	14 Repayment of loan	78.8	67.9	58.8	78.8	67.9	58.8
	15 Land Acquisition (Land Development)	132.9	131.8	130.7	132.9	131.8	130.7
	16 Land Acquisition (Chimoni Dam)	12.5	12.4	12.3	12.5	12.4	12.3

large quantities from outside the state, the price could be reckoned as the relevant opportunity cost of paddy/rice produced additionally within the state. Fortunately, the data on the quantities and prices of rice purchased from other states by the Kerala State Civil Supplies Corporation for the past five years are tvailable. The weighted average price of rice thus purchased comes to Rs 2,171 per tonne.

Since the additional output of paddy due to the project is only marginal compared to the state's annual demand for additional quantities from outside the state, it is not likely to affect the price of rice procured from other states. Therefore the valuation of the additional output of paddy in the Kole lands on account of the project on the basis of the price paid to rice purchased from outside the state appeared to be the most reasonable course to adopt. The paddy-to-rice conversion ratio has been taken at 3:2.

The benefit in terms of coconut output has been estimated on the basis of (a) the yield data for Trichur district nd (b) the average farm price for the 5-year period, 1970-71 to 1974-75.

A flow chart of costs and benefits for Alternatives I and II of the project, i e, the alternatives with 4-year time phasing for the completion of capital construction, was prepared after making the adjustments and corrections on the above lines. The detailed breakdown of items in terms of resources, skilled and unskilled labour and their time phasing have been done on the basis of whatever information is given in the Project Report and subsequent discussions with the concerned officials. A summary of the detailed flow chart is presented in Table 4.

The items classified as transfer payments refer to cash transfers from one group to another which are not resource costs to the project. When viewed from the point of respective groups they constitute as costs/benefits to the group concerned. But they get cancelled when viewed from the point of view of the society as a whole.

IV

It will be noted that the costs and benefits given in Table 4, though considerably modified and adjusted, are still at market prices. Though the market prices may not necessarily reflect the social opportunity cost of resources, it is always useful to start with an evaluation by using market prices. After all, the project costs are incurred largely through the market and its benefits too usually accrue in terms of marketed, or at least marketable, goods and services.

It may be recalled that the life-span of the project is taken to be 20 and 30 years. In a sense, an agricultural development project of this nature may be considered permanent but for purposes of evaluation a life-span of more than 30 years is unlikely to make any perceptible influence on the net worth of the project, even on the basis of a very moderate rate of time discount. Since no single cut-off rate of discount has been stipulated for projects of this nature, three alternative discount rates

TABLE 6: ESTIMATES OF UNEMPLOYED MANDAYS AVAILABLE IN TRICHUR DISTRICT AND KOLE AREA

(in lakhs)

	Item	Trichur (5 Talukas)	Project Area (3 Talukas)
1	Total population (1971 Census)	21.29	16.12
2	Total rural population (1971)	18.79	14.02
3	Annual growth of population (per cent)	2.61	2.61
4	Total Rural population in 1975	21.36	15.94
5	Total workers (rural)	6.19	4.62
	Estimate of unemployment based on 1965 survey		
6	Unemployed persons : 12 per cent of workers	0.74	0.55
7	Underemployed persons : 29 per cent of workers	1.79	1.34
8	Mandays available of the unemployed @ 300 days per annum	222.00	165.00
9	Mandays available of the underemployed @ 150 days per annum	268.50	201.00
10	Total=(8)+(9)	490.50	366.00
	Estimate of rural unemployment based on NSS, 12th round, Kerala, 1970		
11	Unemployed persons: 3.2 per cent of rural population	0.68	0.51
12	Underemployed persons: 30 per cent of workers	1.86	1.39
13	Mandays available of the unemployed @ 300 days per annum	204.00	153.00
14	Mandays available of the underemployed @ 150 days per annum	279.00	208.50
15	Total=(13)+(14)	483.00	361.50

were applied and the flow chart reduced to present values as given in Table 5.

The net present value of the project at market prices — NPV(M) — indicates its net worth in terms of the discounted surplus it is expected to generate after allowing for its various costs, capital and recurring, during its expected life-span. At market prices, the net benefits of Alternative I can be worked out as under from Table 5.

$$NPV(M) = [(1) + (2) + (3) + (4) + (5) + (13)] - [(6) + (7) + (8) + (9) + (10) + (11) + (12)]$$

Items (14) to (16) are not included since they are merely transfer payments. The results, given below for the above equation, show that the Alternative I of the Project is not viable at 10 and 12 per cent rates of discount with a 20-year year life-span.

Rates of Discount (per cent)	NPV(M) (Rs lakhs)
Life-span 20 years	
8	+105
10	−20
12	−116
Life-span 30 years	
8	+281
10	+81
12	−42

If the life-span is taken at 30 years the net returns are positive at 8 and 10 per cent rates of discount. However, even with a larger life-span of 30 years the project is not viable at market prices at 12 per cent rate of discount.

V

For the purpose of social benefit-cost evaluation, the major item that calls for correction is the cost of labour, that too unskilled labour.

In a state like Kerala with chronic problems of unemployment it is hardly necessary to emphasise the importance of examining the employment potential of new development projects. Due to the predominance of three crops in Kerala's agriculture, whatever additional employment has to be generated within agriculture will have to be connected largely with rice cultivation and allied activities.

The employment potential of a project could be examined in terms of its own technical alternatives and also between similar projects. The scope for such an analysis is rather limited in this exercise. However an attempt to quantify the employment potential of the project is worthwhile.

For land development including the construction of permanent bunds, the man-power requirements have been estimated at 55 lakh mandays of unskilled labour and 17 lakh mandays of skilled labour, both direct and indirect. For the construction of the dam, man-power requirements are nearly 38 lakh mandays of unskilled and 9 lakh mandays of skilled labour. This employment will be spread over a period of four years.

Also, there will be a step-up in recurring employment due mainly to the additional winter crop in an area of 7,100 hectares and additional summer crop in 2,000 hectares. When the project is completed the additional employment thus generated will be 18 lakh mandays of unskilled labour per annum.

Having got the estimate of labour input of the project, recurring and non-recurring, the most important question for purposes of assessing its social profitability is whether wages actually paid to unskilled workers can be taken as reflecting the social opportunity cost of labour. The agricultural labourers in the project area, as in the rest of rural Kerala, do not have continuous employment throughout the year. Further, these agricultural labourers belong to the landless category and hence are unable to utilise their family labour for any other land-based occupation. Alternative employment opportunities are also very few as there is hardly any industry worth mentioning which could absorb the surplus labour in agriculture. In the project area, the whole problem of unemployment is acute in view of the fact that only one crop a year is raised in more than two-thirds of the Kole lands.

In order to determine the social cost of labour involved in the project, we need to have some idea of the magnitude of unemployment in the project area. As the data of the latest Sample Survey on employment and unemployment in Kerala conducted by the State Bureau of Economics and Statistics are yet to be processed, we have depended on two earlier surveys[2] of 1965 and 1970, for the estimates of unemployment in Trichur district as a whole and also the project area (covering three talukas). It can be seen from Table 6 that in the project area, the available mandays of the unemployed comes to well over 150 lakhs and that of the underemployed to over 200 lakhs per annum. As against that, as can be seen from Table 7, the requirement of unskilled labour for capital construction and annual additional paddy cultivation under Alternatives I and II of the project does not exceed 23.25 lakh mandays in any single year.

While the availability of unemployed mandays is much higher than the maximum requirement of labour in capital construction under Alternative I, it need not necessarily follow that the

(Continued on page M-22)

Announcement regarding issue of 5,83,100 equity ... may obtain copies of prospectus and application fo... Bankers to the Issue at the addresses indicated agai...

History & Business of the company

The company was incorporated on 22nd February 1975 as a public limited company in the State of Andhra Pradesh An industrial licence No CIL 50C777 dated 5th February 1977 has been obtained by the Company for the establishment of a new industrial undertaking to manufacture Semi-Conductor Devices. This industrial licence has been further extended to 3rd February 1980.

Promoters

The company has been promoted in the joint sector by Andhra Pradesh Industrial Development Corporation and M/s Yamuna Digital Electronics (Pvt) Ltd for manufacture of semi-conductor devices

Project

The company is setting up a project for the manufacture of 5 million semi-conductor devices at Pattancherevu in Medak district of Andhra Pradesh

Raw materials & Power

The major raw materials required are Monocrystalline silicon, wafers, masks and are to be imported The indigenous raw materials required are locally available The A P State Electricity Board has agreed to supply the required power to the company

Construction schedule & progress made

The company hopes to install the entire machinery by March 1979 and trial runs are expected to commence in April 1979 The unit will go into full production by May 1979

Business prospects & profitability

The demand for electronic goods is steadily increasing and the company expects a reasonable growth for its semi-conductor devices subject to unforeseen circumstances The directors expect that the company would earn sufficient profits to pay a reasonable dividend within a reasonable time

Project cost & sources of finance

The project is estimated to cost Rs. 335 lacs and will be met as under

	Rs in lacs
Share capital-equity	119
Term loans	201
Central Subsidy	15

Board of Directors

Name, Description, Address and Occupation

Shri K. Jayabharat Reddy, IAS
(S/o Shri Koti Reddy),
Managing Director,
Andhra Pradesh Industrial Development Corporation,
Parishrama Bhavan,
Basheerbagh, Hyderabad
Chairman.

Shri P Obul Reddy,
10, General Patters Road,
Madras 600 002
Industrialist

Shri T. Venkatapaiah M.L.C.,
P O Kothagudem,
Khamam Dist., A.P

Shri C V Sitaramaswamy,
M/s Gopal Krishna Jute Mills P. Ltd.
Bobbili
Managing Director

Shri G Ramamurthy,
25, Jeera, Secunderabad 500 003.

Shri Goutam Soni,
Joint Director of Electronics,
Vigyan Bhavan Annexure,
Maulana Azad Road,
New Delhi 110 011,
Government Service.

Shri G Govind Reddy
B E, MS (USA)
8-2-628, Road No. 13, Banjara Hills
Hyderabad 500 034
Managing Director

Sri G Ramachandra Reddy
Lakshmi Nivas, Phulong Road,
Nizamabad,
Industrialist

Shri G Ganga Reddy,
5-5-104, Khaleel Wadi, Nizamabad,
Industrialist

Underwriters :

The entire issue of 5,81,300 equity shares of Rs. 10/- each offered to the public has been fully underwritten as under :

Names and address of underwriters	Amount underwritten
Industrial Finance Corporation of India 16, Parliament Street New Delhi 110 001	Rs. 15 lacs
Industrial Development Bank of India, Jolly Maker Chambers No. 1, 227, Backbay Reclamation Scheme, Bombay 400 021	Rs. 20 lacs
Industrial Credit & Investment Corpn, of India 163, Backbay Reclamation Bombay 400 020	Rs. 15 lacs
State Bank of India Industrial Finance Department Central Office Bombay 400 023.	Rs. 5.83 lacs
Lakshmi Vilas Bank, Bank Street, Hyderabad	Rs. 2.48 lacs

In the opinion of the Directors the resources of the underwriters are sufficient to enable them to fulfil their respective underwriting obligations

Terms of payment

Applications for shares must be for a minimum of 50 shares or multiples thereof ... be as u... On ap... On allo... The bal... to be p... may be... Directo... one me... allotm... success... shall g... the call...

Audit...

S R M...
Charter...
1st floo...
Nampal...
Hyderab...

Legal ...

Shri V...
Advoca...
1-3-499,...
Hyderab...

Forei... Collab...

M/s Ca...
Silver B...
Florida...

Issue ...

M/s Mi...
Bhupen...
Bombay...

Mana...

State B...
Merchan...
Central...
Bombay...

Broke...

BOMBA...
D S Pu...
Stock E...
Bombay...
Bombay...

Harish ...
45/47 B...
Fort Bo...

Bhupen...
Regent...
Ceremo...
Nariman...

Harkiso...
Stock E...
Dalal S...

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56 Stoc...
Bombay...
Bombay...

Naranda...
Union B...
Fort Bo...

Trambal...
Stock E...
5 A Ha...
Fort Bo...

Share Capital

Authorised .		
18,00,000	Equity Shares of Rs 10/-each	Rs. 1,80,00,000
Issued, Subscribed & paid up :		
3 500	Equity Shares of Rs. 10/- each allotted to the subscribers to the Memorandum & Articles of Association as fully paid up for cash at par	35,000
1 94 000	Equity shares of Rs 10/- each allotted to the promoters, Yamuna Digital Electronics (P) Ltd., Directors/their friends/associates as fully paid up for cash at par/on which Rs 10/ is paid up	19,40,000
1,97 500	Equity shares of Rs 10/- each allotted to APIDC for cash at par in pursuance of collaboration agreement for cash at par	19,75,000
1,00,000	Equity shares of Rs 10/- each called and paid up at Rs. 5.00 by Andhra Pradesh Industrial Development Corpn Ltd	5,00,000
1 00 000	Equity shares of Rs 10/- each called and paid up at Rs. 5.00 by the Yamuna Digital Electronics (P) Ltd., its Directors, relatives and friends.	5,00,000
Present Issue .		
5 95,000	Equity shares of Rs 10/- each for cash at par	Rs. 59 50,000
Out of the present issue		
11,900	Equity shares of Rs 10/- each are kept reserved for allotment to APIDC for cash at par	1,19,000
Now offered to the public for subscription in terms of this prospectus for cash at par		
5,83,100	Equity shares of Rs 10/- each	58,31,000

:/-each for cash at par. Persons interested in ascertaining full details
egistered Office of the company, Managers to the Issue, Brokers and
ctive names and their branches at the places mentioned below.

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Park

Pvt Ltd.,
l Street,
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ama Road
o.,
r Marg,
Devidas,
400 021
ay 400 023
Building,
Fort
Mal Street,
h & Sons,
Big Mall

[illegible] & Co.,
24, Stock Exchange Central Bldg.,
Dalal Street, Fort, Bombay 400 023.

Mansukhlal [illegible] Dalal,
New Central Building,
3rd. Floor, Dalal Street,
Fort, Bombay 400 001.

CALCUTTA
Place, Siddons & Gough Pvt. Ltd.
6, Lyons Range, P.B. No. 592,
Calcutta 700 001

NEW DELHI
Bharat Bhushan & Co.,
H-45, Connaught Place,
New Delhi 110 001

Behari Lal & Co.,
Stock Exchange Building,
Asaf Ali Road, New Delhi 110 002.

Vinod Kumar & Co.,
A-6, Connaught Place,
New Delhi 110 002

Surinder Rode & Co.,
3, Stock Exchange Bldg.,
Asaf Ali Road, New Delhi 110 002.

J. C. Mehta & Co.,
44, Stock Exchange Building,
Asaf Ali Road, New Delhi 110 002

AHMEDABAD
Champaklal Bhailal Chokshi,
Manek Chowk,
Near Share Bazar,
Ahmedabad 380 001.

Gordhandas N. Gupta,
Anandji Kalyanji Building,
Opp. Dhanasuthar's Pole,
Relief Road,
Ahmedabad 380 001.

BANGALORE
Jahgirdar & Co.,
21, Second Main Road,
Seshadripuram,
Bangalore 560 042.

M. Nanjappaiah Jahgirdar,
205, Cavalry Road,
Bangalore 560 042.

Vijai & Co.,
9, Eleventh Main Road,
Malleswaram,
Bangalore 560 003.

MADRAS
Chitra & Co.,
P. B. No. 1557,
322/323, Linghi Chetty Street,
Madras 600 001.

Kothari & Sons,
Kothari Bldg.,
Nungambakkam High Road,
Madras 600 034.

HYDERABAD
Laxminarayan Rathi,
4-5-143, Hashmat Ganj,
Sultan Bazar,
Hyderabad 500 001.

P. B. Afzulpurkar,
4-5-196, Sultan Bazar,
Hyderabad 500 001.

Gopal Das Jhaveri,
5-4-347, Sultan Bazar,
Hyderabad 500 001.

Bhagwandas Jaju,
1183, Lad Bazar,
Hyderabad 500 012.

INDORE
Pushkarlal Ghudawala,
44, Bada Sarafa
Indore 452 002.

Govind Das Shrikishan Agrawal,
97, M. T. Cloth Market,
Indore 452 002.

Bankers to the company

State Bank of Hyderabad
Shantinagar, Hyderabad

The Lakshmi Vilas Bank Ltd.
Bank Street,
Hyderabad 500 001.

Bankers to the Issue

State Bank of India
Bombay Samachar Marg
Bombay 400 023

OR

its main branches at : Ahmedabad, Calcutta, Madras, Hyderabad, Indore New Delhi (Parliament Street), Lucknow, Trivandrum, Guntur, Kurnool, Secunderabad, Vijaywada, Bangalore, Hanumakonda and Nizamabad.

The Lakshmi Vilas Bank Ltd.
Bank Street,
Hyderabad 500 001.

OR

its main branches at : Adoni, Chittoor, Hyderabad (Sultan Bazar), Bangalore (Kempe Gowda Road), Bangalore (Narasimharaja Road), Hubli, Raichur, Calicut, Cochin Pondicherry, Coimbatore, Madras, (Madras Main G.T.), (Cathedral Road), Salem Karur, Poona and Nagpur.

How to apply

After obtaining application form please complete it and sign (application must be for 50 equity shares or multiples thereof) and deliver together with cash/bank draft/cheque Rs.2.50per share to any of the branches of the bankers to the issue mentioned on the application form.

Applications have been made to the stock exchange at Hyderabad and Bombay for permission to deal in and for an official quotation of the equity shares of the company.

Issue managed by

State Bank of India
Merchant Banking Division

ISSUE OPENS ON : MONDAY, 5TH MARCH 1979
ISSUE CLOSES ON : FRIDAY, 16TH MARCH 1979 OR EARLIER, BUT NOT BEFORE WEDNESDAY, 7TH MARCH 1979

TAX BENEFITS
Investors in the company are eligible for distinct tax advantages

- Deduction of 50% on investments upto Rs 10,000 for computing taxable income under Section 80CC of the Income-tax Act, 1961
- Exemption of Tax on long-term capital gains under Section 54E of the Income-tax Act, 1961.

Shruti/SSD/791

TABLE 7 : AVAILABILITY OF UNEMPLOYED MANDAYS IN RELATION TO REQUIREMENTS OF PROJECT

Item	3 Talukas in which the Project Area Falls	Project Catchment Area	Annual Requirement of the Project (in lakh mandays)			
			Alternative I		Alternative II	
			Capital Construction	Paddy Cultivation	Capital Construction	Paddy Cultivation
Area in km²	2,258	200				
Area in hectares	2,25,800	20,000				
Population (in lakhs)	16.12	1.43*				
Mandays available of the unemployed (in lakhs)			23.25†	15.00	13.75†	12.00
1965 Survey	165.00	14.30**				
1970 Survey	153.00	13.57**				

* Worked out on the basis of the density of population in 3 talukas at 7.14 persons per hectare.

** Percentage share of the unemployed mandays in the 3 talukas.

† There will be an additional requirement of labour to the extent of 10 per cent and 35 per cent of that required for paddy cultivation in the third and fourth years respectively as a result of the extension of winter crop cultivation to areas where the construction of bunds has been completed.

TABLE 8 : PATTERN OF LAND-HOLDING IN TRICHUR DISTRICT

Size (Hectares)	No of holdings '000	Per Cent	Total area '000 hectares	Per Cent
Less than 1	139.1	75.4	33.1	19.7
1-2	22.0	11.9	31.3	18.7
2-4	15.3	8.3	40.9	24.4
4-6	3 6	2.0	16.2	9.7
6-8	1.7	0.9	11.5	6.9
8-10	1.5	0.8	14.0	8.3
Above 10	1.2	0.7	20.7	12.3
	184.4	100.0	167.7	100.0

social cost of labour can be assumed to be zero. In any one normal year, January to April is the work period for the summer crop and September to December is the work period for winter crop. The latter is raised at present only in part of the project area. Naturally therefore, the peak agricultural demand for labour occurs during January to April when practically everyone classified as underemployed finds work.[8] Secondly, our estimates of the unemployed include persons both in the agricultural and non-agricultural sectors and even here all those unemployed may not be actively seeking work. Thirdly, most capital construction of the type envisaged in the project is such that it is bound to slow down during monsoon time because of floods. Therefore much of it will have to take place within the remaining seven months or so. Once, however, capital construction is started it has to go on at a certain pace.

The crucial factor in determining the social cost of unskilled labour is still the number of unemployed within the project area who can be utilised without any direct or indirect social cost. For those unskilled labour outside the vicinity of the project area, their employment would involve an element of additional cost in terms of transportation to the project site from different parts of the three talukas in which the project is spread over. Assuming that the project catchment area is 20,000 hectares, we have attempted an estimate of the unemployed mandays in this area. The assumptions underlying our estimate are spelled out in Table 7. It may be noted that the availability of unemployed mandays in the project catchment area comes to a little over half the average annual requirement of unskilled labour days for capital construction under Alternative I. If we allow for the additional man-power requirements for the extension of winter crop cultivation in the third and fourth years, the available unemployed mandays for the four-year construction period as a whole would work out to half the number required. Therefore, for unskilled labour required for capital construction under Alternative I the social cost has been placed at half the wage cost at market prices. Hence, a premium of (—) 0.50 has been applied.

Under Alternative II, the unskilled labour required for capital construction only is slightly more than half that under Alternative I and equals the availability of unemployed mandays in the project catchment area. However, since additional labour will be required for the extention of winter crop cultivation in the third and fourth years in the areas already brought under additional cultivation by constructing permanent bunds, there would still be a case for assuming the social cost of labour to be somewhat above zero. Since Alternative II has been posed in this exercise as a possible option to Alternative I, it has been decided out of abundant caution to place the social cost of unskilled labour for capital construction at one-fourth of the wage cost at market prices. Hence, a premium of (—) 0.75 has been applied for this variant; that is, in our arithmetical calculation 75 per cent of the wage cost will be treated as social benefit and the remaining as social cost.

Once the project is completed, the demand for additional labour will arise mainly from the winter crop to be raised in an additional area of 7,100 hectares. This demand could be easily met from the unemployed and underemployed agricultural labour force in the project area. Since the project envisages the construction of permanent bunds, labour which is currently employed on annual repairs to temporary bunds before the winter crop will, in fact, become redundant. Therefore, the social opportunity cost of labour to be employed on land additionally brought under winter crop is taken as zero.

As for the skilled component of capital construction, though unemployment among skilled labour cannot be ruled out, it is assumed for the purpose of this evaluation exercise that all such labour will have to be withdrawn from other employment; the number of persons of various skills required for construction work is unlikely to be readily available even when the project area has a surplus of skilled labour as a whole. Thus no correction has been made in the costing of skilled labour.

Thus, for purposes of social evaluation of the project, there will be considerable reduction on the cost side and therefore increase in net benefit from the project. While no direct weightage has been given to employment, the objective of employment generation can be said to have been indirectly in-

TABLE 9 : NET PRESENT VALUES OF BENEFITS OF THE KOLE LAND DEVELOPMENT PROJECT UNDER ALTERNATIVES I AND II WITH A LIFE-SPAN OF 20 YEARS

(*Rs lakhs*)

Sl No	Item	Alternative I Discount Rate (Per Cent)			Alternative II Discount Rate (Per Cent)		
		8	10	12	8	10	12
1	Benefits at market prices NPV (M)	+114	−20	−116	+273	+191	+127
2	Benefits of farmers NPV (F)	+1020	+872	+754	+605	+525	+462
3	Benefits of labourers NPV (L)	+1071	+920	+799	+804	+686	+592
4	Benefits of government NPV (G)	−915	−892	−870	−332	−334	−335
5	Benefits in terms of social values NPV(S)	+1185	+900	+683	+1077	+877	+719
6	Regional development RD (T)	+2264	+1960	+1715	+1440	+1241	+1083
7	Benefits of small farmers R(SF)	+388	+331	+287	+230	+200	+162
8	Benefits of labourers R(L)	+1245	+1088	+961	+834	+715	+621
9	Benefits of poorer sections R (PS)	+1633	+1419	+1248	+1064	+915	+783

TABLE 10 : NET PRESENT VALUES OF BENEFITS OF THE KOLE LAND DEVELOPMENT PROJECT UNDER ALTERNATIVES I AND II WITH A LIFE-SPAN OF 30 YEARS

(*Rs lakhs*)

Sl No	Item	Alternative I Discount Rate (Per Cent)			Alternative II Discount Rate (Per Cent)		
		8	10	12	8	10	12
1	Benefits at market prices NPV (M)	+281	+91	−42	+380	+259	+171
2	Benefits of farmers NPV (F)	+1204	+988	+831	+713	+593	+506
3	Benefits of labourers NPV (L)	+1241	+1028	+868	+940	+801	+734
4	Benefits of government NPV (G)	−923	−897	−873	−333	−334	−335
5	Benefits in terms of social values NPV (S)	+1522	+1119	+826	+1320	+1031	+876
6	Regional development RD (T)	+2618	+2183	+1861	+1683	+1395	+1182
7	Benefits of small farmers R (SF)	+457	+375	+316	+271	+251	+192
8	Benefits of labourers R(L)	+1415	+1196	+1030	+970	+801	+734
9	Benefits of poorer sections R (PS)	+1872	+1591	+1346	+1241	+1052	+926

corporated in this evaluation exercise by costing labour at its social price.

It may be recalled that major corrections and adjustments such as the pricing of paddy and coconut were incorporated in the evaluation of the project at market prices [NPV(M)] itself. The only further correction introduced for purpose of social, as distinct from market, evaluation of the project related to the pricing of unskilled labour. Unskilled labour accounts for 42 per cent of the cost of construction of dam and 43 per cent of the cost of land development and between 48 and 51 per cent of the cost of cultivation of paddy. The cost of materials and skilled labour has been taken at market prices on the assumption that social values thereof are not very different — an assumption, though arguable, which is unlikely to affect materially the conclusions of the evaluation.

For reasons explained above, while the social cost of unskilled labour in capital construction (items 6-c and 8-c of Table 4) has been taken at half the market wage rate, that of the unskilled labour employed in cultivation and allied year-to-year operations (items 7-c, 9-c, 10-b, 11-b and 12-b of Table 4) has been taken at zero wage. Therefore, while the social benefit of employing unskilled labour in the project is only half the wage cost attributable to such labour in capital construction, the social benefit of employing unskilled labour in raising crop on additional land will work out to be the full wage cost incurred thereon from year to year. Symbolically, the net social benefits will be given by the following equation[4] (as applied to Table 5).

$$NPV(L) = -\lambda\,[(6-c)] + (8-c)] - \phi\,[(7-c) + (9-c) + (10-b) + (11-b) + (12-b)] - (13) \text{ where } \lambda = -0.50 \text{ and } \phi = -1.00$$

so that

$$NPV(L) = 0.5\,[(6-c) + (8-c)] + [7-c) + (9-c) + (10-b) + (11-b) + (12-b)] - (13).$$

If the net social benefit of employing unskilled labour, as indicated above, is added on to the market valuation previously arrived at, it will give the net benefits of the project at social values.

Thus, for the *farmers* as a group the net benefits would be given by the following formula as applied to Table 5:

$$NPV(F) = [(1)+(2)+(3)+(4)+(5)+(13)+(15)+(16)] - [(7)+(10)+(11)+(12)+(14)]$$

The benefits of the farmers include not only the income from the cultivation of paddy and coconut (items 1,2,3, 4 and 5) but also the savings effected in repair of bunds and compensation received from the government for the land for constructing bunds and the dam (items 13, 15 and 16). Under the project as it is conceived, while the construction of the dam is to be carried out by the state government without recovering any part of the cost, land development, it is expected, will be financed out of loan from the Agricultural Refinance and Development Corporation and the farmers are liable to repay, over a period of 11 years, only the cost incurred on land development. Therefore, the costs, to be incurred by the farmers are the maintenance of bunds (item 7), cost of cultivation of coconut and paddy (items 10, 11 and 12) and repayment of loan (item 14). The net benefits of farmers, given below, reflect the time pattern of costs and benefits of this group. Farmers do gain substantially from this project.

[illegible] Alternatives I and II

	Alternative I (20 Years)			Alternative II (20 Years)		
	Discount Rate (Per Cent)			Discount Rate (Per Cent)		
	8	10	12	8	10	12
At market prices	+0.14	−0.02	−0.15	+0.98	+0.70	+0.48
At social prices	+1.50	+1.14	+0.89	+3.86	+3.24	+2.73
		30 years			30 years	
At market prices	+0.35	+ .11	−0.05	+1.36	+0.96	+0.65
At social prices	+1.89	+1.42	+1.08	+4.73	+3.80	+3.33

Note · Net Benefit Cost ratio is defined as the amount of *net benefits* generated per unit of capital investment. That is $= \frac{\text{Present Value of Net Benefits}}{\text{Present Value of Capital Costs}}$

TABLE 12: NET PRESENT VALUES OF BENEFITS OF KOLE LAND DEVELOPMENT PROJECT UNDER ALTERNATIVES III AND IV

(*Rs lakhs*)

Item	Alternative III (20 years)			Alternative IV (20 years)		
	Discount Rate (Per Cent)			Discount Rate (Per Cent)		
	8	10	12	8	10	12
Benefits at market prices NPV (M)	+26	−61	−105	+283	+196	+149
Benefits in terms of social prices NPV (S)	+732	+531	+397	+771	+604	+493
		30 years			30 years	
Benefits at market prices NPV (M)	+199	+99	−35	+413	+329	+201
Benefits in terms of social prices NPV(S)	+1042	+728	+522	+1001	+751	+586

Rates of Discount (Per Cent).	NPV(F) (Rs lakhs)
Life-span 20 years	
8	+1020
10	+872
12	+754
Life-span 30 years	
8	+1204
10	+988
12	+831

Unskilled labourers: It will be recalled that the social gain of generating additional employment of unskilled labour NPV(L), was arrived at by taking half the unskilled wage component of capital costs (under Alternative I) plus the entire wage component of recurring costs, NPV(S) = NPV(M) + NPV(L).

Rates of Discount (Per Cent)	NPV(S) (Rs lakhs)
Life-span 20 years	
8	+1176
10	+900
12	+683
Life-span 30 years	
8	+1522
10	+1119
12	+826

The implications of the social valuation thus arrived at are worthwhile stating. Clearly, net social benefits of a project — NPV(S) — can be positive even if the net benefit of that project at market values — NPV(M) — is zero or negative. But the social justification of the project is then wholly dependent on the additional employment of unskilled labour it generates. It means also that one or more parties involved in the project are disaggregated in terms of the principal groups involved therein.

VI

Three principal groups have been identified with respect to this project: (i) the farmers, (ii) the agricultural labourers (unskilled labour) and, (iii) the project authority (i e, the state government). The third group is taken to include all public agencies like the Land Development Corporation and financial institutions.

When looked at from the point of view of these separate groups, the relevant prices are market prices and not social prices. Social prices are relevant only when the project is viewed from the society's point of view.

Therefore the net addition to their income from employment in the project could be taken to be half the yearly wage during the period of construction. Once the project is completed, the labourers will secure additional employment through raising of a winter crop on 7,100 hectares of Kole lands. But the [illegible] of employment now available on repair of temporary bund will also have to be allowed for. Thus the net social gain of employing unskilled labourers — NPV(L) — will be half the wage cost in capital construction plus the entire wage component of recurring costs minus the loss of employment on repair of bunds under Alternative I.

Rates of Discount (Per Cent)	NPV(L) (Rs lakhs)
Life-span 20 years	
8	+1071
10	+920
12	+799
Life-span 30 years	
8	+1241
10	+1028
12	+868

However, from the point of view of income redistribution the agricultural labourers as a group obtain additional income equivalent to the entire wage cost at market prices less the wages now obtained on repairs of temporary bunds. The present value of such income accruing to the labourers as a group is given by R(L).

Rates of Discount (Per Cent)	R(L) (Rs lakhs)
Life-span 20 years	
8	+1245
10	+1088
12	+961
Life-span 30 years	
8	+1415
10	+1196
12	+1030

Project Authority: As already stated, the expression 'government' has been used to include all public agencies connected with this project, directly or indirectly. The costs to be taken into account in this context are the costs of construction of the dam and its maintenance (items 8 and 9), development of land (item 6) and compensation for acquisition of land (items 15 and 16). The returns of this group comprise only of repayment of loan by the farmers (item 14). Thus the net gain from the project authority's view point would be:

$$NPV(G) = (14) - [(16) + (8) + (9) + (15) + (16)]$$

As can be seen from the results of NPV(G) given below, because the authority has to incur certain costs (like dam construction and its maintenance) without recoupment and also bear the initial investment on land development the returns have turned out to be in the negative for all the three rates of discount even with a longer life-span of 30 years.

Table [illegible]: Net Benefit-Cost Ratios of Kole Land D[illegible] Project under Alternatives III and IV

	Alternative-III (20 years) Discount Rate (Per Cent)			Alternative-IV (20 years) Discount Rate (Per Cent)		
	8	10	12	8	10	12
At market prices	+0.04	−0.10	−0.18	+1.19	+0.87	+0.71
At social prices	+1.08	+0.84	+0.67	+3.24	+2.68	+2.35
	30 years			30 years		
At market prices	+0.29	+0.16	−0.06	+1.73	+1.47	+0.95
At social prices	+1.53	+1.15	+0.88	+4.21	+3.34	+2.79

Table 14: Capital Cost (Undiscounted) of Land Development in Kuttanad and Trichur Kole Lands

Region	Rs Per Hectare: Including Cost of Land Acquisition	Rs Per Hectare: Excluding Cost of Land Acquisition	Area Benefited (hectares)
*Including Infrastructure Works**			
Kuttanad	4,673	4,557	52,000
Trichur Kole	11,803	9,872	12,400
*Excluding Infrastructure Works**			
Kuttanad	3,846	3,730	52,000
Trichur Kole	7,130	5,812	10,400

* Infrastructure works for the Kuttanad Development Project consists of improvements to the channel to the Thottappally Spillway, protective works to the bunds affected by the spillway and diversion of Idukki tail race water from the Muvattupuzha basin with a total outlay of Rs 430 lakhs. The infrastructure works in Kole Land Development Project is that of the construction of the Chimoni dam with a total outlay of Rs 632.7 lakhs

Rates of Discount (Per Cent)	NPV(G) (Rs lakhs)
Life-span 20 years	
8	−915
10	−892
12	−870
Life-span 30 years	
8	−923
10	−897
12	−873

The sum of the net benefits of the above three groups valued at social prices should give the net social benefits of the project referred to in Section V.

VII

In sections IV and VI, evaluation results were given for Alternative I. Under Alternative II, costs on construction of the dam and its maintenance (items 8 and 9), cultivation of summer crop (item 12) and compensation for land acquisition for constructing the dam (item 16) will not be incurred Correspondingly, some of the benefits (items 3 and 4) will also not accrue. Therefore, the net benefits of the project under the different equations will be as follows:

$$NPV(M) = [(1)+(2)+(5)+(13)] - [(6)+(7)+(10)+(11)]$$

$$NPV(F) = [(1)+(2)+(5)+(13)+(15)] - [(7)+(10)+(11)+(14)]$$

$$NPV(L) = -\lambda\,[(6-c)] - \phi\,[(7-c)+(10-b)+(11-b)] - (13)$$

Where $\lambda = -0.75$ and $\phi = -1.00$ so that

$$NPV(L) = 0.75\,[(6-c)] + [(7-c)+(10-b)+(11-b)] - (13)$$

$$NPV(G) = (14) - [(6)+(15)]$$

$$NPV(S) = NPV(M) + NPV(L) = NPV(F) + NPV(L) + NPV(G).$$

Life-span 20 years	Rates of Discount (per cent) 8	10	12
	Rs lakhs		
NPV(M)	+273	+191	+127
NPV(F)	+605	+525	+462
NPV(L)	+804	+686	+592
NPV(G)	−332	−334	−335
NPC(S)	+1077	+877	+719
Life-span 30 years			
NPV(M)	+380	+259	+171
NPV(V)	+713	+593	+506
NPV(L)	+940	+772	+705
NPV(G)	−333	−334	−335
NPV(S)	+1320	+1031	+876

The results of Alternative II, presented above, bring out that the project becomes [illegible] at market prices for all the three rates of discount for both 20 and 30 years. At the same time, it has also helped to reduce the project authority's (denoted as government) loss to a considerable extent. Compared to Alternative I both at market and social prices, Alternative II comes out better even though one of the parties involved in the project, (the government) will still face a net drain of a little over Rs 3 crores. The reason for Alternative II emerging as a better variant is that the reported shortage of water, for which the construction of the dam is proposed, is not reflected in the yield rates of the paddy crop in the Kole lands.

VIII

Every project has a regional or local dimension to it. What is attempted in this section is only a measure of the direct impact of the project on the region. This could be done by identifying the outflows and inflows and then calculating the net inflow to the region

Under Alternative I, the net benefit to the region would be given by

$$RD(T) = [(1)+(2)+(3)+(4)+(5)+(6-c)+(8-c)+(9-c)+(15)+(16)] - [(7-a)+(7-b)+(10-a)+(11-a)(12-a)+(14)]$$

Under Alternative II, this would be

$$RD(T) = [(1)+(2)+(5)+(6-c)+(15)] - [(7-a)+(7-b)+(10-a)+(11-a)+(14)]$$

Apart from the direct impact, there could be some indirect impact as a result of spending some part of the direct income generated by the project. But the indirect impact can be measured if it was sufficiently known to what extent the additional income generated locally tended to be spent on goods and services produced within the region. Since this is unknown, no attempt has been made in this exercise at measuring the indirect impact of the project on the region.

IX

Given a choice between projects, or different variants of the same project, it is worthwhile examining how the benefits are distributed between the various income groups of beneficiaries

This could be done first by assessing the net benefits accruing to the weaker sections and thereby assigning such benefits a higher weight than that to benefits accruing to other beneficiaries. In practice, the difficulty is one of assigning the right weights because they are seldom laid down at the national (or regional) planning level. However, one may still assess the impact of a project on the sections which are broadly identified as poor.

Two groups which could safely be identified as poor are the small farmers and the agricultural labourers. Small farmers have been defined as those with a land-holding of less than 2 hectares. It must be conceded straightaway that the 'poverty' of a small farmer is not the same as that of the 'poverty' of an agricultural labourer and that the clubbing together of the two groups is not, in any way, intended to equate poverty of the two groups. In fact, if agricultural labourers alone were to be identified as poor, the net benefits accruing to them are already given by R(L).

From the point of view of redistribution, it will be still relevant to ask what proportion of the benefit accruing to the farmers as a whole goes to small farmers. In the absence of data on the distribution of land separately for the Kole lands, information on land distribution in Trichur district has been used on the assumption that the pattern of land distribution will not be significantly different in the Kole lands from that of the district as a whole. Table 8 gives the pattern of land distribution for the Trichur district.

It may be noted that the distribution of land in the district is highly skewed, with 87 per cent of the cultivators having holdings below two hectares accounting for only 38 per cent of the area. On the other hand, 13 per cent of the cultivators with a holding of 2 hectares and above account for 62 per cent of the area. Hence, the net benefits accruing to the small farmers in the project area is taken to be 38 per cent of the benefits accruing to the farmers as a whole.

Under Alternative II, this will be

$$R(SF) = 0.38\,[(1)+(2)+(3)+(4)+(5)+(13)+(15)+(16)] - [(7)+(10)+(11)+(12)+(14)] = 0.38\,[NPV(F)]$$

under Alternative II, this will be

$$R(SF) = 0.38\,[(1)+(2)+(3)+(5)+(13)+(15)] - [(7)+(10)+(11)+(14)] = 0.38\,[NPV(F)]$$

The net benefits of the poorer sections as a whole would be given by

$$R(PS) = R(SF) + R(L).$$

X

The results in terms of net present values of benefits of Alternatives I and II are summarised in Tables 9 and 10. With a 20-year life-span, Alternative I is viable in terms of market prices, of course as adjusted in this exercise, at a rate of discount of 8 per cent. Alternative II is viable even when the rate of discount is higher. With a 30-year life-span, Alternative I becomes viable in terms of market prices even at 10 per cent rate of discount. However, in terms of social valuation, Alternative I can be seen to show a higher net present value for rates of discount of 8 and 10 per cent and almost as much net present value for the rate of discount of 12 per cent when compared to the corresponding net present value of Alternative II. It will be misleading however to infer from this that in terms of social valuation, Alternative I is at least as good, if not better than, Alternative II. Here, it is relevant to relate the net present value to the capital cost for each alternative. Table 11 gives the ratios of net benefits at market and social values to corresponding capital costs. It can be seen that the ratios for Alternative II are between two and a half to three times higher than the corresponding ratios for Alternative I. Thus the net benefit, social as well as market, likely to be realised per unit of capital investment is higher for Alternative II than Alternative I.

It will be recalled that for both Alternatives I and II it is assumed that construction will be completed in the first four years. How realistic is it to make this assumption? There could be doubt on this score, particularly in the light of recent experience within Kerala with respect to agricultural projects in general and a project of similar type, namely Kuttanad Development Project, in particular. To what extent the factors which were responsible for the delay in the completion of the earlier scheme have been provided for in the formulation of the Project now evaluated is not clear. In case, however, the completion of the Project is likely to take much longer than originally expected, evaluation results are bound to be adversely affected. This can be seen from the results summarised for Alternatives III and IV (Tables 12 and 13). Alternative III includes all the costs and benefits in Alternative 1 but with a phasing of the construction work over 8 years. Similarly Alternative IV is an 8-year phasing of Alternative II. It must be added that in the absence of details about the time phasing, in physical terms, of the various items of capital construction it is difficult to say whether or not the time phasing of financial expenditure is realistic.

The reduction in net benefits at market social valuation on account of delays in construction can be seen to be quite considerable. Thus the smaller the delay in completion, the larger will be the net benefits of the project. At the same time, the ratios of the net benefits to corresponding capital costs are considerably higher for Alternative IV and Alternative III.

Thus on the basis of this evaluation exercise, the choice clearly seems to be for undertaking the project without the Chimoni dam. It must be added however that, as can be seen from Table 12, the capital cost per hectare of land even without the Chimoni dam works out to be nearly one and a half times as the corresponding figure under the Kuttanad Development Project.

XI

The exercise is rather limited in scope in the absence of both the kind of detailed data necessary for a much more thorough socio-economic evaluation and also the specification of other technical variants of the project. The project, as conceived, envisages principally the construction of permanent bunds to prevent flooding during winter and construction of a dam across the Chimoni river for supplying adequate water during summer. The construction programme would, it is assumed, be completed in a period of four years. The two alternatives to it considered for the purpose of this evaluation are strictly speaking, not technical variants. One possible variant could have been the deepening and extension of channels and depressions which used to serve as the principal source of water for irrigation prior to the construction of Peechi

...voir but are naturally out of use ...ly. Could these not be developed at ... lower cost and in shorter period ... the proposed Chimoni dam to overcome whatever little shortage of water exists at present? Evidently, the present thinking in official circles is not well disposed to consideration of such not-too-imposing variants.

Also though for the purpose of this exercise, some corrections were made to cost and benefit estimates — as for example to the costs of cultivation of paddy and to the likely additional output of paddy and its price — the capital cost estimates have been left virtualy untouched. Only for the social evaluation is the price of unskilled labour assumed to be considerably below the market wage. The intention is both to incorporate thereby the employment objective into our evaluation and to treat at least a part of the wage paid as 'benefits' because it accrues to people whose employment and income levels need to be raised. However, the underlying assumption needs being highlighted, namely that labour is mobilised largely in such a way that it coincides with the period of maximum unemployment in the area. Drawing labour for the project during periods when agricultural operations require the available local labour does not obviously constitute a social benefit.

The exercise has also demonstrated that delay in implementing the project will result in considerable reduction of net benefits accruing to all parties concerned. Even the assumption of prolongation by four years may, in the light of experience in implementing similar projects in the state, seems to be on the conservative side. Construction of many irrigation and other projects started as far back as 12 years are nowhere near completion.

It is important to note that even with a modest version of the project, namely Alternative II, the capital cost of land development per hectare turns out to be one-and-a-half times the cost of a similar project undertaken for the Kuttanad region. Interestingly the cost estimates of this project were further revised upwards (when the present exercise was completed) by another 35 per cent which would double the cost per hectare of this project compared to the one in Kuttanad.

Notes

[I owe more than the usual word of thanks to I S Gulati for his guidance in finalising this study. A number of comments and suggestions that he offered for improvement and subsequent changes made at various stages of this study have made it a joint product. But he thought it fit to give me the privilege of the sole responsibility for the paper. Hence, I must add that I alone am responsible for any errors and omissions that may remain.]

1 A similar programme of land development taken up in 1974 was the Kuttanad Development Project covering an area of 52,000 hectares. Kuttanad region is also a low-lying area, 0.5 to 2.0 metres below mean sea level where an additional crop will be raised once the construction of bunds is completed. For an evaluation see, K P Kannan, 'Kuttanad Development Project: An Economic Evaluation'. *Indian Journal of Agricultural Economics*, Vol XXX, Number 4, October-December, 1975.

2 See *Report of the Survey on Unemployment*, 1965, Bureau of Economics and Statistics, Trivandrum, and *National Sample Survey, 12th Round*, E[illegible] *Unemployment in Rural Areas*, Kerala, 1970.

3 As per the 1965 Survey, a person was treated as underemployed if he worked less than 42 hours in a week; such persons constituted 54.7 per cent of the employed. However, in our calculations, we have taken only those who are severely underemployed, i e, those who worked less than 28 hours in a week. They formed 29 per cent of the employed. In the NSS of 1970, a person was treated as underemployed if he worked less than or equal to 4 days in a week.

4 Item 13 represents the saving effected as a result of reduction in the annual cost (on unskilled labour currently being employed) on repairs to temporary bunds. Thus the net addition to employment on account of the project will be less to that extent. Therefore in working out the social benefit due to employment this saving in wage cost has been deducted.

[illegible]ions [illegible]tween Small-Scale and Large-Scale Industry

A Different View

T Thomas

This article seeks to analyse the factors underlying the policy of promoting small-scale sector and to expose some of the major limitations of this policy.

The author argues that indiscriminate promotion of small-scale industry, defined merely in terms of size of capital, need not result in increased employment or the most efficient use of scarce resources like capital and land.

Very important factors like consumer interest, market linkage, the efficient use of resources and the need for innovation necessitate the continued growth of large-scale industry.

The role of the small-scale sector has, therefore, to be seen as complementary to that of the large-scale one and not one of exclusive dominance in a widening range of activities.

I

Introduction

INDUSTRIALISATION in India, like in all other countries, started with small industries based on arts and crafts, e g, handlooms, metal work, leather processing, oil expelling, etc. It was very much after the Industrial Revolution in Europe that we began to have large-scale industry in sectors like textiles, engineering, steel, etc. Education of our countrymen in the technologies of large-scale industry and the development of the market in India for the products of such industry led to the establishment of large-scale industries. And today we can look back with pride on the great strides made by Indian industry, especially after Independence. This remarkable change is noticed by outsiders who come to India after a lapse of time or after visiting neighbouring countries. Such progress has been made possible due to the encouragement and nurturing of industrial activity in the chemical and engineering industries through government policies which protected these industries through tariff preferences, investment incentives and a host of other measures.

Today, we have another stage when some people hold the view that the panacea for our problems of employment and industrial development is the accelerated development of the small-scale sector. Since this philosophy and the implementation of policies based on it can have a profound influence on the whole process and pace of economic development in our country, and can also affect the fate of many large industrial organisations, it would be useful to analyse and understand the assumptions underlying the current philosophy so that its limitations would become more obvious.

II

Critical Analysis of Case for Small-Scale Industry

Let us look at the economic reasoning behind small-scale industry. First of all, there is the belief that small-scale industry will provide the best solution to the great problem of employment generation in our country. Secondly, it is argued that small-scale industry will make less demand on important resources like capital and land, which are scarce in our country. Thirdly, it is held that the spread of the small-scale sector will prevent the concentration of economic power in a section of society.

There might be other economic arguments, but these are the main ones We shall examine these in some detail to see how valid they are in actual practice, and then go into a more general analysis of some of the limitations of small-scale industry.

Employment Generation

No one would dispute the need to create employment for all those who are able to work in our country. Employment is not only an economic necessity but also a social necessity, because it is only when a man has an occupation and an income arising from it, that he can assume a fuller measure of human dignity and true independence. However, there is ample reason to doubt whether the current tendency to promote small-scale in place of large-scale is going to generate any significant addition to employment as compared to the size of our problem.

First of all when we talk of employment, we should look at direct as well as indirect employment. Very often, large-scale industry can generate considerable amount of indirect employment which is not taken into account and cannot be matched by small-scale industry. Let us take an example. The organised sector of the soap industry in India uses 160,000 tonnes of non-edible oils and produces 270,000 tonnes of an acceptable quality of soap which the consumer is willing to buy. In cultivating and, in many cases, in collecting these oilseeds, it is estimated that over 100,000 people find employment — that too in rural areas, among marginal farmers and tribals. If the small-scale sector were to produce the same quantity and quality of soap, because it does not have the technology or the capital, it will not be able to use this quantity of non-edible oils. It will need to use either imported tallow or palm oil, or indigenous edible oils which have to be replaced by imported edible oils. In either case, the employment and income will benefit another country.

Compared to this level of indirect employment, the direct employment in the soap industry is only 12,000 in large-scale and 38,000 in small-scale sector today. As against 270,000 tonnes of soap produced in large-scale sectors, the small-scale sector produces 560,000 tonnes of soap per annum. It has been estimated that even if all the soap made in large-scale were to be made in small-scale, the additional employment will be only 18,000 persons which is far fewer than the difference in indirect employment of 100,000 persons.

Another major avenue of indirect employment related to large-scale is in the distribution system. In one soap company's operations, whilst it employs about 10,000 people directly, the indirect employment in the distribution system is over 30,000 people. In any meaningful comparison of employment in the two sectors, this also has to be taken

into account.

Again, employment has also to be related to income generation. In many industries an important reason for the competitive survival of small-scale industry in spite of all subsidies given to them, is the low wages in comparison to large-scale. For earning the same amount of wages in small-scale sector, in many cases at least double the number of people have to work. Therefore, the total wages paid to workers need not necessarily be higher and the income-generating capacity per worker is much lower in small-scale. This factor also has to be taken into account for any meaningful comparison.

Yet another dimension is the quality of employment. Today in India we have 5 million educated unemployed and their numbers are swelling. It is only large-scale industry that can provide the quality of employment that the better qualified people will desire. Therefore, growth of the large-scale sector is essential to keep pace with their aspirations.

There is a distinct and positive relationship between the growth of small-scale and large-scale sectors. Small-scale sector can be divided into three categories with regard to their relationship with large-scale sector. Firstly, there is a category of small-scale industries which depend for their growth on the growth of large-scale sector, e g, suppliers to large-scale manufacturers, small units servicing or finishing products of large industry, etc. The second category consists of those small-scale units which are independent of large-scale units with regard to their market, e g, handicrafts. The third category is where the large units and small units compete for the same market, e g, handlooms, khadi anl village industries, etc

An analysis of data provided in the Census of Small-scale Industry Units, published by the Development Commissioner for Small-scale Industry, shows that almost 60 per cent of small units (in terms of value of production as well as in numbers) fall into the first category, *viz*, dependent on large-scale units. The second category depends for its growth very much on the rate of growth in incomes domestically or on export market. The third category is often at a distinct disadvantage in competition with large-scale, due to price and quality as seen by the consumer.[1]

Therefore, one can conclude that a major portion (60 per cent) of small-scale industry will continue to depend for its growth on the growth of the large-scale sector. It is also to be noted that the more modern sectors of small sector are usually more dependent on large-scale industry in a complementary fashion. Therefore, in the ultimate analysis, any significant increase in employment in small sector has to be as a result of a corresponding increase in the activities of the large-scale sector as well.

But it will be somewhat myopic for us to depend on industry, whether large or small, to solve our employment problem in the present generation. And it has to be solved in the present generation if we want to avoid a social catastrophe. India is at a very critically dangerous stage of socio-economic development. On the one hand, literacy and awareness are increasing at a rate that will lead to ever increasing aspirations and cascading discontent. On the other hand, the rate of progress in communication and education, especially among females in the Hindi speaking belt, has been so tardy that population increase and all its attendant problems will not be checked, probably for another 25 years. Therefore, we have to contain and manage the social problems of an increasing population with rising aspirations and awareness till the populous backward areas of the country catch up with the modern sectors of the country. And providing employment for the masses in the rural area is going to be one of the key determinants for our ability to manage this imbalance. Industry — large, small or tiny — is not going to provide the major answer to this problem in a democratic set-up.

We have to look elsewhere, namely, to agriculture for the real solution. In India, we have 170 million hectares of cultivated land of which about 40 million hectares are under irrigation. First of all we can increase the 40 million hectares to at least 80 million hectares in the next 15 years, which is only a 5 per cent per annum increase in irrigated area. Secondly, and more importantly, in the irrigated area we should intensify agriculture by taking multiple crops. At present we use about 90 men per 100 hectares of cultivated land. The corresponding figures for Egypt and Japan (who are both more efficient than us in agricultural output per hectare) are 181 and 219 men respectively per 100 hectares.

It is evident that if we were to reach at least the Egyptian level of intensity and even if we did it for the 40 million hectares of the currently irrigated land, the *additional* employment generated in agriculture would be 36 million jobs at the rate of additional 90 men per 100 hectares. If we brought another 40 million hectares under irrigation, a further significant addition to employment would be possible.

This should be our real solution to the employment problem because it has the following advantages

(i) Employment will be generated where people live and there is no need to provide all the infrastructure required if they are displaced into urban areas.

(ii) Agriculture will become so much more remunerative per hectare of land that rural incomes will increase significantly. This in turn will accelerate progress, limit rural family sizes and make it possible to tax agriculture so that more resources become available for developmental investment, including investment in different sectors of industry.

(iii) With rise in agricultural income, there will be greater demand for products of industry — both large and small.

(iv) Surplus agricultural produce can be exported to neighbouring countries, in the Middle East, in order to earn valuable foreign exchange.

Economic history shows that all large countries had to go through this process of generating resources in agriculture, diverting part of it for industrialisation and thereafter transferring part of the population to industries and services that cater to the increased overall wealth. Whatever 'ism' a country may practise, this will be the inexorable process which even the Chinese have had to rediscover very recently. Let us hope, at the end of a lot of political rhetoric and debate, we will also reach this inevitable conclusion — preferably under a democratic form of government.

To sum up this point, small-scale industry by itself does not hold the solution to our employment problem. It has to be accompanied by growth in large-scale sector. And the real thrust lies in agriculture. Therefore, we should give far greater preference to setting up District Agricultural Centres in addition to District Industrial Centres.

Economic Utilisation of Scarce Resources

The most scarce resources in India are capital and arable land, in that order. If we have capital we can convert more of the land mass into arable and irrigated land. But there is a physical limitation to the extent of land and therefore it has to be treated as



scarce. Let us examine as to how small-scale industry relates to these resources.

Capital: With regard to capital, the common assumption that small-scale uses less capital has to be questioned. First of all, in almost all types of industries, which small-scale sector is engaged in, a major portion of capital is invested as working capital. An analysis of the finances of 326 small-scale units in Delhi had shown tdat 57 per cent of the total capital employed by these units was employed as working capital.[7] Another study covering 159 units[8] also indicated that 53 per cent of capital employed in small units was in working capital.

In the utilisation of working capital, smallness of operations is a distinct disadvantage unless the sources of material or the channel of distribution are artificially created through government subsidy. Larger scale enables an enterprise to utilise less working capital per unit of output.

Even in the area of fixed capital, it is not always to be assumed that small-scale units will use less capital if all the investments in the usually subsidised infrastructure are also taken into account.

Perhaps, a more important factor which is often lost sight of is the function of capital. A major function of capital is to generate capital for investment — not merely to produce goods for consumption. Large-scale industry utilises capital more effectively for generation of savings. This is because of the following reasons

(i) Large-scale industry which can use better technology is able to utilise raw materials efficiently and to recover by-products more fully. Therefore, they can produce more out of the same raw material, thereby contributing to increased resources.

(ii) Large-scale industry will tend to generate a larger proportion of non-wage income (e g, profit) than small-scale. It is the non-wage portion which will be saved for investment.

Let me give an example of how capital is diverted away from savings through subsidising employment. It concerns khadi and handloom industry. The NCAER has estimated the following costs of production of cotton dhoties by the three different sectors of textile industry :

Sector	Cost in Rs Per Metre of 20/24 Dhoti
Khadi	3.5
Handloom	2.9
Powerloom	1.8
Mills	1.6

Of course, these prices are totally distorted in the price to the consumer (as distinct from cost) due to heavy subsidies. But who pays for the subsidy? In the end, all subsidies are paid for by the consumer because a major portion of government revenue comes from excise duties which (unlike direct taxes) are paid by all consumers, irrespective of incomes. In fact, the poorer sections of society pay a much higher proportion of their income as excise on all kinds of essential articles. So can we justify subsidising employment in the less efficient sectors of the economy by taxing the common people?

Economic development does not depend merely on utilisation of an available resource like capital, but on a rapid increase in such resources, especially capital. And large-scale sector is better equipped to create such increase in resources.

Land: In the case of agro-based industries which constitute a substantial part of industry in our country (textiles, sugar, oilseeds, etc), the efficiency of usage of raw material has a direct bearing on not only the efficient use of land, but also on the income and expenditure of the farmers and rural population. For example, take the sugar industry where sugar-cane crushed and processed in mills yields crystalline sugar equal to 9.5/10 per cent of the weight of cane. As against this, in the khandsari and gur manufacturing processes in small-scale sector, the yield is only 6.5 per cent of crystal sugar equivalent. At present, 58 per cent of sugar-cane grows in India is processed into gur and khandsari while 30 per cent is processed in mills with the remaining 12 per cent being used for seed and direct consumption. Out of 143 million tonnes of cane, only 43 million tonnes are processed in mills. If this 43 million tonnes of cane were also to be processed in small-scale, we would lose 1.4 million tonnes of available sugar. If this 1.4 million tonnes of sugar were to be compensated as khandsari by additional agricultural production, we will need to produce about 21.5 million tonnes more of sugar-cane, that is an increase of 15 per cent (over 143 million tonnes) both in production and in acreage under sugar-cane.

In addition to the 15 per cent more land, we will also have to provide scarce water resources to grow this additional cane. Furthermore, as khandsari process gives much less molasses, there will be substantially less molasses and hence alcohol production. Thus, it is very clear that processing sugar-cane in mills will result in much better utilisation of land and water. Yet, in our country, mill sugar is charged almost 100 per cent more excise than khandsari while gur pays no excise. If we are to shed emotional inhibitions and take into account the total economy in terms of land usage and consumer interests, this policy should be reversed in favour of mill sugar.

Let us take another example from agro-based industries — this time of a commodity which is perennially short in our country, *viz*, oilseeds. Vegetable oil can be derived from oilseeds using either a ghannie or expeller, or a solvent extraction plant. Taking groundnut seed which contains about 40 per cent oil, crushing in a ghannie will result in leaving about 10 per cent of the weight of cake (that is 15 per cent of oil available) as oil in cake. In an expeller, the corresponding figures will be 6 per cent (and 9 per cent of available oil) and in solvent extraction it will be less than 1 per cent (or 1.5 per cent of available oil). Therefore, there is a wastage of about one-seventh of the available oil in ghannie, and about a tenth of available oil in the case of expeller. This kind of wastage affects not only the area required to be under cultivation of oilseeds, but also makes the oil dearer for the consumer.

Therefore, it is evident that in the efficient utilisation of land, large-scale industry has a more positive role than small-scale industry.

Disposition of Economic Power

The third argument used in promoting small-scale as well as public sector, in preference to large-scale, is that of preventing the concentration of economic power in private hands.

Let us examine the real consequence of this policy. On the one hand, we have the spectacle of our population becoming increasingly the victims of the less efficient public sector monopolies. All basic industries like coal, power generation, steel and petroleum are in the public sector. What is the difference we find between a private sector monopoly and a public sector monopoly? First of all, the private sector monopoly is usually more efficient as it has a profit motive which entails sanctions that make the management efficient. Public sector companies have no such compelling motivation. Secondly, the private sector monopoly is afraid of the MRTP Act, whereas public sector is exempt. Thirdly, when public sector enters an industry, it will have to try its best to convert itself into a monopoly so that competi-

tion need not be faced. So, as consumers, we are at a disadvantage dealing with public sector monopolies.

Yet economic power is shifting into the public sector and therefore into hands of politicians and bureaucrats who wield disproportionate power over vital sectors of industry. We have to stop and ask ourselves, "Have we really prevented concentration of power?" We have not. We have only shifted the source of power.

At the other end of the spectrum, we are told that promotion of small-scale industry will prevent concentration of power. In actual practice, it does the opposite. A small-scale man is at the mercy of government authorities at considerably more layers than the large-scale man. Whether it is for finance or for space, or for raw materials, or for various subsidies to offset inherent disadvantages, the small-scale man has to please many masters in the state governments, the banks, the municipalities and all the multifarious agencies of the Central government. The holding power of a small-scale man is very limited and bureaucracy knows that and exploits it to the full. For instance, there is the case of a small-scale industrialist who had to get his small boiler certified by an inspector who expected his usual 'dakshina'. When the man hesitated the inspector was good enough to work out for him the loss the former would sustain per day and the fact that his 'dakshina' was hardly equal to a week's loss. He will hesitate to do it with a bigger industry because he is never too sure of the degree of helplessness of big industrialists, due to their linkages, real or assumed, at higher levels.

In view of these facts and trends, one would question the assumption that small-scale dilutes the concentration of economic power. In fact, it merely transfers the concentration of economic power to the government.

Having thus examined the arguments in favour of small-scale, let us discuss some of the serious limitations of this sector.

III

Limitations of Small-Scale Industry

One of the blind spots with many advocates of small-scale is with regard to the market. They tend to think of industry almost exclusively in terms of the production unit. The most acute form of this myopia is among those who think every village or group of villages should produce all that they require and become thereby self-sufficient. But that will be the self-sufficiency of the type that was and is still being enjoyed by our tribals and adivasis. Fortunately, we live in a society which is democratic with open channels of communication and an increasing degree of awareness and freedom of choice for consumers. If a villager in a remote part of UP goes to a cinema or listens to the radio, he may hear about the virtues of dental care or the benefits of family planning. He may see actors and actresses in fashionable attire. You cannot then expect him to have no desire to acquire some of the products he has seen or heard of. He is not going to be satisfied with the neem twig or rice husk charcoal for cleaning the teeth. He is not going to be satisfied with the local fabrics or local soaps. He will want better products.

Therefore, the one inconvenient fact that everyone has to realise is that as communications inevitably improve in a democratic society, the size of the market and the mobility of products increase in ever widening circles. Of course, this will not happen in a dictatorial society where the needs and desires of the population can be controlled and directed. Fortunately, we are not in that situation.

Once we accept the existence of a widening market, a serious limitation of small-scale industry becomes abvious. Much larger resources than what the small-scale can command are required in order to sense the changing needs of the consumer, to create products to satisfy such needs, to test such products in the market place, to communicate to the consumer the characteristics of the product and to make available adequate quantities of the product at a uniformly acceptable and reliable quality, over wider areas. It is essentially growth of the market which leads to the growth in size of an industry and not the other way round. And no amount of rhetoric by politicians and academicians can change this fact. The fact is that in a free society, there is going to be an inevitable case for the size of the enterprise to grow with the size of the market.

To produce goods at optimum cost and quality, a continuous process of innovation is necessary. Innovation in industry consists of various measures to improve the productivity of the resources employed. This involves the utilisation of skills such as design engineering, industrial engineering, R and D, etc. To acquire and to support such skills, the industrial unit has to achieve a certain size which is beyond our country's definition of small-scale sector. Barring exceptions it is only large-scale industry which can devote resources for this, and then allow the innovative process to diffuse through to the small-scale sector. If all industrial units were to be exclusively in the small-scale sector we will have to look for innovations from large-scale industry in other countries. Or we may stagnate.

A serious limitation of the small-scale sector in several industries is the extent to which they have to depend on government subsidies and protection. This is given in the form of more liberal imports, concessional provision of finance, infrastructure and materials, preferential excise and other levies, preferential pricing in government purchases, exemption from several obligations to employees, and exemption from most of the control procedures.

Yet all these concessions and protections have to be paid for by society and to that extent small-scale is parasitical on the rest of society. If the subsidies and protection are withdrawn, they would wither.

To hold that only small is beautiful, is to be oblivious to the fact that everything that is alive has to grow. Today's small-scale industry is going to be the medium scale industry of the next decade and, hopefully, the large-scale industry of the following decade. It is not an accident that medium scale industrialists are now already getting worried. An enterprise has to keep growing, or else it will decline and die. Once we accept this logic of inevitable growth, the dividing line between yesterday's small and tomorrow's large becomes very fuzzy indeed. And those who try to hold the so-called line at small-scale sector are those who live in yesterdays.

Due to their lack of technology and limited access to markets, many small-scale units are able to compete with large-scale units, even after receiving subsidies, only by paying lower wages to their workers. In many engineering industries where labour costs are a significant part of costs, this is the case. Therefore, small-scale industry has the limitation of exploiting labour. This is also a cause of their failure because as the small-scale unit becomes profitable, labour will demand better terms and if those terms approximate the terms offered by large-scale, it can lead to ruin of the small-scale unit. Therefore, wage exploitation is almost an inbuilt

...survival strategy for small-scale industry.

In a similar fashion, the consumer is exploited by the spread of small-scale sector. He is paying for the subsidies and getting products of variable quality with lesser prospects of innovative improvements.

IV

Reconciling the Roles of Small and Large-Scale

Having thus understood many of the limitations of the small-scale industry, let us examine whether there is a way of reconciling the roles of large-scale and small-scale sectors, not in a mutually exclusive manner but in a complementary manner This was best stated by Prime Minister Morarji Desai, who in a recent communication to the Chambers of Commerce said

> In the context of our economic policy and industrial policy resolutions I have been considering the possibility of de-compartmentalising the present approach to village industries, small-scale industries and large-scale industries. While the priorities as between the three sectors of the overall industrial organisation of the country would undoubtedly remain unaffected, the question is whether from the functional point of view some amount of co-operation cannot be achieved .
>
> I have also been considering the matter in the larger context of promoting mutual co-operation, trust and confidence between the different sectors of industry
>
> From all these points of view, I am wondering whether it would not be possible to bring these three sectors of industry in closer co-operation through mutual assistance
>
> The common interests of the three sectors make this kind of co-operation a worthwhile proposition In fact this approach may generate competitiveness without the drawback of rivalry and a mutuality of interests may enable the three sectors to consider the problems of production and availability in an integrated manner

We must find ways of enabling complementary growth of large and small — not conflicts and compartmentalisation For instance, in many industries it should be possible to undertake the capital and technology intensive parts of the process in large-scale, leaving the labour intensive part of the decentralised small-scale, but again the marketing of the products being done by large-scale. An example would be that of textiles. Preparation of cotton and spinning is best done by large-scale. Weaving can be decentralised. But again, the finishing, quality control and marketing can be done advantageously by large-scale.

Or in the soap industry, we have shown that the processing of unconventional oils and the recovery of glycerine are best done in large-scale which has the technology and capital; the conversion of base soap material to tablets and packaging can be done in small-scale, with the marketing and distribution being done again by large-scale Our actual experience shows that this can work in practice with great advantage to small-scale producers

I am sure this approach of complementariness can be adopted by many industries In my view, the real development of small-scale industry in our country will take place only on the basis of such complementary growth, not on the basis of conflict

V

Conclusion

The factors underlying the policy of promoting small-scale sector have been analysed Some of the major limitations of the present policy, which states that whatever can be produced in small-scale must be produced by that sector alone, have been exposed. It has been shown that indiscriminate promotion of small-scale industry, defined merely in terms of size of capital, need not result in increased employment or the most efficient use of scarce resources like capital and land Very important factors like consumer interest, market linkage, the efficient use of resources and the need for innovation, necessitate the continued growth of large-scale industry. Therefore, the role of the small-scale sector has to be seen as a complementary to that of the large-scale one and not one of exclusive dominance in a widening range of activities..

Notes

1 J C Sandesara, "Small Industry Production in 1982-83", *Economic and Political Weekly*, April 29, 1978

2 P N Dhar, "Small-scale industries in Delhi"

3 NCAER, "Study of Selected Small Industrial Units"

[illegible]eory and Practice

Ajit K Biswas

The activities of the Institutes of Management, ostensibly considered research, are mostly based on wrong mercenary values, are totally inappropriate in the objective situation of our country and militate against the development of any serious research programme except by isolated scholars.

I

Management Institutes Galore

THE mushrooming of management institutes all over the country during the last decade or so is a clear indication of the scope for manipulation that has emerged in this field.* It is going to strengthen some of the tendencies which are noticeable in the Indian Institutes of Management set up under government auspices and to tarnish their image as academic institutions. These Institutes were intended to initiate training and research in such problem areas as are not covered in universities (concerned with the basic disciplines of science and humanities) or in the various Institutes of Technology. But they were to be considered as institutions squarely based on genuine academic values as proclaimed in the relevant documents. The alienation of these Institutes from academic values is already widely pervasive, and transparent even to the intelligent layman, let alone the cognoscente.

Flashing advertisements about management development programmes (MDP), extension programmes, in-company training and consultancy activities of these Institutes provide ample opportunities for racketeering. The target groups are often a curious assortment of persons with different educational and experiential background. Over a long time span since the inception of these Institutes, the target groups consisted of manufacturing concerns in the private sector which used to send delegates from the middle or lower rank of executives. Now a lot of canvassing is required on the part of the interested faculty to attract the minimum number of participants to enable them to run the programmes without any loss.

There is, of course, an increasing demand now for programmes from public sector enterprises and government organisations for various types of national schemes requiring the training of personnel in different types of activities. But it does not change the basic character of the Institutes in respect of training and research so long as the researchers and instructors do not care to equip themselves properly for these programmes. The lapse is more on the part of the faculty than on the part of the participants. The programmes often suffer from the lack of necessary knowledge of the instructors in respect of the problem area, especially in the Indian context. More often than not, the participants are more interested in sheer animal comforts provided in the luxurious hotels where these programmes are conducted. The quest for knowledge is the most conspicuous by its absence. The mercenary motive is found by the faculty to be more rewarding in their scale of values, as most of the target groups neither care to be exacting enough, nor do they have the necessary background to assess critically the fare they are served.

The differentiation of the role of management institutes from that of universities is often exaggerated. It is said that the management institutes are unlike universities which are after knowledge, rather than the fruits of knowledge — as if the two are easily separable. Bridging the gap between theory and practice or so-called *functional* areas does not lie in the realm of charlatanry but with scientists who can appreciate the interdisciplinary nature of any real life problem requiring policy decisions.

II

Management Institutes and Generation of Funds

We are told that one of the specific features of management institutes is generation of funds through consultancy, MDP's and extension programmes, unlike other academic bodies such as universities. The rating of a faculty member by his capacity for generation of funds is readily acceptable in our socio-economic structure. The more one degenerates as a scientist, the more one's capacity for fund generation. That is why the management institutes provide berths for con men who will find themselves extremely uncomfortable in the company of genuine intellectuals of both theoretical and policy orientation.

It will not be far from the truth to assert that the Institutes of Management do not have any clear sense of priority in their areas of research, developing from the intellectual urge of the concerned faculty. Ideally the rationale of this urge must be consistent with the objective conditions operating in the country and which provide the ideological base. The logic of development then arises from questions and problems emanating from ongoing research in the various areas and not from the demands foisted on them by interested target groups, national or international. These target groups, even with their very limited objectives, retain their control since they provide the necessary financial support. I wonder how many of our management consultants from the Institutes would dare to probe deep into the financial structure of the big business houses which will involve a thorough scrutiny of their many underhand deals, violation of laws, propensity for speculation, etc. What is essentially a system of patronage is considered to be the return for imparting knowledge. Most of the reports produced by these consultants have no substantive research content.

What is extremely disturbing in these Institutes is thus the appearance of intellectual mercenaries on the scene. The so-called progressive ones have found in this confusing situation an opportunity to expand their area of operation and to cover problems of national and social importance, the demand for which arises from various government organisations and, maybe, the genuine needs of the country. They publicise MDPs and extension programmes in respect of subjects like energy and power, transport, health, water resources,* urban development, nutrition, small-scale industries, etc. The Institute which provides the maximum number of

* This paper is not concerned with some of the finest scholars employed in the Indian Institutes of Management. It refers to the dominant trend, to some extent built into the system, which has developed over the years vitiating the basic academic values.

* I attended one of the finest seminars on this area in the Indian Institute of Management, Calcutta, with great care being taken in the choice of participants and faculty. But these are exceptional in nature. I am concerned with the dominant trend.

such programmes is, so to say, on the map. Preparatory work by the interested faculty is minimal in these cases and they are prone to borrow heavily from whatever is available in the literature of the Western countries irrespective of any sense of relevance. They hardly appreciate that in most of these areas, very little or only the most perfunctory and scattered work has been done in the Indian context. The basic technical literature is out of bounds for quite a large number of the faculty in respect of their intellectual equipment and absorptive capacity. A proper perspective requires the organisation of sustained and intensive research in most of these areas rather than overnight preparations for very short duration courses, pending any pedantic posture as purveyors of knowledge. Essentially what we find in these programmes is the same type of persons, whether they come from the various organisations of the government, private or the public sector or the Institutes of Management, arbitrarily split up between researchers and teachers on the one hand, and student participants on the other, depending on their respective stations in life. Nothing serves the Institutes better than grabbing funds from whatever sources they may come, since this is an ideal game where the generation of funds and research are happily combined!

III

Management Science and Basic Disciplines

Any management problem except trivial ones derives its sustenance from and must have its roots in the basic disciplines which have developed over a long period of time and is a part of our cultural heritage. Failure to appreciate this lands an aspiring management scientist in a quagmire where management becomes a commodity to be bought and sold in the market like other commodities. The political economy of India — its base and superstructure — provides ample scope for this confused irrational role of management institutes. The professed objectives of socialism present only a camouflage for a game in which the big business houses and oligopolists, bureaucracy and mercenaries posing as intellectuals share the common interest of filling in their respective coffers. The public sector is only a thin wedge which suits them pretty well, for they are then in a position to claim that in the framework of a regulated economy, they are also subserving the interests of socialism!

Ignorance of and alienation from basic discipline result in *ad hocism* in the profession of management training and research. In the process, the vested interests of the target groups dominate and they can easily impose their own values on the management researchers. The faculty find any doubt regarding academic and social values they might have had in their early years extremely hazardous and uncomfortable. In an inflationary situation there cannot be any value which serves them better than financial affluence. In consequence, the dominant trend in these Institutes of Management is primarily the degeneration of potential intellectuals and the erosion of academic values through a progressive loss of serious-minded scholars. Whether to quit in grace or flourish in disgrace, of course, presents a hard choice for the young aspirant.

The basic disciplines are bypassed by

rious subterfuges which are readily ,ailable in a large number of manage- ,ent text books. To give an example, ,cial cost-benefit analysis of manage- ent education can be shown in the ,rm of a calculus of the difference tween the money earning potential of e graduates and the cost incurred on em, with all the paraphernalia of dis- ,unting, etc. Jargon mongering and orking in cook book recipe styles ,are the management man from the duous task of the search for know- dge. It suffices to know the terms ,ed in scientific publications and voke them, as and when necessary, cording to his conception and in a anner which serves the interests of target groups and the concerned culty. It is uncomfortable for this pe of persons to find any scholar ganise a seminar on, say, stochastic ocesses, or classical political economy, r where ignorance is bliss and begets oney, it is foolish to be wise. The zziness of values, to give another ample, is sharply brought out in the nventional marketing courses. The chnique of luring people through lvertisements and various other media adopt new brands, and in our country xury goods for the affluent are taught ith great fanfare; some shoddy stati- ical methods are used to give these urses a scientific garb. I wonder w many of the market researchers d instructors have been able to preciate the import of a thoroughly jovable book like Vance Packard's lidden Persuaders", let alone serious ciological literature.

IV

Theory of Management Research as a Science

It is necessary to appreciate, that in country like India, it is irrelevant and ational to give undue importance to search programmes which cater to e limited objectives of the private ctor. Despite the sizeable industrial- ation that has taken place in our untry, the problem of poverty has, cording to expert estimates, assumed a rious dimension. This is obviously not flected in the measure of per capita al income, since this concept is in- pendent of the notion of distribution. consequence, whatever development e have achieved is of a very lopsided ture and efforts have hardly been mmensurate with our needs. It is, erefore, imperative on the part of cial and natural scientists of both eoretical and applied orientation to address themselves to these problems which will help in the amelioration of the economic condition of the masses.

The task of the scientist, no doubt, is a limited one. Unless the decision-making authorities represented in the government are receptive to the expertise provided by them, and are ready to set up an effective machinery for the implementation of the agreed programmes, there will remain a frustrating gap between what is suggested by management science and what is actually practised. Unfortunately in the Indian situation where mixed modes of production operate and do not conform to any of the classical types experienced in the Western countries, there is bound to be a big gap between expert solutions and their implementation, between the professions and practice of the government. Fundamentally the economic base which determines dialectically the political superstructure will remain as the dominant force. Admittedly the experts cannot be held responsible for deliberate distortions and lapses in implementation of their programmes, but they cannot forfeit their responsibility to remain committed to their problem solving studies and continually strive to establish a persuasive rapport with the decision-making authorities.

No real life problem is solvable in terms of any basic discipline. That is why we require a dialogue among experts drawn from various fields of specialisation. Their interaction demands that the expert must be able and educate himself, if necessary, to understand the language of other experts. This will indeed enable the team to forge an effective participation in interdisciplinary research. I think this is possible and eminently desirable requiring mutual sharing of academic and social values, and understanding between faculty members belonging to different disciplines. Secondly, in any real life problem we have to take account of the historical situation, that is, an appreciation of the *present as history*. It is obviously fruitless to seek the solution of a problem in a vacuum or to suggest any policy prescription deemed to be applicable to all situations irrespective of time and space. Thus ahistoricity is inadmissible in most of the applied or management problems. This is particularly important in the Indian context since there is an inbuilt tendency in our educational system to lean heavily on Western experience. Thirdly, there must be a clear appreciation of the difference between the *explanatory* framework and the *prescriptive* framework of a problem. An explanatory or diagnostic framework will, however, have primacy in the sense that it is a prerequisite for the development of the prescriptive or the policy model.

This brings us right to the central theme of management research which implied the rational handling of a problem with a thrust on the formulation of appropriate policies. While one has to recognise the importance of objective historical situation and the technological constraints, it is not possible to frame any effective policy in any problem area if the constraints set by adverse institutional factors and socio-economic structure are regarded as absolutely sacrosanct and binding. In the transitional stage of an economy like ours, the situation appears to be often frustrating for the experts, but they cannot escape from their basic responsibility of hard work, and articulation of their views in a manner which is understandable to the larger section of the community. This, I believe, is the ultimate reward for their research, even if the powers that be are not attuned to the rationality of expertise because of the basic irrationality of the socio-economic structure.

It is not being suggested here that we should aim at the ideal or the first best solution. It is the failure to accept the second or third best solutions by the decision-making authorities that might be extremely demoralising for the management scientists. I am using the term failure either as outright non-acceptance or half-hearted acceptance resulting in distortions and lapse in implementation. The other type of failure which is inherent in the notion of science as an ever evolving body of knowledge is part of the educative process providing us with the techniques of learning by doing.

V

Conclusion

To conclude, I have no doubt in my mind that some of the activities in the Institutes of Management, ostensibly considered as research, are based on wrong mercenary values, totally inappropriate in the objective situation of our country, and they militate against the development of any serious research programme except by isolated scholars. The image of the Institutes is not determined by these lone scientists but by the dominant functional areas where charlatanry comes into its own.

Latin American Economy in 1978

THE Executive Secretary of Economic Commission for Latin America (CEPAL), Enrique V Iglesias, drew up a preliminary balance of the performance of the Latin American economy in 1978 at a press conference held at CEPAL headquarters at the end of December 1978. In general terms, the data available to CEPAL indicate that (a) there was a slight slowing down in the rate of growth (from 4.5 per cent in 1977 to 4.1 per cent in 1978) so that for the fourth year in succession the increase in the regional domestic product was relatively poor; (b) in the external sector, the deficit on the current account of the balance of payments rose substantially; (c) as a result of higher inflows of capital, Latin America's gross international reserves were further strengthened; (d) on average, over the region as a whole, the inflationary process slackened slightly in 1978. The assessment by the Executive Secretary of CEPAL is reproduced below from *notas sobre la economia y el desarrollo de america latina*, January 1979, prepared by CEPAL Information Service.

Economic Growth

The growth rate of Latin America was somewhat lower in 1978 than in the preceding two years. According to preliminary estimates, the region's gross domestic product grew by 4.1 per cent, which is lower than the 4.5 per cent and 4.4 per cent attained in 1977 and 1976, respectively (see Table 1).

The growth rates of Mexico and Colombia improved markedly, which was connected with the rise in petroleum production and the industrial upturn in Mexico, and the good results in agriculture and manufacturing production in Colombia. The Brazilian economy grew at a rate which was much the same as in the previous year, although its agricultural production declined as a result of widespread drought. A large group of countries also had product growth-rates which were similar to or somewhat lower than those of the previous year. On the other hand, in some countries economic activity declined, as in the case of Argentina, Nicaragua and Peru.

Over the last four years the Latin American economy, growing at an annual rate of roughly 4 per cent, has not managed to repeat its dynamic performance in the five-year period 1970-1974, when the region's domestic product grew at an average rate of a little over 7 per cent. Although the Latin American countries are currently better able to defend themselves against difficult international economic situations, the slow and erratic growth of the industrial centres since 1974 has unquestionably had an unfavourable effect on the region's development possibilities.

External Sector

A number of major features, some of them of an adverse nature, marked the evolution of the external sector for the Latin American countries as a group during 1978. The value of exports of goods rose by only 4 per cent and with a moderate but greater increase in imports (9 per cent) and a further increase in net payments of profits and interest, the deficit on current account was appreciably higher than in 1977. However, greater movements of capital led to a rise in the overall balance-of-payments surplus (see Table 2).

With regard to exports of goods, the growth in their value took place despite a drop in unit value (3 per cent) due to the growth of the volume exported, which amounted to 7 per cent.

What is immediately apparent from a separate analysis of the performance of the exports of the oil-exporting and non-oil-exporting countries is that in the former group (which now includes Mexico) the unit value and the volume of exports, remained stable. This is true of the average for the group as a whole, however, and it should be noted that Ecuador and Mexico greatly increased their volume of exports.

The non-oil-exporting countries was characterised by significant rises (of about 10 per cent) in the volume of exports, which offset the drops which took place in almost all of them in the unit values of exports. This confirms the increasing productive capacity and flexibility attained by the Latin American economy, as well as the favourable results being achieved by the export promotion policies of the countries of the region.

The fall in the average unit value of the exports of the non-oil-exporting countries (4 per cent) was the result of drops in the world prices of some basic commodities, including cotton, sugar, cocoa and coffee. On the other hand, the prices of goods such as beef, tin and wheat rose to varying extents.

With regard to imports of goods, the growth in their value was the result of a rise of 7 per cent in unit value and of only 2 per cent in volume. Whereas the variations in unit values were the same for all countries of the region, there were important differences from the standpoint of the volume of imports, particularly in the case of the non-oil-exporting countries.

Thus, on the one hand, the volume of imports dropped considerably in Argentina and Peru, which were connected with the course of economic policies followed in those countries. On the other hand, in a number of countries the volume of imports rose by over 10 per cent.

Due to the above-mentioned trends in export and import prices, for Latin America as a whole the terms of trade declined significantly (9 per cent). The countries most affected by the drop in the world prices of their main export products (Colombia, El Salvador, Honduras, Paraguay and the Dominican Republic) were naturally those where the terms of trade declined most.

These variations in exports and imports of goods, together with the net variation in non-factor services, caused the region's deficit on the trade balance to double, rising from 2,150 million dollars in 1977 to 4,400 million in 1978 (see Table 2). Nevertheless, it should be pointed out that this change was entirely due to envents in the oil-exporting countries, since the trade deficit of the non-oil-exporting countries remained the same.

Net payments of profits and interest by Latin America continued to rise, amounting to 9,700 million dollars in 1978. Thus the total deficit on current account rose from 10,600 million dollars in 1977 to 13,900 million in 1978. Contrary to what occurred in previous years, in 1978 more than half the deficit stemmed from the external accounts of the oil-exporting countries.

The net inflow of autonomous capital ammounted to 20,500 million dollars, an appreciably higher figure than in 1977. As a result, the region was able to finance its current account deficit and at the same time its balance of payments recorded an overall surplus of 6,600 million dollars. In the case of the non-oil-exporting countries, the surplus amounted to 7,600 million dollars, whereas the oil-exporting countries recorded a deficit of 1,000 million which corresponded primarily to the Venezuelan deficit.

In view of the performance of the balance of payments of the region, it is estimated that at the end of 1978 gross international reserves will amount to over 30,000 million dollars, against 26,600 million at the end of 1977. This additional build-up of reserves was concentrated in a few countries, particularly Argentina, Brazil and Chile.

Inflation

Inflation has become a necessary item in the annual studies of the performance of the Latin American eco-

Table 1: Latin America — Growth of the Gross Domestic Product*
(Annual growth rates)

1970	6.9
1971	6.7
1972	6.9
1973	8.4
1974	7.1
1975	3.2
1976	4.4
1977	4.5
1978	4.1†

Source: CEPAL, on the basis of official data.
* 19 countries, excluding the English-speaking Caribbean countries.
† Preliminary estimate.

TABLE 2 : LATIN AMERICA—BALANCE OF PAYMENTS, TOTAL AND BY COUNTRY

(Millions of dollars)

	Exports of Goods, FOB		Imports of Goods, FOB		Merchandise Trade Balance		Net Non-Factor Services		Trade Balance		Net Payments of Profits and Interest		Balance on Current Account*		Movements of Capital†		Balance of Payments before Compensation	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
Latin America	**50725**	**52893**	**48600**	**52991**	**2125**	**—98**	**—4271**	**—4315**	**—2146**	**—4413**	**—8702**	**—9689**	**—10571**	**—13859**	**15840**	**20460**	**5269**	**6601**
Oil-exporting countries	**18946**	**19036**	**18347**	**20665**	**599**	**—1629**	**—2017**	**—2082**	**—1418**	**—3711**	**—2917**	**—3349**	**—4436**	**—7157**	**—5546**	**6157**	**1110**	**—1000**
Bolivia	641	671	644	785	—3	—114	—111	—156	—114	—270	—73	—126	—185	—393	252	463	67	70
Ecuador	1 385	1 650	1,261	1 360	124	290	—268	—301	—144	—11	—231	—301	—365	—300	477	330	112	30
Mexico	4 781	5 450	5 245	5 800	—464	—350	544	606	80	256	—2 321	—2 620	—2 092	—2 214	2 717	2 914	625	700
Trinidad and Tobago	2 470	2 265	1 988	2 120	482	145	—8	—21	474	124	—255	—242	209	—130	291	330	500	200
Venezuela	9 669	9 000	9 209	10 600	460	—1 600	—2 174	—2 210	—1 714	—3 810	—37	—60	—2 003	—4 120	1 809	2 120	—194	—2000
Non-oil-exporting countries	**31779**	**33857**	**30253**	**32326**	**1526**	**1531**	**—2254**	**—2233**	**—728**	**—702**	**—5785**	**—6340**	**—6135**	**—6702**	**—10294**	**14303**	**4159**	**7601**
Argentina	5 660	6 500	3 837	3 560	1 823	2 940	—62	—93	1 761	2 847	—507	—680	1 285	2 200	560	630	1 845	2 830
Barbados	91	110	250	285	—159	—175	103	104	—56	—71	—6	—9	—46	—67	115	82	69	15
Brazil	12 045	12 250	12 000	12 950	45	—700	—1 469	—1 457	—1 424	—2 157	—3 432	—3 451	—4 848	—5 600	5 742	9 100	894	3 500
Colombia	2 786	3 250	2 047	2 660	739	590	—80	—110	659	480	—298	—318	411	209	175	171	586	380
Costa Rica	815	900	909	1 070	—94	—170	—65	—82	—159	—252	—74	—92	—220	—330	308	370	88	40
Chile	2 195	2 473	1 952	2 430	243	43	—367	—316	—124	—273	—359	—457	—470	—715	604	1 306	134	591
El Salvador	973	847	859	890	114	—43	—116	—119	—2	—162	—38	—45	—7	—175	51	145	44	—30
Guatemala	1 189	1 190	1 142	1 280	47	—90	—120	—130	—73	—220	—85	—91	—63	—266	212	333	149	67
Guyana	257	295	285	315	—29	—20	—44	—51	—73	—71	—20	—27	—95	—100	64	130	—31	30
Haiti	143	145	238	245	—95	—100	—33	—35	—128	—135	—9	—10	—96	—100	102	108	6	8
Honduras	522	590	550	700	—28	—110	—54	—68	—82	—178	—68	—79	—146	—253	212	293	66	40
Jamaica	760	814	667	821	93	—7	—38	—42	55	—49	—138	—164	—68	—196	52	121	—16	—75
Nicaragua	629	630	704	650	—75	—20	—48	—41	—123	—61	—82	—86	—197	—138	207	78	10	—60
Panama	271	280	760	740	—489	—460	403	443	—86	—17	—39	—80	—140	—113	128	158	—12	45
Paraguay	324	300	360	480	—36	—180	—59	—72	—95	—252	—16	—20	—109	—270	222	430	113	160
Peru	1 726	1 900	2 164	1 670	—438	230	—114	—50	—552	180	—424	—527	—957	—327	955	377	—2	50
Dominican Republic	781	703	848	900	—67	—197	—124	—129	—191	—326	—123	—129	—266	—400	304	310	38	—90
Uruguay	612	680	680	680	—68	0	33	15	—35	15	—67	—75	—103	—61	281	161	178	100

Source : 1977, International Monetary Fund; 1978, CEPAL, on the basis of official data.

* Including transfers.

† Including errors and omissions.

TABLE 3: LATIN AMERICA—VARIATIONS IN CONSUMER PRICES

	1970-1973*	1974†	1975†	1976†	1977†	1978
Argentina	40.5	39.9	334.8	347.1	159.9	170.0 †*
Chile	189.1	375.9	340.7	174.3	63.5	31.0 †*
Uruguay	50.0	107.2	66.8	40.0	57.3	45.0 †*
Average	*79.9*	*132.7*	*314.4*	*277.1*	*126.5*	*123.7*
Brazil	17.8	33.8	31.2	44.8	43.1	39.1 †*
Colombia ††	13.1	26.9	17.9	25.9	29.3	15.0 †*
Mexico	6.8	20.6	11.3	27.2	20.7	15.0 †*
Peru	7.1	19.2	24.0	44.7	32.4	71.2 †*
Average	*13.4*	*28 2*	*23.5*	*37.6*	*34.4*	*31.9*
Barbados	10.7	36 6	12 5	4.0	9.9	8.7 Aug *†
Bolivia	10.8	39.0	6.0	5.5	10.5	14.3 Oct *†
Costa Rica	6.8	30.6	20.5	4.4	5 2	8 0 †*
Ecuador	8.6	21.2	13 2	13 1	9.7	12.6 July *†
El Salvador	2.8	21.0	15 0	5.3	14.9	12.0 †*
Guatemala	3.9	27.4	0.8	17.4	7.4	8.0 †*
Guyana	4.2	11.6	5.5	9 2	9.0	13.7 May *†
Haiti	8.9	19.5	19.9	−0.1	—1.4	2 3 Sept *†
Honduras	3.7	13.0	7.8	5.6	7.7	7.0 †*
Jamaica	10.4	20.6	15.7	8.1	14.1	45 8 July *†
Panama	4.3	16.6	1 8	3.3	9 2	1.9 July *†
Paraguay	6.4	22.0	8 7	3 4	9.4	12.6 Oct *†
Dominican Republic	7.7	10.5	16 5	7.0	8 5	1.2 Sept *†
Trinidad and Tobago	7 4	18.6	13.4	12.0	11.4	11.1 Aug *†
Venezuela	3.2	11.6	8.0	6.9	8.1	6.8 Sept *†
Average	*6 3*	*20 1*	*10 7*	*7.6*	*8 3*	*9.6*
Latin America	**20.9**	**40.7**	**60.1**	**64.0**	**41.8**	**39.9**
Latin America (excluding Argentina and Chile)	**12.3**	**27.4**	**21.2**	**31.1**	**29.0**	**27.2**

Source: IMF, *International Financial Statistics*, vol XXXI, No 11 (November 1978), and official country data.

* Annual average variation.
† December to December.
†* CEPAL estimate for the whole year, on the basis of official data.
†† Index for workers.
*† Variation over the 12 months to the month indicated

nomies, not only because of the levels it attains but also because it affects a large number of countries.

On the basis of data which does not cover the entire year, and of preliminary estimates for many countries, it is estimated that inflation in the region dropped slightly in comparison with the previous year. The rise in prices for Latin America as a whole is estimated at roughly 40 per cent in 1978, compared with 42 per cent in the previous year (see Table 3).

While this is significantly lower than in 1975 and 1976 (60 and 64 per cent respectively), it is still almost double the figure for the period 1970-1973. From an overall standpoint, inflation continues to be a real problem in the region, and furthermore, an analysis of the causes of the rise in inflation in each country leads to the conclusion that inflation is a complicated phenomenon to interpret and therefore a tricky one to tackle.

Recent inflation has affected the region to varying degrees and in various ways, the countries are divided into three groups in Table 3 according to the overall features of the different inflationary processes. The inflationary picture in 1978 changed in a number of noteworthy ways.

In the first group, where inflation was high and stemmed primarily from domestic causes, the performance was not uniform. Whereas the inflationary process picked up to some extent in Argentina, it dropped considerably in Chile and Uruguay. All in all, the average for the group was similar to that of the previous year.

In the second group, with intermediate levels of inflation due to both external and internal factors, a number of differences occurred. Whereas the rate of inflation dropped in Brazil, Colombia and Mexico, it rose appreciably in Peru. One of the causes of the drop in the rate of inflation was the lower growth rate of imported inflation. Inflation in Peru was affected by other factors, more closely linked with real and financial domestic disequilibria.

With regard to the group of countries with moderate inflation, there was a slight increase in the rate of price rises for the group as a whole, from a little over 8 per cent in 1977 to almost 10 per cent in 1978. It should be stressed, however, that while inflationary trends were once again quite moderate in this large group, with the exception of Jamaica, they were not uniform in all of them. In half of the countries the rate of inflation increased to some degree, whereas in the other half it declined (see Table 3).

For most of the countries in this group, in 1978 imported inflation was weaker than in the previous year. The prices of imports rose by 7 per cent in 1978 for the group as a whole, as opposed to almost 9 per cent in the previous year. On the other hand, export prices dropped moderately, whereas they rose by over 15 per cent in the previous year. These changes and a study of events in each country suggest that where inflation increased, domestic factors have become more important, although the possibility cannot be ruled out that imported inflation has a lagged effect on domestic prices. Be that as it may, the rate of inflation in this group appears to have been kept under control.

This picture of inflation in Latin America in 1978 provides food for thought, bearing in mind that four-fifths of the population have been suffering the consequences of active and sometimes intense inflationary processes.

During this examination of the Latin American economy during this year which is coming to a close, one cannot hide one's concern at the phenomenon of inflation together with the already unfair distribution of income. When price rises become severe, it is the poorer sectors, and broadly speaking those with fixed wages, which bear the brunt of the effects; when stabilisation policies are applied, it is again those sectors which most suffer the effects of the discipline imposed on wages and salaries and public expenditure. All in all, both when developing and when recurring, in view of the policies usually followed, inflation undermines the welfare of the wage-earning sector and hits the poorer groups harder.

ECONOMIC INTEGRATION

Despite the difficulties being experienced in the formal integration processes being carried out under the existing multilateral agreement. (LAFTA, Andean Group, Central American Common Market and CARICOM), trade within the zone has continued to grow in absolute and in relative terms. Although at the beginning of the present decade exports outside the region from some countries grew more than exports to countries within the region, in recent years exports within Latin America as compared with total exports elsewhere have resumed their upward trend. In 1974 intra-regional trade made up less than 15 per cent of the region's total trade, it is estimated that this figure rose to about 17 per cent in 1977.

This increase in intra-regional trade has made it possible to partially offset lower demand for imports arising from lower levels of economic activity and protectionism in the industrial centres To this must be added an additional advantage: the structure of exports within the zone is markedly more advanced and desirable than the structure of exports destined for other regions, because of their higher degree of processing and technological complexity, and the support they provide for Latin American industrialisation.

Informal integration, which is being put into practice by means of specific arrangements between two or more countries, in parallel with the formal processes, has expanded substantially both in terms of magnitude and in terms of the variety of arrangements for trade or the implementation of joint projects. Nevertheless, such informal actions should be not an alternative, but a complement, to action through the existing multilateral institutionalised integration processes.

If such complementary steps are taken, it will be possible to give greater impetus to regional integration; in addition, it will be possible to achieve greater balance in the distribution of the benefits arising from integration, if the informal arrangements improve opportunities for development in the less industrialised countries of Latin America, and also if, in the formal processes, special instruments are used for such countries which help to offset their initial disadvantages *vis-a-vis* other, relatively more industrialised economies in the region.

Bearing in mind the poor prospects for the world economy and the growing protectionism in the developed countries, the major difficulties which Latin America has been encountering in exporting to other regions will probably be lasting rather than transitory. For this reason, the regional market is an important potential source of dynamism which Latin American countries can avail themselves of in the coming years in order to achieve a faster growth rate and more active transformation of their structure of production.

In this context, it should be remembered that the period laid down in the Caracas Protocol for the operation of LAFTA runs out in 1980. As a result, it is both opportune and advisable to examine now the possibility of a decision by the countries making up the Association to extend the transitional period laid down in the Protocol.

As a measure to complement the approval of this extension it might be desirable to sketch out guidelines and machinery designed to revitalise LAFTA's activities. One aspect which it would be useful to tackle is the problem deriving from the increasingly inadequate margins of preference which the member countries of the Association have granted one another in view of the progressive sharp reductions which some of them have been introducing in customs tariffs for all imports irrespective of their origin.

Poverty in Latin America

According to studies carried out by CEPAL, 40 per cent of Latin American households were living in conditions of poverty around the year 1970. In other words, 110 million people found it impossible to acquire the minimum of goods necessary to satisfy their basic needs. At the same time, 20 per cent of households were in a situation of indigence, to the extent that they could not afford to buy enough food to provide a minimum adequate diet.

The issue of poverty in the region is disturbing not only because of its extent, but also because of the insufficient speed with which it is being reduced.

During the 1960s and the early 1970s, the absolute number of people living in poverty remained constant, while as a proportion of the total population they declined from about 50 per cent to 40 per cent. Nevertheless, in recent years it is likely that the lower rate of economic growth in Latin America has led to a small increase in the number of poor households in the region.

Another cause for concern is the way the poor have shared in the distribution of the growth in Latin American income. Over the 10 years between the early 1960s and the early 1970s, the 40 per cent of the population which did not succeed in breaking out of poverty saw their share in the total income fall from about 10 per cent to 9 per cent. From another viewpoint, what happened was that about nine-tenths of the growth in income benefited those who had not been poor even a decade before, and moreover that six-tenths of the growth in income went to the richest 20 per cent of the population.

This unsatisfactory trend contrasts with the fact that the growth achieved in many countries of the region places them in a better position to tackle the phenomenon of poverty than 10 years ago. So much so that it has been calculated as an illustration that the income the poor need to reach a level which would enable them to overcome their poverty dropped during the period in question from 8 per cent to 4 per cent of the Latin American gross domestic product, as a result of the growth in total income.

Nevertheless, apart from the need for balanced assessment of these orders of magnitude, it is necessary to recognise the urgency of finding concrete machinery to permit a greater proportion of the benefits of growth to be channelled towards improving the productivity, working conditions and welfare of the poorest groups, since it is clear that the phenomenon of poverty in the region is increasingly determined by the absence of equity in the distribution of income and by the nature of the system of production in which the income is generated.

REVIEW

Ideology of Jayaprakash Narayan

Ghanshyam Shah

Towards Total Revolution (Four Volumes) by Jayaprakash Narayan; edited with an introduction by Brahmanand, Popular Prakashan, Bombay, 1978; pp cli + 1200, Rs 250.

JAYAPRAKASH NARAYAN (JP) is a moralist, revered by a sizeable cross-section of the common people and the elite. Naxalite youths as well as Swatantrites and Jana Sanghis seek his support and use his name whenever they find it convenient to do so. He also enjoys the support of religious leaders like Satya Sai Baba and rationalist professors of the Royist persuasion. He raised hopes of the Indian masses by leading the Bihar movement in the years 1974-75 to bring about what he chose to call 'total revolution'. But before the movement could result in something tangible or otherwise, the country experienced Emergency — an authoritarian regime.[1]

The post-Emergency period has been the most crucial one in JP's chequered political career. He found new grounds for hoping to continue 'total revolution'. He felt himself to be so close to the ruling party, for the first time since Independence that he said, "The Janata party is dear to me... I feel it to be a part of my being" (IV, 208). He campaigned for it in the 1977 elections. Under his leadership the Janata party MPs took an oath at Rajghat to observe austerity and to build the nation on the Gandhian model. His say carried weight in deciding who should be the Prime Minister of the country and the President of the party. His say was decisive in the selection of the Janata party candidates for the assembly elections in some of the states.

But JP's romance with the Janata party has not continued for long. He now feels that he is being ignored by the party and the government. He has begun disowning his nominees and some of his close associates. At the moment, he is perhaps the saddest man in the country, watching the scene with a feeling of helplessness. This is an irony of history. But it is not a unique case. History has witnessed such heroes earlier. The only solace of those who adore him is that he shares the same fate as did Mahatma Gandhi whom he follows.

Why has been JP ineffective and why is it that his idea of 'total revolution' has failed? Why are the results of the 'total revolution' quite the contrary to what were expected? These questions need to be discussed dispassionately, both by JP's followers and by his critics. At the moment, Sarvodayites are at crossroads. Vinoba has withdrawn himself from Sarvodaya activities and has retired into seclusion, whereas JP has confessed that gramdan and bhoodan have proved to be ineffectual in solving "a major social-economic problem" (IV, 191). All this shows that the time has come to pause and make a critical appraisal of the Sarvodaya theory and practice. This has to be done on the basis of its ideological premises and empirical evidence rather than by indulging in loose talk or ascribing the failure of the movement to the failure of this or that individual.

In this context, the publication of these volumes of JP's writings and speeches editd by Brahmanand is welcome. The editor of these volumes was JP's one time secretary. At the outset, it should be mentioned that the volumes do not present all that JP has written and spoken. What is presented in these volumes is Brahmanand's selection. It should be said that on the whole, the selection is judicious, and there is nothing much to complain about it.

JP obtained a degree in Sociology from the Wisconsin University, where he wrote his Master's thesis on "Cultural Variation" in 1924. He has also written more than forty books during the last four decades. Some of his books are: "Why Socialism?" (1940), "Social Responsibilities of Business" (1965), "Tasks of Social Research" (n'd), "Prison Diary" (1977). Yet he is essentially a man of action more than a theoretician. He himself says: "I never tried to write a book systematically and comprehensively, setting forth my thoughts" (I, vii). This is not mere modesty but an honest confession. One fails to come across any systematic account, let alone analysis, of any practical problems in his writings, though he has something to say on almost all problems faced by India.

Central Thread

But this does not mean that JP's writings are mere jottings of random thoughts and represent emotional responses to external events, though sometimes they do. One does find a central thread in JP's thinking. Even in his student days in America, he was preoccupied with cultural and moral values. That preoccupation remained with him later, when he became a leader of the Congress Socialist Party, the Praja Socialist Party and the Sarvodaya movement. His main concern has been "how to make India independent and help establish a social, economic and political democracy" (I, vii). To achieve that aim he began with following Marx and ended by following Gandhi. He found that Gandhi held answer to the problem of attaining his goal. He said, "Whether it is the political edifice raised on the foundation of Gramraj or the economic structure raised on small-scale industries and intermediate (or appropriate) technology, or whether it is the development of a rural-urban agro-industrial civilisation, the inspiration has to be drawn from Gandhiji, reinforced wih the most modern thinking and experience of the West" (I, vii).

JP has also continued to share Marx's vision of the future society, particularly a classless society without state apparatus. He earnestly desires to synthesise Marxism and Gandhism because according to him both have the same end, and differ only in the means they employ to achieve that end. He observes, "The values of individual and social life that socialism strives to achieve and make the basis of a new civilisation also constitute the foundation stone of a Gandhian society the values are not different [between the two]: social and economic equality [casteless and classless society], freedom from exploitation, fullest possible freedom and opportunity for self-development, dignity of the human personality; co-operation, society's responsibility for the well-being of each and the responsibility of each towards society" (I, 147).

Such ideas of achieving a sweeping synthesis of Marx and Gandhi are not only inaccurate, but also misleading. Indeed, it is mere wishful thinking. Gandhi did often talk about 'casteless and classless' society, as all statesmen, or Anand Margis or such others do. But it is necessary to have to look more closely at the teachings of Gandhi and Marx in order to see whether such an attempt at synthesis is worth making. Unlike Marx, Gandhi subscribed to caste society and the Hindu socio-religious framework. Gandhi categorically expressed, "I am a Hindu, not merely because I am born in Hindu fold, but I am one by conviction and choice. There is no superiority or inferiority in the Hinduism of my conception. But when Dr Ambedkar wants to fight varnashram itself, I cannot be in his camp because I believe varnashram to be an integral part of Hinduism".[3] Moreover, Gandhism and Marxism also differ, as JP himself has observed, in their "philosophical foundation". He says, "It is true that philosophically Gandhism has a non-secular and religious or supernatural foundation, whereas socialist philosophy is wholly secular and natural or material" (I, 147). How then can both of them have similar ends except in rhetoric?

Means and Ends

However JP himself feels that the most important difference between the two is that about ends. As against socialist, according to JP, the Gandhian believes in adherence to moral values and eschewing state power for attaining the end. "I for one have come to believe that for the achievement of socialism a strict regard for means is of highest importance We will never reach this goal [socialism] except by strict adherence to certain human values and standards of conduct" (I, 96). He has repeated this argument again and again: "Fair ends cannot be achieved through unfair and unscrupulous means" (II, 175). These 'fair' means and 'standards' of conduct include individual honesty and non-violence. On the other hand, JP alleges that communists follow any means to attain their ends. He found that "they have no honesty, no integrity. They are out-Geobbelsing Geobbels" (II, 115). They followed Machiavellism. JP's views are based on his experience with some of the Indian communists during the forties. JP however does not give examples of his experience which led him to arrive at this conclusion. It seems he has equated individual behaviour with the policies and strategies of the Communist party. The question involved is: do Marxist principles advocate that a Marxist must not have honesty and integrity and that he should be 'Machiavellian'? Or, is it that some Marxists are not honest? As far as individual instances are concerned, one can cite several experiences of 'Machiavellian' behaviour of the so-called Gandhians in pre-and-post-independence India. The adjective 'so-called' can be applied to all groups, be they Marxist, Jana Sanghi, free enterprise-wallah, etc. 'Machiavellian' tactics one adopts

for [illegible] with 'revolution or reform'. They must be condemned. For that, one need not be either a Gandhian or a Marxist.

However, it is simplistic to say that only 'moralists' adhere to moral values, and materialists in general, and Marxists in particular, do not abide by any moral values. The concept of morality the two entertain is different. To the moralists, certain moral values are 'universal' and 'eternal'. But there are differences among them as to which of the values are 'universal' and 'eternal'. Marxists on the other hand refuse to attribute absolute validity to any ethical principle or law. They do not accept suprahistorical morality, nor the categorical imperative, whether religious or secular. They are no *a priori* or eternal values that can be defined as moral values. According to them, men's ethical ideas are part of their social consciousness. Social consciousness often reflects one's position in society, certain social needs, real or imaginary, one's class interests and the requirements of authority.

In practice, neither moralists nor materialists nor Marxists stand steadfastly for certain moral values, come what may. In any actual situation, one has to take a stand. Therefore, one cannot take this or that stand in a vacuum. The stand taken depends upon one's own judgment of a situation. The judgment can vary, though one can rationalise the act performed retrospectively. Several examples in history can be cited in which moralists have taken decisions which negate the very values and principles they propounded. Gandhi, for instance, manipulated the Congress Committee in 1939 to oust Subhash Bose, the duly elected president of the Congress. Not only that, the followers of the Mahatma justified this act, and "created moral terror and shut the mouths of the opposition".[3] Recently, after the 1977 Lok Sabha elections, JP ignored the procedure of 'majority vote' in electing the Prime Minister of India. He imposed his decision on the party. His choice was, he declared, in the best interests of the country. He did not confess that his *modus operandi* was undemocratic though inevitable, in a given situation. One can cite similar examples in the case of the communists too. They also violated certain norms and procedures that they advocated at one time or another. Lenin and the Bolshevik party, for instance, pledged in 1917 to fight for world revolution and even to wage a revolutionary war against the [illegible] Germany. But early in 1918, at Brest Litovsk, Lenin came to terms with the Kaiser's government, and signed a 'shameful' peace treaty imposed upon the Bolshevik government by Germany. Yet Lenin did not feel that he had broken his pledge. He felt that by concluding that peace treaty he had secured a respite for the Russian revolution, and for the time being this was the only service he could render to world revolution. Lenin saw "nothing dishonourable in the behaviour of a revolutionary who retreats from his position before overwhelming enemy forces, provided that the revolutionary acknowledges the retreat as a retreat and does not misrepresent it as an advance".[4] This is the basic difference between a materialist and a moralist; the former accepts the retreat as a retreat, whereas the latter justifies the retreat on moral grounds.

Non Violence

As opposed to materialists, JP maintains that *Ahimsa*, i e, non-violence, is sacrosanct, and is the only means that can be adopted for achieving human progress. However I am not sure whether JP accepts Gandhi's concept of *himsa* which means not only to kill but also "hurt anyone — any life — by evil thought, by undue haste, by lying, by hatred, by wishing ill". However, according to JP, science can flourish only in a non-violent society (III, 82). How would he explain the development of science in the present day 'violent' society? Or, is there no development in science at all, and we have to wait for its development till a non-violent society comes into existence? He does not discuss such problems in detail.

JP's major concern has been with political violence. Here again, he confuses two forms of violence — individual terrorism with that of class struggle and mass insurrections. It is true that some impulsive and impatient self-styled revolutionaries, both so-called Marxists and non-Marxists, do give reason to JP for mixing up the two. They think individual terror is a substitute for mass organisation and class struggle. They forget that the capitalist or the feudal system is not managed by one, two or many ministers, or administrators. Individual terror, as Trotsky argued, "reduces the masses' importance in their own consciousness, because it reconciles them to powerlessness and orients their attention and hope towards a great avenger and liberator".[5] Individual terrorism results from a misconception as to the meaning of revolution. In this context, JP's stand against individual terrorism is relevant, as well as eminently reasonable.

Another aspect of political violence is 'class struggle'. It involves the recognition of the existence of classes and their conflicting interests. JP's position as regards the existence of classes in society is vague and vacillating. During his socialist days, he accepted the existence of different classes, in society. In 1948, he observed, "The Congress is not yet a capitalist party, but largely an agrarian party passing slowly under capitalist control" (II, 104). But later, after he embraced the Sarvodaya ideology, he never characterised any party in terms of its class character. In the absence of the category of class, his analysis boils down to personalities — Jawaharlal, Indira, Morarji, etc. However, again in the 1970s, he started talking about classes, though without any consistency. In 1975, rebutting Indira Gandhi, he asserted, "I wonder if she knows that a class war is going on all the time in Indian history, as in all societies where there are privileged and unprivileged classes. So nobody creates a class war. It is only a question of who wants which side of class war to win" (IV, 128). But in 1977, he was saying that in industrial society, "there was or there is an owning class who own the means of production and the other class which are more or less the tools of production.... Now in our society we do not have that kind of a classification" (IV, 204). Therefore, class struggle as 'the dynamics of social change' was out of question in India.

At the same time, there was a need for class organisations; "... the stronger sections should change their attitude... I found that it had little effect on the situation. I therefore, decided that I should advise the weaker sections to organise themselves and become strong enough not necessarily to fight against the stronger sections but certainly to claim their rights, enjoy the privileges which the law has given them in regard to the land reform, the housing and the similar other benefits bestowed upon them by law" (IV, 200-201). Please note here that JP differentiates between 'fight' and 'claim'. How does one 'claim' one's rights? Just by announcement? By forming an organisation? When one asserts his rights, can such assertion not involve fighting for one's right? But JP is allergic to the very idea of 'fight'. Further, he asks the poor to organise to claim what is given by law, thus confining their claim

within the legal framework. The question that arises is: what should the poor people do, if their claims are not accepted and implemented by the privileged class? And, what should they do, if the privileged class uses violence against those who claim their rights in an organised manner? JP's answer is significant. He forbids the poor to use violence even for self-defence. He observes: "The movement loses all validity as soon as the parties or the landless people indulge in violence. There might be violence from the side of the landlords or the administration. But the parties and the people concerned must face that violence with order and discipline. Nor can the right to use violence in self-defence be invoked in a satyagraha of this kind" (III, 130). One can imagine the consequences of such one-sided violence. JP is so concerned with the means (particularly to be followed by the poor people) that in practice, means become an end itself. If violence brings social justice, that justice is polluted, hence not acceptable to JP. Consequently, the main end of 'social justice' is sacrificed for the sake of the so-called 'purity' of means

In order to convince his followers that violence breeds only violence and nothing else, he selects facts and also shifts the level of analysis. His explanation of most of the events centres around the failure of individuals to conduct the Bhoodan Movement properly, the failure of the Congress, the failure of the Janata party, etc, and as soon as he confronts the problem of violence he passes over to the logical(?), abstract level. He argues that violence breeds violence and no sane society based upon justice, equality and democracy can be built up after a violent revolution. He argues, "... violent revolution destroys old order, but cannot build the new order ... This is never the structure of people's power [The failure of the Russian revolution] is not the betrayal of the leaders, but logic of violence" (I, 228). One fails to understand how, when masses take to violent means to combat the violence of the ruling class, the revolution ceases to be the expression of people's power? Such mass insurrections cannot be successful unless there is political consciousness of the masses which matches the consciousness of the ruling classes who take recourse to violence to preserve their rule and their privileges. Conversely, it may be asked: is there a guarantee that non-violent revolutions would build a non-violent, and also just, social order? According to the Gandhians, India won Independence (which they sometimes call revolution) through non-violent means. Has it led to the building of a non-violent society with justice, equality and so on? Our experience of the last three decades needs no documentation to prove that we are far from establishing the ideal 'Sarvodaya' or 'Socialist' society.

Parliamentary Democracy

Like the liberals, JP does not believe that parliamentary democracy can bring about socialism either. He argues, "Socialism, in Western Europe at any rate, has lost its pristine idealism and become only a parliamentary or legalistic creed" (I, 160). He has written and given speeches several times about the limitations of parliamentary democracy. But in this matter also he is not consistent. On the one hand he has shown the uselessness of the system, on the other he has entered into a long and inconclusive debate on the relationships between the executive and the judiciary, and between the executive and the legislature. He himself appointed more than one committee for suggesting electoral reforms. He spent a lot of time in giving suggestions on Lok Ayukt and Lok Pal Acts. After a brief retirement, he and Sarvodaya workers started taking active interest in active parliamentary politics — the formation of the Janata party, selection of candidates for state assemblies and parliamentary elections, campaigning for one or the other candidate, issuing appeals to the electorate and so on.

But as expected, JP has been disillusioned by the Janata party's performance within less than one year. He attributes the failure of the Janata party to some individuals and does not go beyond that. He blames Morarji Desai and Charan Singh for becoming "a part of the machine" (IV, 199). The question arises as to why Morarji Desai has failed? Is it because of his personal inability or dishonesty or is it because of certain forces which have continued to dominate the State? If Morarji Desai and Charan Singh have failed, who will succeed? Since Indira Gandhi is out of question (for JP) will Vajpayee or Advani, or JP, Kripalani or any other Sarvodaya leader (assuming that they would be prepared to shoulder the responsibility rather than remain advisers and critics) succeed?

The Sarvodaya leader knows the answer: They cannot. But he does not want to face reality squarely. His ethical principle of giving primacy to individual morality over material forces comes in his way. His vacillations are also due to his hesitation in accepting the existence of classes (no matter how one defines them) having opposed interests, and the dominance of certain classes over State power. During his Sarvodaya career, he entertained and advocated the pluralist view that the State was neutral, looking after the interests of all. Of late, he has begun to reject this view; "We were wrong in this assumption [that the State is neutral] and that the State system was subservient to a variety of forces with their interests entrenched in keeping it a closed shop is glaringly apparent now".[6] But JP does not pinpoint which these "variety of forces" are. What is to be done to free the State from the shackles of these "forces"? Have these "forces" disappeared after the Janata party's victory? Will they give up their hold over State power through a change of heart? Can the "State system" which he mentions above be changed by those same "forces" which have continued to remain in power?

JP and the Sarvodayites have to ponder over these questions dispassionately and have to "revisit" their moralist ideology. The Sarvodaya movement has now come full circle after three decades. Brahmanand's efforts at presenting JP's writings and speeches in a collected form will be aptly rewarded, if JP's "experiences and ideology" are discussed thoroughly within and outside the Sarvodaya circles. They seem to be more capable of doing that than many political groups.

Notes

1 For detail on the Bihar Movement see Ghanshyam Shah, 'Revolution. Reform or Protest? A Study of the Bihar Movement', *EPW*, April 9, 16, and 23, 1977. It is now reprinted in a book form, "Protest Movements in Two Indian States", Ajanta Books International, Delhi. 1977.

2 Dhananjay Keer, "Dr Ambedkar: Life and Mission", Popular Prakashan, Bombay, 1954, p 230.

3 Prem Nath Bazaz, "The Role of Bhagvad Gita in Indian History", Sterling Publishers, New Delhi, 1975, p 531.

4 Isaac Deutscher, "Ironies of History, Essays on Contemporary Communism", Ramparts Press, Berkeley, 1971, p 170.

5 "Writings of Leon Trotsky" (1935-36), Pathfinder Press, New York, 1970, p 393.

6 *Everyman's*, April 27, 1975. Surprisingly, Brahmanand has failed to include this article in these volumes.

Agrarian Relations and the Left Movement in Kerala

A Note on Recent Trends

N Krishnaji

The abolition of tenancy is widely believed to be accomplished fact in Kerala. The effective implementation of the law was possible largely due to the organised strength of the left movement in the state and the related fact that land reforms in Kerala were implemented by left-oriented governments.

The movement which has developed in Kerala since the abolition of tenancy has three main components: successful struggle for higher wages for agricultural labourers; espousal of the demand for 'fair' prices for farm products; and struggle for land.

This paper attempts to understand these recent trends in the left movement in the light of long-term changes that have taken place in agrarian relations.

TENANCY was abolished in Kerala through the Kerala Land Reforms Amendment Act (1969). In other states similar Acts, concerned more with the regulation of tenancy than its total abolition, passed during recent times, have meant their existence merely on statute books but in reality have led to diverse forms of concealed arrangements between landlords and tenants, usually enforced by the former to protect their own interests which were threatened by the law. In Kerala, however, the abolition of tenancy is widely believed to be an accomplished fact. Effective implementation of the law was possible largely due to the organised strength of the left movement and the related fact that land reforms were implemented by left-oriented governments, unlike in most other states where the reforms were sought to be introduced from 'above' before the peasant masses were politically organised to fight for their rights. An important aspect of the Kerala scene in this context is the conferment of ownership rights on hutment dwellers, which also was the outcome of intense political struggle and effective legislation. The movement which developed since the abolition of tenancy has three main components: a successful struggle for higher wages (for agricultural labourers); an espousal of the demand for 'fair' prices for farm products which does not require struggle (the peasant interest in this respect being sought to be protected by all political parties); and the struggle for land which has not been very successful.

This note is an attempt to understand these recent trends in the left movement in the light of long term changes that have taken place in agrarian relations. Section I deals with some aspects of the class structure and Section II with the strategies of the Communist Party of India (Marxist), the strongest representative of the Left, on agrarian issues.

I

Aspects of Changing Class Structure

Agricultural Labourers

The most striking feature of agrarian change in recent times in Kerala, as in other parts of the country, is the continuous growth of rural wage labour in its working population. A significant proportion of the labourers in rural Kerala are engaged, unlike in other regions of India, in sectors other than agriculture, especially in the primary processing of agricultural products such as coir spinning and manufactures. However, even within the agricultural sector, the ratio of cultivators to agricultural labourers has tended to decrease continuously at least from 1921. Trends in the composition of the working population show a fall in the proportion of cultivators and a rise in that of agricultural labourers.[1]

This is no doubt due, in part, to the dispossession of the poor and middle sections of the peasantry at different points of time in the history of the regions comprising Kerala. But to what precise extent it is associated with the development of capitalist agriculture is hard to judge on the basis of available data. In the most recent period, i e, after land reforms (the nature of which will be discussed below) have been implemented, two counteracting forces have been at work. On the one hand, rights to ownership of land have been conferred not only on the *kudikidappukar* (hutment dwellers) but also, as a result of tenancy legislation, on poor peasants, who used to cultivate landlords' land under various forms of tenancy arrangements. On the other, the poor peasants have not in general been able to raise the productivity of their lands and their living standards for obvious reasons. The question relating to the extent of proletarianisation resulting from the direct alienation of land from the poor peasants cannot thus be easily settled. We have data, however, which show that 'landlessness' among agricultural labourers has decreased during the period 1956 to 1971.[2] To understand the significance of the underlying statistics we need to consider the fact that hutment dwellers, who are now "owners" of land, usually put their little bits of lands to agricultural use (coconut and tapioca being the common crops) and hence qualify, for statistical purposes, as 'landed' agricultural labourers. This cannot, however, wholly explain the decline in landlessness for there is a distinct possibility of growth in numbers of poor peasants, cultivating bits of land but depending on wages, within agriculture and other sectors of the rural economy, for the major part of their subsistence needs. Indeed, there is quite convincing evidence that pau-

ion of the peasants has taken place on a wide scale and that the process has been continuous during this century. It is to this process that we now turn.

Growth in Numbers of Poor Peasants

It is well known that Kerala has the highest man-land ratio among the states of India and that it is one of most densely populated regions in the whole world. But what is perhaps not so well known is the fact that it has been so at least from the beginning of this century. The growth in arable land has not kept pace with the rapid increases in the population; consequently the man-land ratio has increased continuously from 1901 and at a rate more rapid than in other parts of the country.[5]

Data available for the Travancore region show that even as early as 1931 the average size of holding was only 2.6 acres per cultivating household, which declined further to less than 2 acres by 1966-67. With the persistence of gross inequalities in the distribution of land during this entire period, the proportion of households cultivating no more than an acre grew from 38 to 61 per cent.[4] For Kerala as a whole comparable data do not exist for such a long period; estimates available for 1961-62 and 1971-72 show, however, that household operational holdings of less than an acre in size increased from about 60 per cent of the total to 68 per cent during the intervening decade. The proportion of households cultivating less than half an acre in 1971-72 is estimated to be roughly 52 per cent.[5] These data reveal to us a source of growth of agricultural labour as well as an important aspect of its nature; a vast mass of pauperised peasants, not totally dispossessed of land, constitute a significant part of the labouring poor in agriculture.

How is the growth of small farms explained and what are its implications for the changing agrarian relations? To answer this question we need to consider, firstly, the magnitude of the transfer of land from the poor to the rich (which is relevant also to the question of dispossession); secondly, the impact of land reforms on the transfer of land from the rich to the poor (including the landless) through the distribution of surplus land (above legally stipulated ceilings) as well as conferment of ownership rights on small tenants following the abolition of tenancy; and finally, the partitioning of land among family members, which, even in the absence of vigorous market transactions in land, would result in the growth of small farmers over a long period. All these market and non-market forces are likely to have contributed to the growth of small farms. It is difficult to judge their relative importance to the process for want of the required data. What follows, therefore, is somewhat speculative but based on whatever information is available.

Land Reforms and Land Transfers

Data on transfer of ownership of land show that during the decade 1957-66 about 146 thousand acres were transferred through direct sale and that about 47 per cent of the area involved in these sales related to those induced by 'monetary needs'.[6] This may uncritically be interpreted to mean that dispossession of the poor and middle sections of the peasantry had taken place to a significant extent. This would indeed be so if it could be established that it was mainly the poor who sold the land to the rich. However, since the peak sales took place in 1960 and 1963, the years of "critical importance to the agrarian relations in the state" (to be explained later), there is good reason to believe that a great number of these transactions were made by the rich peasants and landlords to evade in advance the proposed ceiling and tenancy laws which were sure to be enacted by 'communist' ministries appearing on the horizon. Viewed in this light, the reason cited in the survey for the sales, *viz*, monetary needs must be regarded as spurious, at least in the majority of cases.[7]

To assess the overall impact of land reforms on the redistribution of land (and agrarian relations in general) we need to consider three aspects of the reform: provisions relating to (1) hutment dwellers, (2) tenancy, and (3) land ceilings. Kerala is frequently cited as an example where land reforms have been successfully implemented. The success refers more to the first two of the above mentioned aspects of the reform than to the third. At any rate, the effectiveness of land reforms in Kerala has been studied by many scholars and we need only to present the consensus in broad outline.[8]

Kerala Land Reforms Act, 1963 (as amended in 1969 and 1972) gave to *kudikidappukar* (hutment dwellers, who were essentially landless agricultural labourers living in huts on pieces of landlords' land) rights to their dwelling houses and a few cents of adjacent land. Most *kudikidappukar* have obtained *de facto* rights of ownership to such lands although in a number of cases *de jure* rights may still have to be secured. It is the strength of the leftist political forces, rather than the law, which has brought about this change in the status of agricultural labourers in the state. The rights to land, secured and protected by the left movement, in turn, strengthen the latter and give it a special character for a wage labourer with some land is a better fighter than one without any. We may conclude that, although quantitatively the gains to the agricultural labourers in terms of redistribution of land might not have been very impressive, qualitatively the left has emerged as a stronger force in the countryside, especially in the struggle for better working conditions for the labourers.

A series of legislative measures in the state culminated with the total abolition of tenancy in 1969 through an amendment to the Kerala Land Reforms Act of 1963. The resulting gains to the leftist forces are of a mixed nature. To an unknown but possibly limited extent, the law was made ineffective through evasive transfers (of possession) of land resorted to by the landlords. The latter anticipated what was coming and had time to make these transfers, for, in the political environment of the late fifties and sixties, in which the Communist Party was emerging as a strong force, the struggle for land was the most prominent aspect of politics in the state. When the first Communist ministry was formed in Kerala in 1957, "big landlords rightly apprehended that their feudal interests in land would be at stake. This fear paved the way for large-scale land transfers in the state even before the Agrarian Relations Act of 1960 was adumbrated". The last mentioned Act and the Kerala Land Reforms Act of 1963 prompted some hectic sales and transfers around those years. Over 40 per cent of the disposals of leased out land during the decade 1957-66 took place in 1963.[9] This need not, however, contradict our tentative assessment that the impact of evasive transfers on the effective abolition of tenancy was limited, for the total land involved in transfers of possession

over 61 [illegible] the amount was only about 188 thousand acres (out of a total of roughly 1.9 million acres of leased-in land).[10]

A second aspect of the abolition of tenancy relates to the compensation legally stipulated to be paid by the tenants. While such compensation has been collected in some cases by the government, there do exist former tenants who enjoy rights to land without fear of eviction although they have not yet paid compensation in full. This is a reflection, as in the case of *kudikidappukars*, of the organised strength of the peasants.

However, some former tenants cultivated fairly big holdings and have now acquired ownership rights to these lands. The reforms thus paved the way for the emergence of a new class of capitalist farmers especially in the northern region of the state, i e, Malabar, where not only the incidence of tenancy was high but also tenants cultivating (before the reform) land leased in from *jenmies* in big holdings existed in large numbers. In other regions of Kerala, i e, Travancore and Cochin, where the *jenmi* system disappeared long ago and small tenants were preponderant, the conferment of ownership rights on tenants is unlikely to have contributed to the emergence of capitalist farmers from the class of former tenants on the same scale as in Malabar. Apart from big tenants, new recruits to the class of capitalist farmers have come also from the ranks of the old landed gentry who now employ wage labour on lands (hitherto given out on lease) which they have 'resumed' for self cultivation.

A notable aspect of these changes, crucial to the developing agrarian relations, is the unity among landless agricultural workers, poor peasants and big tenants which the communists could bring about in the struggle against "land-lordism" in the Malabar region. New class divisions — and contradictions depending on them — emerging after the abolition of tenancy have weakened the objective forces for such a unity.[11] We shall deal with this subject later.

Let us now turn to the third aspect of land reforms, *viz*, ceilings. Unlike the provisions relating to hutment dwellers and tenancy abolition, those concerned with land ceilings have not yielded substantial gains to the Left. Evasion of land ceilings formed an essential part of the bogus transfers which we have already discussed. Moreover, in spite of many legislative exercises to 'plug the loopholes' in the law, sufficient scope was left for evasion through means other than direct transfer of land. The final result was that not much surplus land was available for redistribution. Statistics present a truly revealing picture of this phenomenon. As on March 31, 1978, the area (of surplus land above legally stipulated ceilings) ordered for surrender was only about 133 thousand acres, out of which about 67 thousand acres have been 'taken over' and only 39 thousand acres distributed (to about 62 thousand beneficiaries including 27 thousand belonging to the Scheduled Castes and Tribes). No precise estimates of how much of the 4.5 million acres of cultivated land would be available as surplus, should the ceiling law be implemented effectively, are available.

Partitioning of Land

Before we examine the implications of the changes discussed thus far to agrarian relations let us reconsider the phenomenon of the growth of small farms from a different point of view. Partitioning of land among members of a household creates newly formed households cultivating smaller pieces of lands, and in periods characterised by a high rate of partitioning, a very significant growth in small holdings can result. In Travancore, the decade preceding 1931 is important from this standpoint. During this period, following the passing of regulations for the partition of *tarawad* (i e, joint family) properties of certain communities, over 400 thousand acres of land owned by these communities alone were partitioned. In respect of the Nayar community (which accounted for 83 per cent of the land partitioned), over 70 per cent of the partition deeds created shares of less than an acre each.[13] A subdivision of this magnitude must have contributed significantly to the emergence of small peasants as the most numerous category in the countryside.

As we have seen, the disproportionately large growth of small farms has continued during recent times. Apart from the process of pauperisation, it is likely that the partitioning of land has also contributed to this trend. Moreover, the rates of partitioning appear to be higher in the small holdings than in the bigger holdings: this is partly reflected in data which show that as land size increases not only the family size but also the proportion of joint families tends to increase.[14]

Partitioning of land can thus be seen to have reinforced the trend towards the growth in numbers of poor peasants. At any rate the forces altering the shape of the distribution of land have brought about, by the beginning of the seventies, a vast mass of landless agricultural workers and pauperised peasants.

To discuss the nature of relations between them and the other agrarian classes, it is necessary to examine the pattern of utilisation of land and its changes over time.

Cropping Pattern and Family Farming

In other regions of India, commercial crops are grown for sale on the market mainly by the big farmers. But in Kerala, such crops are grown even in the very small holdings. Coconut is the most important of these crops which include rubber and different kinds of spices. The cropping pattern in Kerala is thus distinctly different from that of India as a whole: Foodgrains (including tapioca, an inferior cereal substitute) account for roughly 40 per cent of the cultivated area in Kerala but over 75 per cent in the country as a whole.

The cultivation of commercial crops has a long history in Kerala and has grown further in importance in recent times. The main change which has come about in the cropping pattern is the rise in the relative importance of coconut and rubber cultivation. This is partly due to topographical reasons. Paddy (the only cereal grown in Kerala) can be cropped only in the valley land while a variety of commercial crops can be grown on the slopy land. Additional land suitable for paddy cultivation has become unavailable for a long time. Thus extension to the area under cultivation has favoured the growth of commercial farming.[15]

But what is more significant for our purposes here is the high incidence of commercial cropping in very small holdings. Both poor and middle peasants are involved to a great extent in the cultivation of coconut, pepper and other commercial crops. About 55 per cent of the area under coconut, and 40 per cent of the area under pepper, are in holdings held by households cultivating in all no more than 2.5 acres each.[16] Rubber is generally cultivated on large estates but it is believed that in recent times middle peasants have

taken to rubber cultivation on a significant scale. The poor and middle peasants in Kerala are thus involved in the market as sellers of their farm products to a great extent; this is in sharp contrast to the other parts of the country where such involvement is minimal. This poses some problems to the left, as we shall see.

Commercial farming is not, however, conterminous with capitalist farming. In the holdings of the poor and middle peasants work is done largely (but not necessarily wholly) by family members. It is only in the very large holdings, of over 10 acres (roughly 4 hectares), that employment of wage labour is the predominant mode. However, as we shall see later, capitalist farming exists on a significant scale (though not constituting the predominant mode) even in holdings of 5 acres (roughly 2 hectares) and below in size.[17] Thus commercial notwithstanding its long history, has not led to a sharp polarisation of the rural population into the classes of capitalist farmers on the one hand and wage labourers with "nothing but their labour power to sell" on the other. This is not to deny that a process of differentiation is at work: indeed, the poor and middle peasants do not enjoy the advantages of the richer peasants in the markets either as sellers of farm products or borrowers of credit. But the point is that the sale of farm products by the middle peasants gives them a greater "staying power", especially in an era of rising farm prices, and slows down the process of polarisation.

II

Strategies of the CPI(M)

All-India Context

To understand the strategy of the Communist Party of India (Marxist) — CPI(M) — in Kerala it is necessary to begin with the stand of the Party on agrarian issues in an all-India context. A very clear statement of the policies of the Party, formulated on a countrywide rather than a regional basis, appears in a Central Committee (CC) resolution adopted at its meeting in March 1973 at Muzaffapur. This resolution is the result of an assessment of the experience of the Party with reference to the programme of work set out in an earlier resolution passed in 1966 and takes into account the differences which have cropped up within the party in the intervening period. There is an explanatory note by P Sundarayya added to the resolution.[18]

The resolution says that the central slogan of the agrarian movement must be: "abolish landlordism, both feudal and capitalist, without compensation and distribution of land of landlords to the agricultural labourers and the poor peasants free."[19] Commenting on the legislative measures of the Congress governments, the resolution says that while the party should extract the "Maximum possible concessions from the ruling classes, in the concrete reality of the legislative strength of the democratic Opposition as well as the mass movements outside", "no legislation, however limited, under the present ruling classes and corrupt bureaucratic set-ups, gets implemented ... unless powerful mass movements are developed".[20]

The concrete programme for struggle, laid down in this context, is based on a five-fold classification of the agrarian population: landless agricultural labourers, poor, middle and rich peasants; and landlords (both capitalist and feudal). The distinction between a rich peasant and capitalist landlord is that the former (or members of his family) participates in agricultural operations through manual labour while the latter relies wholly on wage labour. Landlords in general combine in themselves features of capitalism and feudalism and are defined in terms of an upper ceiling to the size of land, which can vary from region to region depending on fertility and other agro-climatic conditions. Notwithstanding Sundarayya's replies to certain criticisms of this formulation, the definitions and what they imply are debatable from a Marxist perspective. But what is more important is that landlords, so defined, constitute the "target of attack" for carrying out the struggle for land. The CC Resolution accordingly translates the slogan for abolishing landlordism into a programme of action by redefining land ceilings (for purposes of legislation) so as to ensure that all landlords (capitalist and feudal) are caught in the net. Sundarayya explains: "... for fixing up land ceilings, the only point with which we are concerned is what is the demarcating line between a landlord and a rich peasant."[21] Ceilings defined in terms of the resolution may thus adversely affect individual rich peasants (holding land above the limit defining landlords) but not rich peasants as a class. Thus rich peasants are outside the target of attack so far as the struggle for land is concerned.

On the whole there is some equivocation in the stand of the Party on rich and middle peasants. In the case of the middle peasantry it is best illustrated by the following sentence in the 1966 resolution: "Working class hegemony over the Kisan movement can be ensured only if the proletarian party ... places its principal reliance on the rural labourers and poor peasants who constitute 70 per cent of the peasantry, while of course not forgetting for a moment, neglecting or ignoring the middle and rich peasants but drawing them into the struggle for agrarian revolution."

The political task of drawing middle and rich peasants into the struggle, without sabotaging its proletarian character, is, of course, not an easy one, indeed, the party recognises that revisionism within the Party springs from the underlying difficulty. The 1966 CC resolution goes on to say: "The struggle against revisionism inside the Indian Communist movement will neither be fruitful nor effective unless alien class orientation and work among the peasantry are completely discarded. No doubt this is not an easy task, since it is deep-rooted and long-accumulated and also because *the bulk of our leading kisan activists come from rich and middle peasant origin rather than from agricultural labourers and poor peasants.* Their class origin, social links and the long training given to them give a reformist ideological political orientation which is alien to the proletarian class point and prevent them from actively working among agricultural labourers, poor and middle peasants with the zeal and crusading spirit demanded of Communists" (emphasis ours).[23]

How such a crusading spirit will emerge and how, in the long run, the composition of activists and leaders is to be changed in favour of those with proletarian origin, are questions relating to the organisation of the Party and need not detain us here. The concrete programme in relation to rich and middle peasants, which interests us more, appears to be dictated, however, more by the necessity of not alienating them than by fear of what compromises with them will entail. The rich peasants were not to be touched by land ceilings and while land "will be distributed to the landless agricultural labour and the poor peasants", at the same time, "for developing the united struggle for land it may be necessary to give a small portion of the land to the middle peasantry".[24]

The struggle for wages and the demand for fair prices likewise entail contradictions which cannot be easily resolved. It is not only "capitalist landlords" who employ wage labourers. Rich and middle peasants also do so, the former to a significant and the latter to a limited extent. Sundarayya notes that "partial struggles for wages can be successful only if the movement can mobilise the support of the poor and middle peasants and other democratic forces to back them".[25] Here, the underlying unity of classes is obviously to be secured through other means since in wage struggle rich and middle peasants will be on the other side of the fence. As already noted, a factor which offsets this contradiction and works in favour of unity, is the assurance that rich peasants' lands below the ceilings would be left untouched during the course of the struggle for land; the recognition of the necessity to distribute a portion of the surplus land to the middle peasants also works in the same way.

However, a stronger binding force is the struggle for "fair prices" for the farm produce of the poor and middle peasants. On how fair prices are to be determined Sundarayya quotes the CC resolution: "fair prices should be fixed ... taking [into account] the interest of the mass of the peasantry and they be such as to assure a decent living [for them] ..." Sundarayya emphasises the fact that fair prices are thus defined in terms of a "decent living" for the masses and "not just some reasonable return, or some profit".[26] It is true that the demand for such prices will bring together all sections of the peasantry for united action, but the benefits from "fair prices" accrue mainly to the capitalist farmers and make them economically and politically stronger. Sundarayya solves the problem in the following way: "When we demand fair prices that would assure decent livelihood for a middle peasant ... it does not mean that these minimum prices should be assured even to ... landlords. We can certainly raise the demand that the whole of the produce of these landlords be compulsorily procured by the government for meeting the needs of the people ...".[27] The story of support prices — and the role they have played in the Indian Economy after the advent of the Green Revolution — is too well known to be retold here. It will suffice to note that in the present political and economic situation of the country there do not exist any means, political or otherwise, for curbing the ability of the big landowners to secure for their produce high prices independently of market forces; nor do means exist for effectively taxing the rich farmers for ensuring that the benefits of fair prices accrue only to the poorer sections of the peasantry. The pursuit of the goal of 'unity' through the demand for fair prices thus works against the interests of the toiling poor.

CPI(M) In Kerala

As already explained, it was the strength and militancy of the left movement which was responsible for the successful implementation of the provisions of land reforms relating to the conferment of ownership rights to land on hutment dwellers and tenants. In contrast, the movement had not been able to prevent big landowners from successfully evading the ceiling laws. The Party is aware of this, and in accordance with its stand on the issue in the all-India context, has in recent times made these evaders the primary target for attack in the struggle for land. The implicit understanding of the Party is that if the ceiling of 10 standard acres (fixed by the 1969 Amendment) is successfully implemented, then all landlords — mainly capitalist, since feudal types have practically ceased to exist after tenancy abolition — will be virtually eliminated.

Accordingly, the 'land grab' movement of 1972, which was launched by the CPI(M) in the wake of the fierce hutment dwellers' struggle in 1970, was concerned more with unearthing surplus land (above the ceiling) and bringing it to the notice of the government than its occupation, although in a number of cases agitators 'entered' such land. The struggle lasted 80 days and about 175 thousand acres 'came to light' in the process. It did not, however, yield any land to the agitators. E M S Namboodiripad (EMS) denies that the movement was a failure. "Not that agitators must get land, but that the government must take it over to distribute it among the deserving, was the slogan of the struggle," he says. EMS regards the unearthing of so much surplus land as no mean achievement. But to him, what was a greater achievement was the fact that "... two lakh volunteers participated in the struggle ... People donated lakhs of rupees to cover the expenses of the struggle. Masses of all parts and organisations gave moral support to the struggle". To those who asked how many cents of land were secured through the movement he replies: "... let me remind them of another question, which the loyal adherents of the British asked Gandhi and Congress soon after the salt satyagraha 'How many tons of salt did you get'? Indian people went ahead ignoring these questions. The British had to leave India."[28]

The gains would of course have been more substantial if there were means for ensuring that surplus land brought to the notice of the government could be established as such and distributed. Many legal obstacles stand in the way, and, as we noted earlier, only a small part of it has been actually distributed. One can only speculate what would have happened if a CPI(M) led ministry was formed later. Not much has happened, however, on the land-struggle front after the 1972 movement until very recently (January 1979) when a second 'land-grab' movement was launched by the CPI(M). It is too early to assess the results but newspaper reports make it appear to be a satyagraha rather than a militant movement: these reports describe how hundreds of workers 'court' arrest every day in different parts of the state.

The Party can thus be seen to have avoided violent confrontations during the course of the struggle for land in recent times. But what stands out more clearly is the failure of the CPI(M) to evolve a satisfactory formula for determining the ceiling in Kerala in conformity with the party line. This failure arises partly from the confusion present in the CC resolution, but partly also, as we shall argue, from political expediency. As already noted, the CC resolution lays down the principle that the Party should agitate for a land ceiling which would ensure that all land belonging to the landlords would be confiscated when the ceilings are enforced; it further gives detailed guidelines for fixing such ceilings taking into account regional variations. It is doubtful if a ceiling of 10 standards acres would satisfy this criterion in the case of Kerala. It is well known, in any case, that land size is a poor criterion for judging the class-status of the owners. This is especially true in the case of Kerala. There are some data which show that in Kerala even among households operating areas between 1 and 2 hectares (roughly 2.5 to 5 acres) about 39 per cent rely on wage labour. Even more striking are the data for the size class immediately below which refers to households operating between 0.5 and 1 hectare (1.25 to 2.5 acres): in about 30 per cent of these households work is done largely by wage labour.[29] Any work done by the members of the family of the owner in

these cases must be more supervisory than manual in nature. Logically, therefore, the Kerala party should agitate for lowering the ceiling but it is not easy to determine the ceiling in accordance with the principles laid down by the CC: "if, say, 90 per cent of the holders of a particular size of holding, say ten to twelve and half acres wet, or 20-25 acres of dry [land] do not physically cultivate their lands, it can be assumed that holders over ten acres wet or 20 acres dry [land] are broadly, for land ceiling legislations, landlords".[30] The data required for determining the ceiling in the above manner, *viz*, the distribution of land in standard acres do not exist and hence some arbitrariness is unavoidable. But the point is that the existence of capitalist farmers operating land below the current ceiling size cannot be denied.

It may be argued in this context that the CPI(M) in Kerala is reluctant to attack "small holders". The CC defines this attitude in two clauses: (1) "Lands of small holders owning less than half the ceiling, but eking out their livelihood in factories, small shops, schools, small government jobs or as ordinary soldiers and junior army officers, or *in any other profession*, even if they are not cultivating their lands, shall not be taken . . ." and (2) "land holders, who are owning on the day of legislation less than the proposed ceiling but more than half the ceiling, but who are not cultivating their lands by their physical labour but getting them cultivated by agricultural labour, if they have other professions or means of income, *they will be allowed to retain only that amount of land that would be enough to make their total income equal that derived from the land ceiling*" (emphasis ours).[31] It is not known whether any struggle for land has taken place in accordance with the second clause mentioned above. But what is more relevant to the character of the movement is the first clause which lets out of the net numerous non-cultivating owners of highly remunerative pieces of land below half the ceiling (say, two to three acres of garden land) who derive the major portion of their income from sources other than agriculture. It is interesting to note that the West Bengal Land Reforms Act (Amendment Bill 1977) brought into being by the CPI (M) led Left Front government has a clause which ensures that such absentee owners forfeit their rights to land.[32]

In spite of the lack of conclusive data (apart from those referred to earlier which show a high percentage of small farms cultivated wholly by wage labour) it is generally believed that there are numerous 'small holders' who derive a major part of their incomes from not only salaried employment but also trade, transport and other remunerative activities. They are, moreover, organically linked to members of the urban middle classes. It is a two-way link, for in Kerala, the extent of interest in land which members of the bureaucracy — and salary earners in general — have is probably far greater than what it is anywhere else in the country. The CPI(M) is either unwilling to recognise the existence of this class or not yet prepared to fight it. The attitude of the Party in this respect is partly due to its middle class orientation springing from the class-origin of the activists and partly arises out of its concern for preserving its electoral base.[33]

It is not our purpose here to analyse the electoral fortunes of the CPI(M) in Kerala but only to attempt to understand how they are related to the character of the emerging left movement. Let us look at the struggle for wages and the demand for fair prices from this point of view. In wage struggle there are no apparent elements of compromise but viewed in combination with the nature of the land struggle, which we have discussed at length, not only do we see such elements clearly but it is also easy to understand why in the CPI(M) view unity of the peasant classes is a necessary condition for successful wage struggle. There is a trade-off here between high wage rates and the assurance of the Party that certain classes of the peasantry would be left untouched in the struggle for land. Even so, some observers attribute the recent electoral reverses suffered by the CPI(M) to the alienation of the middle and rich peasants resulting from fights relating to wages. None of this, however, belittles the achievements of the CPI(M) in raising the level of political consciousness of agricultural labourers and poor peasants.

But, as we have argued earlier, the demand for fair prices is a stronger force for securing peasant unity. The CPI(M) treads a cautious course in this respect however. It is other parties — with a clearly dominant 'landlord' interest — which clamour for high prices and the CPI(M), on occasion, accords support. The most recent example of this is in relation to the Central government's decision to import rubber. The move, which threatened the interests of rubber growers, was opposed through a resolution passed unanimously in the Kerala Assembly. Other examples, concerning coconut prices, of occasions when the CPI(M) stood alongside the other parties for protecting the peasant interest in general can be given. Here the CPI(M) is caught on the horns of a dilemma with little prospect for escape: Coconuts are cropped on a wide scale by poor farmers. It is possible that rubber is also cultivated by some poor and middle peasants. How can the party protect their interests and prevent the 'landlords' from reaping profits? A solution of this problem would require a greater confrontation of class forces than what the CPI(M) is prepared to face today.

The primacy which the Party accords to the unity of the peasant classes pays dividends but it also stultifies the movement The dividends, apart from those already discussed, also lie in the ease with which alliances can be struck and electoral adjustments made between political parties in Kerala. The CPI(M) has a large and fairly stable electoral following in the state. Given the fact that electoral victories in Kerala depend more on who is with whom (among the parties) than on the proportion of total votes that individual parties can poll (this was sharply brought to home in the last general election in 1977), the CPI(M) cannot ignore electoral calculations in formulating its strategies. To do so and lift the movement to a higher stage, what is required is a radical reorientation in the overall strategy of the Party.

Objective forces for promoting such a re-orientation are present in the changing agrarian structure, described earlier, the main feature of which is the continuous process of pauperisation. Wage labourers and poor peasants constitute the vast majority of the rural population and the movement can acquire a more pronounced proletarian character if its focus shifts more sharply in their favour. But the difficulties also arise from the forces which shape the distribution of land and the pattern of its utilisation. How to protect poor peasants without enabling the rich to reap the profits, is a question for which no readymade answers can be given. But above all, it is the attitude of the party towards rich peasants and those small landowners who derive a major part of their substantial total incomes from sources other than agriculture, which obstructs the growth of the left movement and if unchanged can make the movement progressively less and less proletarian in character.

Notes

1 Lack of comparability of data over the long period makes precise estimation of the underlying figures difficult. The conclusion holds broadly, however. For a discussion see, P G K Panikar, T N Krishnan and N Krishnaji, "Population Growth and Agricultural Development — A Case Study of Kerala", Food and Agricultural Organisation, Rome, 1978, Chapter IV.

2 The Agricultural Labour Enquiries show that while the total number of agricultural labour households increased from 500,000 to 710,000 during 1956-57 to 1964-65, those without land decreased from 240,000 to 210,000; comparable data for 1971-72 show a further decline in the latter category to 100,000. See P G K Panikar *et al*, *op cit* p 54.

3 *Ibid*, Chapter I.

4 The 1931 data are based on Census of India, 1931, Volume XXVIII, Travancore, Part I — Report, and those for 1966-67 on "Land Reforms Survey in Kerala, 1966-67", Report, Bureau of Economics and Statistics, Trivandrum, 1968.

5 These are based on the National Sample Survey, Report Nos 144 and 215. For a discussion see, P G K Panikar *et al*, *op cit*, pp 39-41.

6 Land Reforms Survey, *op cit*, Table 10.3, p 98.

7 The Land Reforms Survey comes to similar conclusions, see Chapter X of the Report.

8 For a recent survey see, "Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala", United Nations, 1975, Chapter V.

9 The figures are from the Land Reforms Survey. For a discussion see Chapter X of the Report.

10 *Ibid*, p 70 and p 100.

11 The Malabar movement is well documented. Among the recent studies relevant for our purpose here are: Joan P Mencher, "Agrarian Relations in Two Rice Regions of Kerala", *Economic and Political Weekly*, Volume XIII, Annual Number 1978, pp 349-366, and A V Jose, "Origin of Trade Unionism among Agricultural Labourers in Kerala", *Social Scientist*, July 1977. In this context, see also, E M S Namboodiripad, (a) "A New Approach Needed on the Agrarian Front", *Chinta*, September 17, 1971 and (b) "Strengthen the Agricultural Workers Movement through United Struggles", Kerala Karshaka Sangham, January 1974 (both in Malayalam). In the reference last cited, EMS says: "... the anti-feudal slogan of the organised peasant movement attracted the agricultural workers also although the movement included rich peasants. The rights of the landlords to evict the tenants, increase the rent and make other exactions and the accompanying social repression disturbed the agricultural workers as well as the peasants. In short, the slogan of 'End Feudalism and the distribute the land to the peasant', created a common target for agricultural workers as well as the peasantry". (Translated from Malayalam.) In practice the struggle for land to the tenant was combined with the struggle for hutment land.

12 The data are from the "Report of the Task Force on Land Reforms", VI Five Year Plan, Government of Kerala, 1978, p 7.

13 Census of India, 1931, *op cit*.

14 See, P G K Panikar *et al*, *op cit*, Chapter IV.

15 *Ibid*, Chapters II, III and IV.

16 *Ibid*, p 51.

17 The data are reproduced in Table A.

18 Central Committee Resolution on Certain Agrarian Issues and An Explanatory Note by P Sundarayya, Communist Party of India (Marxist). The publication is undated but the resolution refers to that passed in 1973.

19 *Ibid*, p 3 of the CC Resolution.

20 *Ibid*, p 4.

21 *Ibid*, p 15, of Sundarayya's Note. Replying to the criticism that Lenin did not define landlords in terms of the size of landholding, Sundarayya adds: "Comrade Lenin, in studying the agrarian structure of various countries, analysed the bourgeois statistics and especially, the landholdings of various sizes as given in the statisics of he bourgeois government and applying his broad criteria based on production relations, has drawn certain relevant conclusions for practical activities. For a broad understanding and broad propaganda and legislative slogans, we have to follow the same procedure."

22 *Ibid*, p 2 of Sundarayya's note.

23 *Ibid*, p 3.

24 *Ibid*, Paragraph 19 of the CC Resolution of 1973, p 7.

25 *Ibid*, Sundarayya's note, p 39.

26 *Ibid*, pp 43 and 44.

27 *Ibid*.

28 The data and the quotations are from E M S Namboodiripad, "Replies to Questions", *Chinta*, October 13, 1972 (translated from Malayalam).

29 See the data reproduced in the table in foonote 17 above.

30 Central Committee Resolution, *op cit*, paragraph 12, p 5.

31 *Ibid*, paragraphs 20 and 21, p 7.

32 For a discussion see, N K Chandra, "Major Move against Semi-Feudal Tenancy", *Economic and Political Weekly*, Vol XII, No 48, November 26, 1977.

33 For similar observations see, J M, "The Left in Kerala", *Frontier*, Vol 11, Nos 9-11, September 30, 1978. J M says: "It is the strong impression of this author that one of the major reasons why the Marxists are in trouble in Kerala is that many of the local-level leaders are now landowners. And there is a real contradiction here. Those who are leaders of the labourers are also employers of labour. A few of the former leaders and some former workers have also deserted the party, now that they have their own land . The leaders come from a high social sratum, the agricultural labourers from the lowest stratum. Today there is practically no leadership from the bottom." As we have already noted, the CC resolution of 1973 implicitly recognises these facts.

TABLE A: PERCENTAGE DISTRIBUTION OF HOLDINGS WITHIN EACH SIZE-CLASS ACCORDING TO THE NATURE OF LABOUR EMPLOYED: KERALA, 1970-71

Size of Operational Holding (hectares)	Work Done by Household Members	Largely by Members of Household but also by others	Largely by Wage-Labour	Total
0.04 — 0.25	70.30	15.47	14.23	100.00
0.25 — 0.50	51.39	26.55	22.06	100.00
0.50 — 1.00	37.97	32.09	29.94	100.00
1.00 — 2.00	28.09	33.18	38.73	100.00
2.00 — 4.00	19.36	33.49	47.15	100.00
4.00 and above	9.01	23.33	67.66	100.00

Source: "The Third Decennial World Agricultural Census", 1970-71, Report for the Kerala State, Bureau of Economics and Statistics, Kerala.

Growth of Budgetary Subsidies of Central Government

M V Raghavachari

Subsidies provided by the Government of India through the budget have recorded a phenomenal rise from Rs 7 crores in 1954-55 to Rs 1172 crores in 1977-78. Their share in the government's total budgetary expenditure has also gone up sharply from about 1 per cent in 1954-55 to 7.6 per cent in 1977-78.

This paper seeks to review the trends in budgetary subsidies and examine the ostensible purposes for which they are granted with a view to seeing if the present size of subsidies can be reduced without jeopardising the government's objectives in granting them.

ECONOMIC theory justifies subsidies if they are extended for correcting external effects, meeting 'merit' wants, helping to generate increasing returns, promoting growth and redistributing incomes. In India, promotion of growth and redistribution of income appear to be the overriding considerations in extending subsidies. The growth of subsidies in recent years is a matter of serious concern in view of the paucity of resources available for development. The Draft Five-Year Plan 1978-83 has emphasised the need for a selective approach to subsidies. The Dagli Committee[1] was asked to examine, among other matters, the justification for subsidies connected with controls and the scope for moderation or elimination of such subsidisation by suitable modification in the system of controls. The objective of this study is to analyse the trends in the growth of budgetary subsidies of the Central government and to see if the present size of subsidies could be reduced without jeopardising the basic objectives underlying them.

Subsidies provided by the Government of India through the budget have recorded a phenomenal rise from Rs 7 crores[2] in 1954-55 to Rs 1,172 crores in 1977-78. They were estimated to decline to Rs 1,019 crores in the Central Budget for 1978-79. Subsequently, in the First and Second Supplementary Demands for Grants for Expenditure of the Central government presented in August and December 1978 respectively, an additional sum of Rs 184 crores has been provided for subsidies. Including this, the provision for subsidies in 1978-79 is estimated at Rs 1,203 crores. Subsidies which formed only 1 per cent of total expenditure in 1954-55, accounted for 7.6 per cent of such expenditure in 1977-78. Subsidies have to be viewed in the broader perspective of the total availability of resources for investment. By pre-empting resources, subsidies in a way reduce the size of available resources. Therefore, a progressive reduction in subsidies at present paid by the Central government would augment resources available for productive investment.

The Economic Survey for 1977-78 observed that "one significant trend revealed by the Economic Classification of the Central Budget is the rapid rise in subsidies in various forms, such as food subsidy, export assistance, fertiliser subsidy, etc. These have more than doubled to Rs 947 crores in 1976-77 from Rs 470 crores in 1975-76. The growing need to subsidise several activities in our economy seems to stem from the *ad hoc* decisions taken in regard to pricing of commodities which are not always conducive to the maximisation of the welfare of the community as a whole. While some subsidies are unavoidable or even necessary, there are others which could be minimised or eliminated through a well integrated price policy".[3] The Bhoothalingam Study Group[4] took the view that where, in the public interest, essential commodities are provided to the economically weaker sections of the community at subsidised prices, it should be ensured that the benefits actually go to those for whom they are intended. The Study Group emphasised the need for periodic review and rationalisation of subsidies allowed to farmers and manufacturers.

Analysing the objectives behind subsidies, the Reserve Bank study observed that "subsidies are essentially meant for providing relief to the weaker sections of the society except in the case of export subsidies. To the extent to which recipients of subsidies belong to richer strata of society, the benefits would get diverted from the weaker sections. And if this is so, this would have the effect of neutralising, to some extent, the progressive effect of direct taxation and reducing the incidence of indirect taxes in achieving socio-economic objectives like restraining conspicuous consumption and investment in non-priority sectors of the economy. The redistributive effects of the subsidies may then be just the opposite of what are intended to be".[5] The Draft Five-Year Plan 1978-83, therefore, rightly emphasises that "it is necessary to bring about a drastic reduction in some subsidy rates in order to increase the availability of resources for the Plan. In general, subsidies should be admissible selectively to support low income consumption and small-unit labour-intensive production. Subsidies which do not serve these purposes should be phased out".[6]

Considerations Relevant to Subsidies

Market or quasi-market prices may be subsidised, that is, government through some kind of financial aid may make it possible for goods to be marketed at prices lower than would otherwise obtain.[7] This is using the term subsidy in a somewhat restricted sense. A broader definition would be "a government financial device which enables sellers to net more money or buyers to get more goods and services than would be the case if the affected commercial transactions had occurred without government intervention".[8] Subsidies are also described as negative category of taxes. Some subsidies take the form of direct payments by the government to some individuals despite the fact that the government does not receive any goods or services in return. Other subsidies are in the form of payments recognised to be in excess of value received by the government. Still others occur as preferential reduction in some taxes. Gary Fromm and Paul Taubmann observe that for many analytical purposes subsidies can be considered as negative excises.[9] According to Prest,[10] the mirror-image analogy between taxes and subsidies looks rather tarnished when examined closely. Firstly, these is a difference in nature — taxes contain an element of compulsion lacking in subsidies; no one is legally forced to accept a subsidy in the same way as he is forced to pay a tax. Secondly, it is not very helpful to talk of a negative analogue of all taxes lumped together

[illegible]

(Rs Crores)

Year	Total Subsidies	Total Expenditure as given in Economic-Cum-Functional Classification	Subsidies as Percentage of Total Expenditure
50-51	26.1	503.7	5.2
51-52	63.5	610.1	10.4
52-53	32.1	585.1	5.5
53-54	7.5	661.0	1.1
54-55	7.0	920.5	0.8
55-56	23.5	974.5	2.4
56-57	15.2	1117.5	1.4
57-58	55.8	1551.0	3.6
58-59	23.5	1639.2	1.4
59-60	26.0	1709.3	1.5
60-61	30.7	1805.6	1.7
61-62	33.2	2039.2	1.6
62-63	70.8	2532.5	2.8
63-64	56.7	3206.6	1.8
64-65	62.3	3488.9	1.8
65-66	47.5	3993.6	1.2
66-67	204 9	4665.4	4.4
67-68	154.2	4497.2	3.4
68-69	51.0	4525.8	1.1
69-70	96.0	4924.7	1.9
70-71	94.2	5576.5	1.7
71-72	140.3	6709.6	2.1
72-73	204.6	7849.3	2.6
73-74	360.9	8130.8	4.4
74-75	419.2	9784.9	4.3
75-76	469.7	12036.5	3.9
76-77	947.0	13150.1	7.2
77-78 (RE)	1171.6	15376.1	7.6
78-79 (BE)	1018.8*	17516.7	5.8

RE = Revised estimate.
BE = Budget estimate

* Total Subsidies in 1978-79 are estimated at Rs 1203 crores, including an additional sum of Rs 184 crores provided in the First and Second Supplementary Demands for Grants for Expenditure of the Central Government, 1978-79.

Source: Economic and Functional Classification of the Central Government Budget 1966-67 to 1978-79.

Types of Subsidy

The economic performance upon which payment of a subsidy is conditioned may be of almost any type, but common examples are production or consumption of certain goods or services, increase in use of a factor or production, and penetration of a particular market, notably the export market. Subsidies are consumer subsidies, factor subsidies, or special-purpose subsidies. A consumer subsidy is designed to benefit low-income consumers by enabling them to increase their consumption of a particular commodity or service without offsetting decrease in their other consumption. A factor subsidy is intended to benefit factors specialised to an [illegible] tion or [illegible] creasing [illegible]. Special purpose subsidies not designed to benefit either consumers or factors as such, may be aimed at attainment of a stipulated rate of economic growth and movement toward a pareto-optimum of resource allocation by capturing certain positive externalities.[11]

According to Carl S Shoup[12] in a competitive industry or trade, a per-unit subsidy on a product simultaneously increases output, raises price to the seller, and lowers price to the buyer, except in four extreme cases. "Pirce to the buyer" is market price, less the subsidy if the subsidy is paid to the buyer. "Price to the seller" includes the subsidy if it is paid to him. The effect of the subsidy is the same, whether it is paid to the seller or to the buyer, unless institutional rigidities or other frictions inhibit the free workng of the market. The four extreme cases are: (1) perfectly inelastic supply and (2) perfectly elastic demand, both of which cause the price to the seller to rise by the full amount of the subsidy, while the price to the buyer remains unchanged, so that the benefit of the subsidy rests entirely with the seller, (3) perfectly elastic supply, and (4) perfectly inelastic demand, both of which cause the price to the buyer to fall by the full amount of the subsidy, while the price to the seller remains unchanged, so that the incidence of the subsidy accrues entirely to the buyer. Usually under competition, the incidence of the subsidy is divided between buyer and seller (consumer and producer) in the ratio of the elasticity of supply to the elasticity of demand. If, for example, the elasticity of supply is very great while the demand is almost perfectly inelastic, the ratio will be large and almost all of the subsidy will go to reduce price to the buyer; price to the seller will rise by only a small proportion of the subsidy.

Effectiveness of Subsidies

A subsidy intended to increase consumption of a particular good will dissipate much of its force if the price elasticity of either demand or supply is small. If demand is of less than unit elasticity over the relevant price range, consumers spend less on the subsidised good than they did when it was unsubsidised, and more on other goods, or save more. Total spending on the subsidised good increases by less than the amount of the subsidy. In effect, part of the subsidy is dissipated in the purchase of other goods and in saving. On the other hand, if the elasticity of demand is greater than unity over the price range covered by the subsidy, the consumer decreases his spending on other goods and his saving, to increase his spending on the subsidised goods.[13] The percentage increase in units of that good exceeds the percentage that the subsidy is of the subsidised price. The decrease in spending on other goods and in saving may partly negate the aim of the subsidy, since a high elasticity of demand implies that good substitutes are available. Therefore, the social or other aims implied by the subsidy may not be achieved if expansion of the subsidised good is obtained only at the cost of reducing consumption of goods that serve the same purpose.[14]

If the subsidised good can be resold by the consumer at the unsubsidised price, his income is increased by the subsidy but the cost of the good to him is not really reduced. The cost to him is what he must forgo if he consumes the article, and in this instance what he forgoes is the unsubsidised price. The consumer will now operate as a firm taking at the subsidised price as much as the government will sell him, and reselling it at the higher price. The continued existence of the initial unsubsidised price implies that the subsidy is granted only to a very small group of consumers in a limited amount; otherwise, their offerings would drive the price down. These consumers will probably consume more of the subsidised good than before, but only because of the income effect of the subsidy. The subsidy exerts no substitution effect if resale at a constant unsubsidised price is possible.

Growth of Subsidies

Budgetary subsidies of the Central government have increased progressively from Plan to Plan. Such subsidies which amounted to Rs 133.6 crores during the First Five-Year Plan increased to Rs 151.2 crores during Second Plan and further to Rs 270.5 crores during Third Plan. Subsidies amounted to Rs 410 crores during the Annual Plans period 1966-67 to 1968-69. They rose to Rs 896 crores during Fourth Plan period and further steeply to Rs 3,007 crores during the Fifth Plan period.[15] Yearwise, subsidies have risen consistently from 1971-72 onwards and reached a level of Rs 1,172 crores in 1977-78. At Rs 947 crores in 1976-77, they were more than double the amount in the previous year (Table 1).

Subsidies as a proportion of total budgetary expenditure have fluctuated widely. They constituted as much as

TABLE 2: FOOD AND EXPORT SUBSIDIES DURING 1966-67 to 1978-79

Year	Food Subsidy	Export Promotion and Market Development Scheme	Subsidy for Agriculture	Other Subsidies	Total Subsidies (Col 1 to Col 4)	Total Exports	Col 2 as Per Cent of Col 6
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1966-67	91.0 (44.4)	46.0 (22.5)	44.5 (21.7)	23.4 (11.4)	204.9	1095	4.2
1967-68	95.0 (61.6)	40.0 (26.0)	1.9 (1.2)	17.3 (11.2)	154.2	1199	3.3
1968-69	—	34.0 (66.7)	--	17.0 (33.3)	51.0	1358	2.5
1969-70	30.8 (32.1)	45.0 (46.9)	0.1 (0.1)	20.1 (20.9)	96.0	1413	3.2
1970-71	18.0 (19.1)	41.0 (43.5)	0.1 (0.1)	35.1 (37.3)	94.2	1535	2.7
1971-72	49.7 (35.4)	54.0 (38.5)	—	36.6 (26.1)	140.3	1608	3.4
1972-73	117.0 (57.2)	62.0 (30.3)	—	25.6 (12.5)	204.6	1971	3.1
1973-74	251.5 (69.7)	66.0 (18.3)	0.8 (0.2)	42.6 (11.8)	360.9	2523	2.6
1974-75	295.1 (70.4)	88.0 (21.0)	—	36.1 (8.6)	419.2	3329	2.6
1975-76	250.1 (53.2)	161.0 (34.3)	0.4 (0.1)	58.2 (12.4)	469.7	4043	4.0
1976-77	506.0 (53.4)	269.0 (28.4)	59.9 (6.3)	112.1 (11.9)	947.0	5146	5.2
1977-78 RE	478.8 (40.9)	347.0 (29.6)	90.1 (7.7)	255.7 (21.8)	1171.6	5375	6.5
1978-79 BE	456.0 (44.8)	261.0* (25.6)	80.6 (7.9)	221.2 (21.7)	1018.8		

Note: Figures in brackets represent percentage to total subsidies.
* These are estimated at Rs 390 crores in 1978-79 including an additional sum of Rs 129 crores provided in the First and Second Supplementary Demands for Grants for Expenditure of the Central Government—1978-79.

TABLE 3 : BUDGETARY COST OF FOOD SUBSIDIES IN SELECTED COUNTRIES, 1972-75
(As per cent of total budgetary expenditure)

	1972	1973	1974	1975
Bangladesh *	—	13	11	8
Burma **	—	—	8	5
Egypt	4	10	22	21
Indonesia †	—	1	13	7
Korea	4	10	14	19
Morocco	1	1	9	12
Pakistan *	1	8	13	11
Sri Lanka	13	14	17	16
India ††	2	3	3	2

* Fiscal year ended June 30.
** Fiscal year ended September 30 upto 1973; the 1974 fiscal year was October 1, 1973—March 31, 1974; the 1975 fiscal year ended on March 31.
† Fiscal year ended March 31. Excludes in-kind wage payments.
†† *Data refers to fiscal years 1972-73, 1973-74, 1974-75 and 1975-76.*
Source: Quoted by Jaffrey M Davis in his study on "Fiscal Role of Food Subsidy programmes", *IMF Staff Papers*, Vol XXIV, No 1, March 1977. The data for India are based on Economic and Functional Classifications of Government of India Budget, Government of India.

10.4 per cent in 1951-52 and then declined to less than 1 per cent in 1954-55. With the steep increase in the absolute amount of subsidies during 1976-77, the ratio of subsidies has also risen sharply from 3.9 per cent in 1975-76 to 7.2 per cent in 1976-77.

FOOD SUBSIDY

A break-up of subsidies into food, export promotion and market development, agriculture and other purposes[16] is available in the Economic and Functional Classification from 1966-67 onwards. Food subsidy[17] which amounted to Rs 91 crores in 1966-67, declined to Rs 18 crores in 1970-71. It has progressively increased again from 1971-72 onwards and touched a level of Rs 295 crores in 1974-75. Although, food subsidy was doubled from Rs 250 crores in 1975-76 to Rs 506 crores in 1976-77, its share in total subsidies remained unchanged at 53 per cent (Table 2). The marked increase in the amount of food subsidy in 1976-77 is attributed to substantial increase in the buffer stocks of foodgrains and payment of arrears of subsidy relating to previous year.[18]

Table 3 provides summary indicators of budgetary cost of food subsidies in selected countries. The data are presented as a percentage of total expenditure, emphasising the impact of food subsidies on the structure of government spending. In Egypt, Korea and Sri Lanka food subsidies accounted for as much as one-fifth of total expenditure in 1974 or 1975, while several other countries devoted approximately one-tenth of expenditure to this component. Food subsidies in the case of India accounted for a relatively small proportion of expenditure. Such subsidies formed 2 to 3 per cent of total expenditure in India in 1974-75 and 1975-76.[19] The pre-emption of government expenditure by food subsidies should be viewed with particular concern in so far as sources of revenue are limited, and the public sector is expected to play a large part in the developmental effort. The large share of food subsidies in total expenditure in developing countries may be contrasted with the limited quantitative importance of these subsidies in most industrialised countries. Despite the growth in 1975, the UK food subsidy programme accounted for only about 1 per cent of total expenditure, while the US food stamp scheme accounted for only about 0.1 per cent. The actual goals of food subsidies vary among countries and in the same country over time. These aims encompass political as well as economic factors, and the use of food subsidies is influenced by institutional constraints imposed on alternative policy instruments. In most countries, an important stated objective of food subsidies is to change relative prices in a manner that provides a desired redistribution of income. A further common aim is to use subsidies to influence overall price stability.[20]

EXPORT SUBSIDIES

Subsidies for export promotion and market development scheme rose steeply from Rs 46 crores in 1966-67 to Rs 347 crores in 1977-78 (Table 2). They accounted for about 29.6 per cent of the total subsidies in 1977-78 as compared with 22.5 per cent in 1966-67. Export subsidies which amounted to Rs 268 crores during

TABLE 4: SUBSIDIES FOR EXPORT PROMOTION AND MARKET DEVELOPMENT

(Rs Crores)

	Category	1977-78 (RE)		1978-79 (BE)	
		Amount	Per Cent to Total	Amount	Per Cent to Total
1	Product promotion	220.00	63.4	188.00	72.0
2	Commodity development	5.00	1.4	5.00	1.9
3	Export credit development	13.00	3.7	13.00	5.0
4	Export development organisations	92.00	26.5	42.00	16.1
5	Market development	2.00	0.6	2.00	0.8
6	Interest subsidy on credits advanced to foreign governments	0.85	0.2	1.00	0.4
7	Export subsidy on sugar	10.00	2.9	10.00	3.8
8	Payment to cover exchange losses	4.35	1.3	—	—
	Total	347.20	100.0	261.00 *	100.0

Source: Demands for Grants of Ministry of Commerce, Civil Supplies and Co-operation, 1978-79.

* These are estimated at Rs 390 crores in 1978-79, including an additional sum of Rs 129 crores provided in the First and Second Supplementary Demands for Grants for Expenditure of the Central Government, 1978-79.

TABLE 5: DEVELOPMENTAL AND CONSUMPTION SUBSIDIES

(Rs Crores)

Year	Developmental Subsidies			Consumption Subsidies	Total Subsidies Col (4) Plus Col (5)
	Social Services	Economic Services	Total of Col 2 and Col 3		
(1)	(2)	(3)	(4)	(5)	(6)
1966-67	—	113 9	113.9 (55.6)	91.0 (44 4)	204.9
1967-68	—	59 2	59.2 (38.4)	95.0 (61 6)	154.2
1968-69	—	47.2	47.2 (92.5)	3.8 (7.5)	51.0
1969-70	—	65.2	65.2 (67.9)	30.8 (32.1)	96.0
1970-71	0.3	75.9	76.2 (80.9)	18.0 (19.1)	94.2
1971-72	0.9	89.7	90.6 (64.6)	49.7 (35.4)	140.3
1972-73	2.0	85.6	87.6 (42.8)	117.0 (57.2)	204.6
1973-74	0.1	109.3	109.4 (30.3)	251.5 (69.7)	360.9
1974-75	—	124.1	124.1 (29.6)	295.1 (70.4)	419 2
1975-76	0.7	218.8	219.5 (46.7)	250.2 (53.3)	469.7
1976-77	2.5	438.5	441.0 (46.6)	506.0 (53 4)	947.0
1977-78 (RE)	3.3	643.2	646.5 (55.2)	525.1 (44.8)	1171.6
1978-79 (BE)	5.7	528.0	533.7 (52.4)	485.1 (47.6)	1018.8 *

Note: Figures in brackets represent percentage to total.
Source: Economic and Functional Classification of the Budget for the years 1966-67 to 1978-79.

* Total subsidies in 1978-79 are estimated at Rs 1203 crores including the First and Second Supplementary Demands for Grants.

Fourth Plan, rose sharply during Fifth Plan to Rs 865 crores. Export subsidies are budgeted to decline by Rs 86 crores to Rs 261 crores in the Central Budget for 1978-79. However, an additional sum of Rs 129 crores was provided for export promotion and market development in the First and Second Supplementary Demands for Grants. Export subsidies as a proportion of total exports increased from 4.2 per cent in 1966-67 to 6.5 per cent in 1977-78. The combined share of food and export subsidies in total subsidies is placed at 70.5 per cent in 1977-78 as against 67 per cent in 1966-67. Category-wise break-up of export subsidies is presented in Table 4. In 1977-78, a large proportion (90 per cent) of the export subsidies were given for product promotion and export development organisations.

Commenting on the inconsistencies in export subsidies, Bhabatosh Datta[21] observed that "if instead of expressing the amount of export incentives as a ratio of total exports, or even of the exports of the commodities actually enjoying the advantages, one takes into account only the net foreign exchange earned case by case, the absurdities of some of the results will appear to be astounding. According to an official report recently quoted, a cash assistance of Rs 1.15 lakhs was given for the export of a commodity, which brought in a gross total of Rs 3.83 lakhs, after using imported materials worth Rs 3.79 lakhs. The cash assistance of Rs 1.15 lakhs was thus given for a net foreign exchange earning of Rs 4,000 or $ 470, which meant an implicit rate of Rs 245 of cash assistance for each dollar earned. This may be an extreme case, but it is necessary to examine carefully each one of the export assistance schemes to find out if it is really necessary and, if so, what is the cost that society has to bear for making the exports possible or profitable".

According to a study on Export Assistance Policy,[22] public funds spent on trade and export promotion in India are found to be far higher than in other countries. Trade and export promotion expenditure per US $1 million of export earnings in India in 1975, was found to be $ 39,805, as against $ 2,081 in the UK, $ 1,146 in Italy, $ 564 in Japan, $ 514 in France, $ 316 in Canada, $ 220 in USA and $120 in West Germany. To a large extent, the differences in public expenditure on export promotion stem from the differences in the strategy of export promotion. The main lever of export promotion in India is cash subsidy, which is "widely recognised as a self-perpetuating crutch that reduces the incentive for cost reduction and quality innovation, while in foreign countries the public fund is primarily spent on developing marketing capabilities through market intelligence and matching competitive mar-

APPENDIX: MISCELLANEOUS SUBSIDIES OTHER THAN FOOD AND EXPORT SUBSIDIES

(Rs Crores)

	Subsidy	Amount	
		1977-78 (Revised Estimates)	1978-79 (Budget Estimates)
1	Subsidy to Cotton Corporation	54.00	2.00
2	Subsidy to Fertiliser Industry Co-ordination Committee for nitrogenous fertilisers	25.00	122.00
3	Indigenous phosphatic fertilisers	90.00	80.00
4	Edible oils	—	8.00
5	Rail-cum-sea transport of coal	3.85	5.66
6	Subsidy to new units in selected backward areas in states/Union Territories	15.00	15.00
7	Subsidy to Bharat Gold Mines	10.50	9.25
8	Subsidy to Hindustan Copper	0.70	0.44
9	Coffee plantation and interest subsidy scheme	—	1.25
10	Scheme for development of regulated markets	2.50	2.84
11	Subsidy for fishing trawlers	0.10	—
12	Subsidy towards differential rate of interest to shipping development fund committee	—	0.50
13	Subsidy on controlled cloth	21.00	47.00*
14	Subsidy to BHEL	—	0.20
15	Subsidy to HUDCO	1.80	2.80
16	Subsidised housing for plantation workers	0.90	0.65
17	Payment of subsidy to ship building industry		
	(a) Hindustan Shipyard	2.20	2.90
	(b) Cochin Shipyard	2.33	4.07
18	Subsidy to cover transportation charges of foodgrains from Mainland to Port Blair	0.12	0.12
19	Subsidy to Praga Tools	0.57	0.29
20	National Filaria Control Programme, subsidy to states	—	0.15
21	National Leprosy Control Programme, subsidy to states	3.90	6.20
22	National Malaria Eradication Programme (Rural), subsidy to states	19.57	20.69
23	National Malaria Eradication Programme (Urban), cash subsidy	0.82	1.47
24	National Small-Pox Eradication Programme, subsidy to states	3.79	4.13
25	Subsidy in lieu of concession of rate of interest	0.45	0.63
26	Grants-in-aid/contributions/subsidies: Iron Ore Mines Labour Welfare	0.18	0.24
27	Grants-in-aid/contributions/subsidies: Education	1.60	1 71
28	Subsidy to State Electricity Boards/Undertakings	19.00	20.00
29	Subsidies to Bhutan for cement plant and lift irrigation schemes	—	1.39
30	Subsidy to Shipping Corporation of India for acquisition of Ships	—	19.71
31	Subsidy to Steel Authority of India to cover the countervailing excise duty payable on imports of specified categories of steel	—	7.00
32	*Interest Subsidy*		
	(a) Steel Authority of India	68.00	—
	(b) Indian Iron and Steel	4.10	6.80
	(c) Heavy Engineering Corporation	3.85	—
	(d) Khadi and Village Industries Commission	9.47	10.00
	(e) Bharat Opthalmic Glass	0.27	0.27
	(f) Triveni Structurals	0.13	—
	(g) Rural Electrification Corporation	0.07	0.06
	(h) IFCI	0.03	0.13
	(i) Small-scale industries	0.02	0.02
	(j) Engineer entrepreneurs	—	0.03
	(k) Binny	—	0.40

Sources: (1) Demands for Grants of various ministries.
(2) First Supplementary Demands for Grants for Expenditure of the Central Government 1978-79, July 1978.
(3) Second Supplementary Demands for Grants for Expenditure of the Central Government 1978-79 December, 1978.

* Including Supplementary Demands for grants.

keting strategies including payment terms".[23]

The export assistance schemes were introduced at a time when there was a need for improving the country's balance of payments position. There are many things which come into existence for one purpose and then continue to exist for other purposes. In the case of protective import duties and export subsidies, industrial [illegible] in their continuance grow up and after a time it becomes difficult to remove or modify the assistance. It is not remembered that the whole idea of such assistance is to tide over initial or temporary difficulties. The continuance of the assistance becomes a part of the producers' parameter of expectations. These subsidies are not always removable when their purpose is achieved. The assistance to exports in a period of healthy balance of payments position requires careful examination. It is, therefore, necessary to make a case-by-case examination of the costs of the export incentives *vis-a-vis* the benefits derived from them.[24]

END-USE OF SUBSIDIES

Available data on subsidies indicate that the share of developmental subsidies comprising economic[25] and social services[26] in total subsidies declined from about 56 per cent in 1966-67 to 47 per cent in 1976-77. On the other hand, the share of consumption subsidies[27] increased from 44 per cent to 53 per cent in 1976-77. Consumption subsidies which amounted to less than Rs 4 crores in 1968-69, have grown over 121 times to Rs 485 crores in 1978-79. Both developmental and consumption subsidies more than doubled in 1976-77 as compared with the previous year (Table 5).

Break-up of data regarding subsidies for fertilisers, edible oils, controlled cloth, imported cotton, transport of coal, interest subsidy, subsidy to new industrial units in selected backward areas and subsidy to Bharat Gold Mines is not available in the Economic and Functional Classification of the Budget. However certain data are available in the Explanatory Memorandum on the Budget of the Central government for 1978-79 and Demands for Grants for individual ministries. Available data on subsidies on some items are presented in the Appendix.

Under the Fertiliser Retention Prices Scheme introduced for nitrogenous fertilisers in November 1977, retention prices have been fixed for each unit producing urea, ammonium sulphate and calcium ammonium nitrate. The Fertiliser Industry Co-ordination Committee operates a Fertiliser Price Fund to receive from and pay to manufacturers of these fertilisers the differentials between their ex-factory realisations and the individual retention prices fixed for each unit. Budgetary support is provided to the Fertiliser Price Fund to meet the payments due therefrom to the manufacturers of nitrogenous ferti-

lisers.[19] A sum of Rs 125 crores was provided on this account in the Budget for 1978-79 as against Rs 25 crores in the revised estimates for 1977-78.

With a view to improving the offtake of imported rapeseed oil and bringing greater relief to the consumers, a subsidy of Re 1 per kg is provided by the Central government on its retail price. A sum of Rs 8 crores was provided in the 1978-79 Budget for payments to the state governments and other parties on vegetable oils.

Imported cotton is subsidised to keep cotton prices at a reasonable level. Accordingly, a sum of Rs 54 crores was reimbursed in 1977-78 to the Cotton Corporation of India for losses incurred on sale of imported cotton. A provision of Rs 2 crores is made in the current year for this purpose.

Subsidy is paid by the Ministry of Energy for rail-cum-sea transport of coal. This subsidy is budgeted at Rs 5.66 crores in 1978-79 as compared with Rs 3.85 crores in the preceding year.

Subsidy is also provided to new industrial units located in selected backward areas in various states and Union Territories. The subsidy on this account is budgeted at Rs 15 crores in the current year. Commenting on this, the Draft Plan observed that "at present the benefits from this subsidy are concentrated in a few districts/areas. Moreover, no attempt is made to discriminate in favour of the sorts of industries that could have a major impact on the district/area in terms of employment or resources development or forward linkages. For instance, the amounts given as subsidy are not related to employment but to capital investment. The extent to which the subsidy has helped to promote the overall level of development in backward areas has yet to be assessed".[20]

Further, interest subsidy is given to Steel Authority of India, Indian Iron and Steel Company, Heavy Engineering Corporation, Khadi and Village Industries Commission and so on (Appendix).

Summary and Conclusions

Subsidies provided by the Government of India through the budget have recorded a phenomenal rise from Rs 7 crores in 1954-55 to Rs 1172 crores in 1977-78. Their share in total expenditure rose sharply from 1 per cent in 1954-55 to 7.6 per cent in 1977-78.

Budgetary subsidies of the Central government have increased progressively from Plan to Plan. They had increased from Rs 134 crores during First Plan to Rs 151 crores during Second Plan and further to Rs 276 crores during Third Plan. During Fourth Plan period they rose to Rs 896 crores. Subsidies have risen enormously to Rs 3,007 crores during the Fifth Plan period.

Food subsidy has increased by about 27 times from Rs 18 crores in 1970-71 to Rs 479 crores in 1977-78. In Egypt, Korea and Sri Lanka food subsidies accounted for one-fifth of total expenditure in 1974 and 1975. Food subsidies in the case of India accounted for a relatively small proportion (2 to 3 per cent) of expenditures. Even so, the pre-emption of government expenditure by food subsidies is a matter of serious concern. In view of the severe budgetary constraints, it is not desirable to have a simple across-the-board approach to food subsidies. Food subsidies can be progressively reduced by differentiating the treatment of various groups. Food subsidies are largely intended for lower income groups. Therefore, such subsidies should be extended only to non-income tax paying sections of the society.

Subsidies for export promotion and market development scheme rose sharply from Rs 46 crores in 1966-67 to Rs 347 crores in 1977-78. They accounted for about 29.6 per cent of the total subsidies in 1977-78 as compared with 22.5 per cent in 1966-67. Export subsidies as a proportion of total exports increased from 4.2 per cent in 1966-67 to 6.5 per cent in 1977-78. The combined share of food and export subsidies in total subsidies is placed at 70.5 per cent in 1977-78 as against 66.9 per cent in 1966-67. Assistance of this order to exports in a period of healthy balance of payments position requires careful examination.

During the period 1966-67 to 1976-77, while the share of developmental subsidies in total subsidies declined, the share of consumption subsidies increased. Consumption subsidies which amounted to less than Rs 4 crores in 1968-69, have grown over 121 times to Rs 485 crores in 1978-79.

A progressive reduction in subsidies at present paid by the Central government would augment resources available for productive investment. To the extent to which the recipients of subsidies belong to richer strata of society, the objective of vertical equity of taxation gets distorted. Subsidies are not always removable when their purpose is achieved. In view of the self-perpetuating nature of subsidies, the choice of goods which are to be subsidised must be carefully made and revised from time to time.

Notes

1 A Committee under the Chairmanship of Vadilal Dagli was set up by the Government of India in February 1978 to evaluate and review the system of controls and subsidies and to examine the manner in which they have actually operated and whether the objectives sought have been achieved.

2 The data on subsidies and total ex-

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(Krishna Raj)
Signature of Publisher

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penditure for this study are drawn from the various issues of the Economic and Functional Classification of the Central Government Budget unless otherwise stated.

3 Government of India, Economic Survey 1977-78, pp 27-28.

4 Government of India, Report of the Study Group on Wages, Incomes and Prices (Chairman S. Bhoothalingam), May 1978.

5 "Finances of the Government of India for 1978-79", *Reserve Bank of India Bulletin*, July 1978, p 512.

6 Draft Five Year Plan 1978-83, Government of India, Planning Commission, April 1978.

7 Herbert E Newman, "An Introduction to Public Finance", John Wiley and Sons INC, 1968, p 255.

8 Robert L Hubbell, "Concealed Subsidies in the Federal Budget", *National Tax Journal*, September 1957, p 215.

9 Gary Fromm and Paul Taubmann, "Public Economic Theory and Policy", The Macmillan Company, New York, 1973 p 54.

10 A R Prest, "How Much Subsidy? A Study of the Economic Concept and Measurement of Subsidies in the United Kingdom", The Institute of Economic Affairs, London, 1974; p 16.

11 Carl S Shoup, "Public Finance", Columbia University, Weidenfeld and Nicolson, 1969 p 149.

12 *Ibid*, pp 153-154.

13 *Ibid*, p 159.

14 In certain cases, a subsidy can decrease the number of units consumed of the subsidised good. This will occur if the thing subsidised is a giffin good within the price range covered by the subsidy, that is, if both (1) the income elasticity of demand is negative and (2) the income effect of the subsidy outweighs its substitution effect.

15 Covering the four-year period 1974-75 to 1977-78.

16 These include subsidies for industry other than exports, transport and communications, controlled cloth, edible oils and so on.

17 Food subsidy is paid to the Food Corporation of India on account of reimbursement of the difference between the Central issue prices of different foodgrains and the economic cost of these foodgrains to the Corporation. The economic cost includes procurement price or purchase cost and procurement incidentals for indigenous grains and Ocean freight and landing charges in the case of imported foodgrains as well as [illegible]ement, storage and other miscellaneous charges.

18 Government of India, Explanatory Memorandum on the Budget of the Central Government for 1977-78, pp 42-43.

19 Although food subsidies touched a peak level of Rs 506 crores in 1976-77, they constituted only 3.8 per cent of total expenditure in that year.

20 Jaffray M Davis, "The Fiscal Role of Food Subsidy Programmes", *IMF Staff Papers*, March 1977.

21 Bhabatosh Datta, "How Best to Utilise the Mounting Foreign Exchange Reserves", Supplement to *Capital*, March 23, 1978, p 30.

22 S K Verghese, "Export Assistance, Policy and Export performance in India in the Seventies", *Economic and Political Weekly*, Annual Number, February 1978.

23 *Ibid*, p 265.

24 Bhabatosh Datta, *op cit*, p 31.

25 Economic Services include agriculture, industry, transport and communications and other economic services.

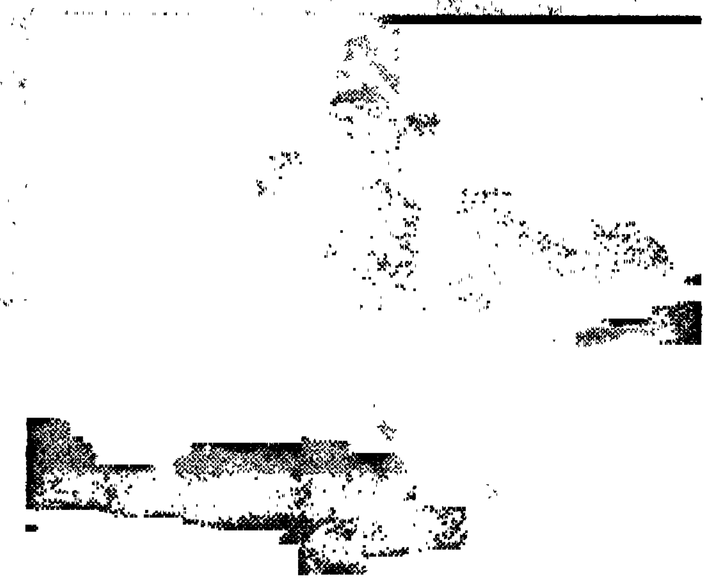
26 Comprising education, medical and public health and other social services.

27 Consumption subsidies include subsidies on food, controlled cloth and edible oils. It is somewhat odd that food subsidy is shown as developmental expenditure in the Explanatory Memorandum on the Budget of the Central government and as non-developmental expenditure (unallocable) in the Economic and Functional Classification of the Central government Budget.

28 Government of India, Ministry of Petroleum, Chemicals and Fertilisers Demands For Grants, 1978-79, p 11.

29 Draft Five-Year Plan 1978-83, p 111.

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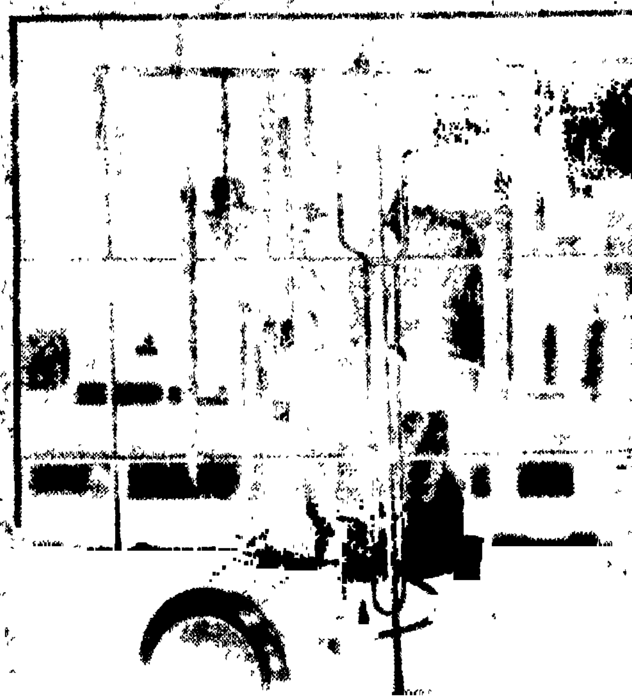
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ECONOMIC AND POLITICAL WEEKLY

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GOVERNMENT EXPENDITURE AND DEVELOPMENT

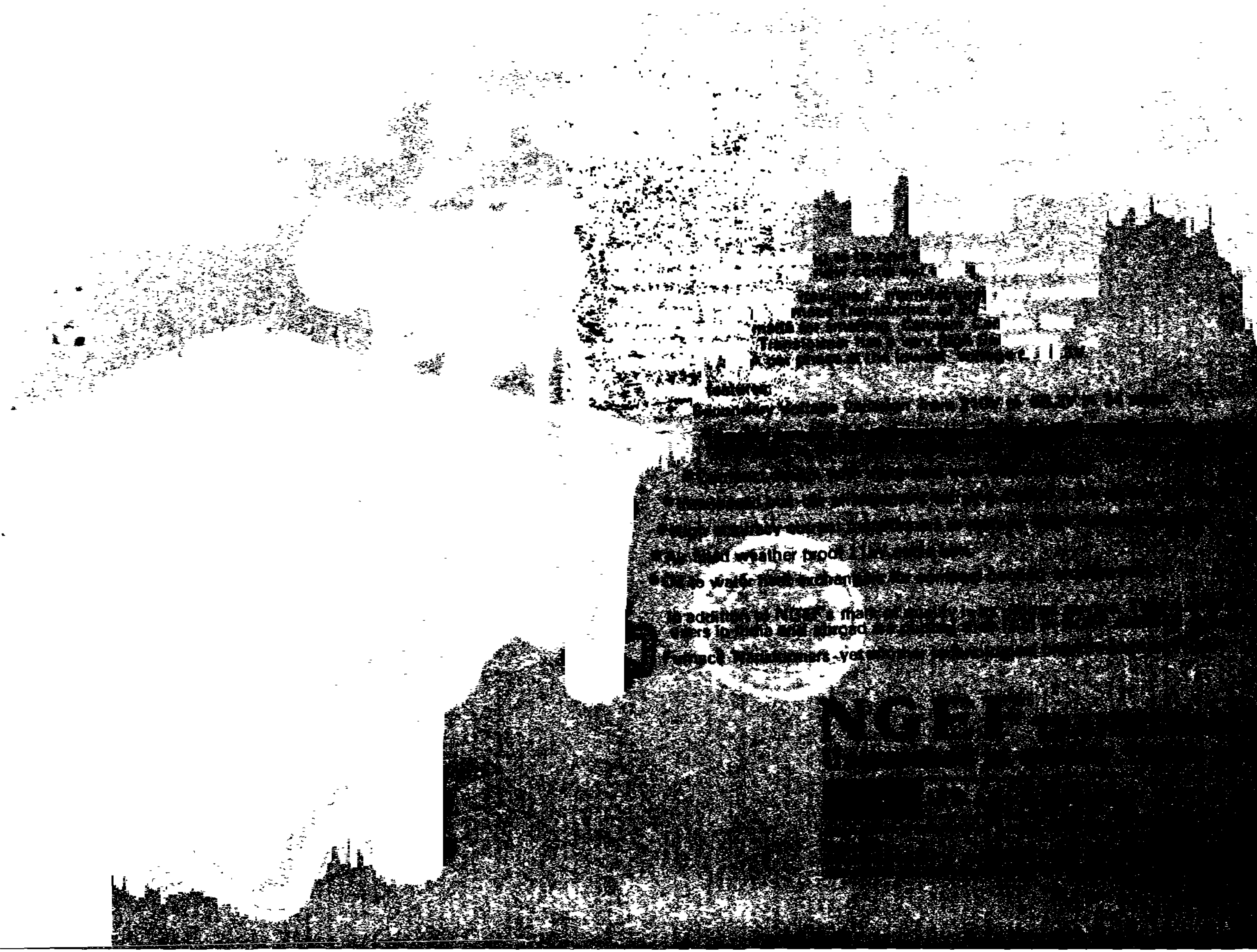
SIKKIM'S NEW CHOGYALS

CORPORATE INVESTMENT IN 1979: A FORECAST

'TRADE UNION' MURDERS IN DHANBAD

BONDED LABOUR AND MONEY-LENDING

POLITICAL ECONOMY OF THE BUDGET


NGEF

Founder-Editor: Sachin Chaudhuri

Vol XIV No 10 March 10, 1979

ECONOMIC AND POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 400 [illegible]

[illegible]

[illegible] Kosygin's speeches on the very first two days of the visit [illegible] important questions [illegible] with the [illegible] to [illegible] towards other countries.

On the first two days of his visit, Kosygin delivered four major addresses: to the members of the Indian Parliament, at the banquet by Prime Minister Morarji Desai, at the meeting organised by the [illegible] Cultural Society and at the civic reception in his honour in New D[illegible] most striking feature of Kosygin's speeches on all these occasions [illegible] virulent criticism of China. It was in his address to Parliament th[illegible] the fullest vent to his petulance on the subject of China. Referring [illegible] aggression against Viet Nam", the Soviet Prime Minister said: "[illegible] armed robber or murderer struck somebody, all the rigours of the la[w] applied to him in any country. And it cannot be otherwise. But one [would] like to know what punishment deserves a criminal who has encroache[d on the] life of an entire nation and who seeks to assume the right to [illegible] other peoples and decide their fate as he pleases? No peace-loving coun[try] no person of integrity should remain indifferent when that sort of [illegible] happens, when an aggressor holds human life and world public opinion [in] insolent contempt, commits an outrage against international law, against [the] great principles of peace and independence, sovereignty and equality, [illegible] everything which has become the banner of the peoples in the struggle [illegible] domination and oppression, for a better world and happier future. [He] continued: "Indeed it would be unpardonable if the least opportunity [were] [illegible]ed for co-operation in the struggle against aggression and against [the] policy of blackmail and diktat..." Finally, he added: "On behalf of th[e] Soviet Union's Supreme Soviet, I can assure with full responsibility that an[y] initiative by the Parliament of India serving that goal [of co-operation in] the struggle against aggression, blackmail, diktat, etc] will find our most active support." While he did not dwell on the subject at quite the same length in his other public speeches, the vehemence of Kosygin's attacks on China was much the same.

The Soviet Prime Minister's homage to the "great principles [of] independence, sovereignty and equality" is, of course, less than fully credible given the Soviet Union's domination over and tight control of the countri[es] of the Soviet bloc in Eastern Europe and given the Soviet Union's record o[f] armed intervention in countries like Hungary and Czechoslovakia to remove from power governments which had dared to stray from the strait and narrow path as laid down by the Soviet Union. The hypocrisy of Kosygin's call to the Indian Parliament for "co-operation in the struggle against aggression and against the policy of blackmail and diktat" is exposed also by the fact that just three months ago the Soviet Union had aided and abetted Viet Nam's invasion of Kampuchea with the express purpose of overthrowing a government which was thought to be unfriendly to Viet Nam and the Soviet Union. The puppet character of the regime installed in Phnom Penh by the Vietnamese is so universally acknowledged that no government, except those of a handful of Soviet bloc countries, has recognised it till now. Then there is also the question of diplomatic norms and proprieties. The use of an official visit to launch unbridled attacks on a third country can only be taken to reflect complete indifference to the sensitivities of the host country and its government and people. Another recent action of this type was the extraordinary step taken by the ambassadors of the Soviet bloc countries in India of calling a press conference in New Delhi to condemn the Chinese attack across the China-Viet Nam border. These are apparently liberties which the one or the other Superpower feels it can take with countries which it thinks are sufficiently beholden to it not to be able to call it to order.

None of these, however, is the most significant aspect of the Soviet Prime Minister's public pronouncements in New Delhi. What makes them most worthy of careful attention is that they constitute a plain attempt to interfere with India's relations with China. It is the stated policy of the [illegible] [illegible] and improve relations with China. In a [illegible] [illegible] the Indian External Affairs Minister recently visited [illegible] [illegible]

suggestion that India should co-operate in the struggle against China's alleged 'aggression, blackmail and diktat' are clear enough notice that the Soviet Union will not look kindly upon any improvement in India's relations with China. In fact, the Soviet Union has for long made known its opposition to any steps by India to improve India-China relations and the China-Viet Nam border war has only come as a convenient excuse for pressing this opposition more openly and firmly. Thus as far back as in March 1978, the mere visit of a Chinese goodwill delegation to India had provoked the Soviet ambassador to Nepal to declare in a press statement in Kathmandu that "whatever may be the intention of Peking in improving relations with India and other neighbours, the logic of national interest of these countries will prevent the Chinese from achieving their main foreign policy objective of drawing them into the anti-Soviet orbit". The Soviet ambassador had further added, "everyone knows that the friendship of these countries [India and other neighbours of China] with the Soviet Union accords with their national interests. Therefore, he who goes against national interests cannot remain in power for a long time". It has always been the self-appropriated privilege of the powerful nations of the world — once the colonial countries, now the two Superpowers most of all — to decide on behalf of other countries what is in their national interest. The United States has exercised this privilege in relation to countries in far-flung corners of the world; so now does the Soviet Union as the other Superpower. It was not very long ago that the Soviet Union had pronounced that the Indira Gandhi regime and the Emergency were just what the Indian people needed.

In India, the Soviet Union has acquired very powerful levers of control in the shape of, among other things, the Indo-Soviet Treaty of 1971, India's overwhelming dependence on the Soviet Union for arms imports and the Soviet Union's large-scale involvement in India's foreign trade and in many sectors of the Indian economy. (The Soviet Union has been for almost the last decade and a half India's main arms supplier and it has alternated with the United States from one year to another as India's principal trading partner.) It will be sheer make-belief on India's part to think that these levers will not be used with increasing ruthlessness, as is now being done to check the process of normalisation of this country's relations with China. The Soviet Prime Minister's current visit has served to bring this fact more into the open.

Politics

Escaping from Reality

LAST WEEK's two-day conference of Governors deserves to be noted for two reasons: the President's address to the Governors where he has once again expatiated on some pet themes; and the perception of the problems facing the country exhibited by the participants.

The President's observations on the increasing contradictions between socio-economic development and social justice that are besetting Indian society are, as usual, apparently unexceptionable; the concern for "the large masses of very poor people living in squalid urban slums, small and marginal farmers, artisans and landless agricultural labourers in rural areas who are under-employed and whose incomes are too meagre to provide two square meals a day...." is indeed touching. The sting, however, is in the 'contrast' which the President invites his audience to see between this portrait of the rural and urban poor and "the affluent and the employees in the organised industry and in corporations whose incomes and perquisites are well above the general economic level of the population". Note that there is no attempt to make any distinction between the "affluent" and the "employees in organised industry"; or between the "incomes and perquisites" received by these various sections of organised labour and the "affluent" who actually employ that labour power. The attitude is exactly the same as was revealed in the President's address to the nation on the occasion of the Republic Day (*EPW*, January 27).

With the keynote of the Conference being set in such terms by the President, it is scarcely surprising that the Governors too showed an absolutely innocent understanding of the pressing problems facing the country. Thus, in the fourteen months since the Governors met last, the general economic and political situation in the country has further worsened; vast areas of the country are without any kind of government worth speaking of; the political system has disgraced itself beyond belief; many artificially divisive issues are deliberately being encouraged and fostered by leaders of the ruling party with a view to keeping themselves in power while a fraudulent 'consensus' is sought to be imposed on the whole nation; the attacks on the toiling people in the fields and factories have shown no signs of abatement; and a member of the national police commission has lifted but a small corner of the vast veil that covers the horrors and injustice that mark the functioning of the country's legal and criminal administration.

But there is little indication that the Governors were actually aware of the reality around them. Instead, and astonishingly enough, "student indiscipline and growing Naxalite activities were the two main problems highlighted by governors on the concluding day of their two-day conference". The conclusion is inescapable; since most students and many of the 'naxalites' are young, what the Governors have called for is a war on the young people of the country.

Credit Policy

Gone Awry Once Again

THE Reserve Bank has called a meeting of bankers on March 15 at the end of which it is likely to announce certain riders to its credit policy. It does not appear, however, that the Reserve Bank will be either inclined or able to make more than perfunctory changes.

The Reserve Bank had raised the statutory liquid ratio (SLR) of banks from 33 to 34 per cent, and stipulated that during the period December 1, 1978 to end-March 1979 the ratio of banks' incremental non-food gross credit (that is, bank credit excluding food procurement credit but including bills rediscounted with the Reserve Bank) to their deposits should be held "well within" 40 per cent. These directions were announced by the Reserve Bank on November 28, 1978 following a sharp spurt in bank credit by Rs 798 crores during the eight weeks ended November 17, 1978 (against an expansion of Rs 306 crores in the corresponding period of the previous year) which gave an incremental credit-deposit ratio of nearly 100 per cent. In calling for a slowing down of the pace of credit expansion, the Reserve Bank underlined the importance of extending credit "only for legitimate purposes", implying that the 100 per cent incremental credit-deposit ratio had stemmed from credit expansion for purposes which were not strictly legitimate.

It is difficult to say how meaningfully the SLR stipulation has been fulfilled, since it is open to banks to borrow from the Reserve Bank and use the borrowings to cover their SLR

obligations. That this has in fact been happening is no secret in banking circles, and is also suggested by the rise in the banks' non-food refinance from the Reserve Bank by Rs 248 crores to Rs 447 crores between the end of December and the end of February. In any case, there was a further sharp rise in non-food gross bank credit, by Rs 1,278 crores to Rs 16,784 crores between December and February 24, 1978. Since during that period deposits had increased by Rs 1,284 crores to Rs 26,200 crores, the incremental credit-deposit ratio was once again almost 100 per cent. The Reserve Bank's directive to banks to restrict their non-food gross credit to deposits ratio to "well within" 40 per cent thus seems in retrospect to have been a laughable proposition. Either the banks treat the Reserve Bank's directives with total indifference or the country's central monetary authority has so little grasp of the actual monetary and credit situation that it issues directives which are completely unrealistic and cannot possibly be implemented.

Where has all the credit gone? A conspiracy of silence among bankers and the Reserve Bank greets the question which is ducked by vague references to things having gone awry during the bankmen's strike last year-end. Non-food gross bank credit expansion since March 1978 has been more than double what it was in the corresponding period of the last year. This order of credit expansion cannot be explained away simply by the bankmen's strike, especially since the galloping trend was in evidence long before the bankmen's agitation and has continued merrily thereafter. Not much of the credit expansion has gone into such sectors as coal, steel and electrical goods or even fertilisers, cotton and sugar. Cotton textiles and other textiles excluding jute seem to have tapped sizeable credit along with dyes, chemicals, metals, rubber and leather. These, interestingly enough, are also the areas which have witnessed substantial price increases. Thus the wholesale price index (base: 1970 71=100) for basic metals, alloys and metal product showed a rise of 10 per cent during the 12 months to February 10, 1979. The rise in textiles was 3 per cent, chemicals 3.5 per cent, leather and leather products 26 per cent and rubber and rubber products 21 per cent. Credit has thus gone into the very sectors which have experienced a price buoyancy, though bankers led by the Reserve Bank are trying hard to conceal this situation.

Industry and trade, it is clear, are operating on the expectation that inflation is round the corner and that big killings would be theirs in the not-too-long run. They cannot be very wrong either, considering that money supply expansion during the current year is most likely to touch 20 per cent. And by openly taking the position that the burden of correcting money supply expansion, bloated by budgetary deficits, ought not to fall too heavily on bank credit to the commercial sector, the Reserve Bank has tacitly assured industry and trade that any undue tightening of the credit screw will not be allowed to spoil things for them.

Tea

Multiple Bonanzas

WITH the announcement of the complete abolition of export duty on tea on February 14, the demands of the tea industry have been fully met by government. The duty, imposed at the rate of Rs 5 per kg on exports of bulk tea on April 9, 1977 by the new Janata government, was intended to mop up some part of the huge profits industry had been making on exports: the measure was also intended to put a rein on uninhibited export of a mass consumption product which had steeply pushed up domestic prices.

But the tea industry never reconciled itself to this. Throughout 1977, there were many inspired reports of how the long established traditional foreign markets for Indian tea were being lost because Indian tea had become uncompetitive in the international market, being supplanted by countries like Sri Lanka, Kenya and even Bangladesh, in most of which countries, industry argued, export of tea actually received subsidies. Though in 1977-78, despite the export duty, the total amount of tea exported actually slightly exceeded the target of 225 million kg, in 1978-79, the situation till the third quarter of the year was distinctly depressing; but with the reduction of the export duty from Rs 5 a kg to Rs 2 a kg in September 1978 and with its total abolition last month, it is possible that the stipulated target of export of 200 million kg for the year might still be reached. Industry forecasts presently put exports at around 180 million kg; and even at this level, the total realisation might not be significantly lower than what it was in 1977-78.

Even more than the panicky reversal of the modest measures to regulate tea exports, government has also simultaneously announced, or is reported to be contemplating, a whole series of further measures which together actively seek to encourage tea industry and provide it 'incentives' to grow and export more tea. Various fancy projections are made about the total amount of tea the country would need to produce by the year 2000 and the necessary expansion programme to meet those projected demands. The most urgent need, apparently, is to dramatically expand the area under tea cultivation; the problem of replantation and replacement of bushes in existing gardens, a task long overdue and one in which industry has consistently shown little interest, is also taken care of, though it is given less importance. In both these undertakings, financial assistance on very generous terms is already available to any entrepreneur; what the government proposes to do is to make these terms even more attractive. Thus, presently, for financing plantation and development schemes in 'traditional' areas, loans of Rs 20,000 per hectare of plantation in the plains areas and Rs 25,000 per hectare of plantation in the hill areas, with interest at 9.5 per cent, and with a provision of rebate of 0.5 per cent on prompt repayment are granted — the repayment itself to commence in the seventh year after the grant of loan and to be completed in the fifteenth year. Considering that an estimate of the cost (per hectare) of planting and maintaining of a tea plantation (made by the ARDC) works out to be Rs 18,500 for the first year, with additional expenses of Rs 3,650, Rs 3,850, Rs 4,350 and Rs 4,550 in the subsequent four years, one should have imagined that the present provisions are quite generous. But there is apparently to be a soft loan plan for tea estates in 'new areas' (these for the most part are still located in the northeast, in the peripheral regions of Assam, and in many cases could even be contiguous to an existing tea estate) according to which 50 per cent of the total cost of development would be available as a loan, at 7.5 per cent interest; 30 per cent of the total cost would be an outright subsidy; and the remaining 20 per cent would need to be actually put up by the entrepreneur. Moreover, unlike in the existing scheme, there is to be no ceiling on costs; and for the first five years, no interest on the loans is to be charged either. Even the existing subsidy on replantation — a measure quite uncalled for and resorted to only because government has not been able or does not want to persuade the plantation owners themselves to dip into their

huge profits and plough back a small part of it into replantation — which (fixed more than a decade ago, moans the industry) works out at Rs 4,000 per hectare (Rs 5,000 for plantations in hill areas) is apparently proposed to be simply doubled.

But these are not all. The panic has been of such a kind that a whole lot of industries ancillary to the export of tea are also not being forgotten. There is to be a 'review' of cash assistance scheme already existing for the promotion of export of packet tea, instant tea and teabags; the levy on tea sale auctions is alleged to be having a 'crippling effect on the tea industry' and this too might be 'revised'; there is talk of raising the cash compensatory aid for export of tea caddies; in order to encourage export of packed tea, the import of tea bag machines is to be subsidised by a loan of 80 per cent of their actual cost; and one does not know what further areas of the trade might yet be open for further bonanzas. On the top of it all, because of the increased hold-over of stocks consequent upon the anticipated fall in exports, the carryover from last year's stocks and the expected bumper crop this year (1978-79), the industry has also put forward a plea for 'special accommodation' by banks in financing unsold teas and more time for liquidating this portion of the finance.

Integrated Commodity Fund

Redressing the Imbalance

THE non-oil poor countries today together hold over $ 60 billion in foreign exchange reserves, the bulk (over 80 per cent) in dollar reserves. The oil exporting countries hold another $ 70 billion as foreign exchange reserves, in addition to the vast amounts they have invested in the industrialised countries, particularly since the oil prices were quadrupled towards the end of 1973. The retrograde resource transfer involved in the poor countries holding short-term liabilities of the rich countries is the outcome of the world monetary system hatched by the rich countries. But there is no reason why the developing countries, much less the non-oil developing countries, should acquiesce in these arrangements to the extent of allowing resource transfer from themselves to the rich reserve-creating countries.

Delivering the Fourth A G Dutt Memorial Lecture at the Centre for Studies in Social Sciences, Calcutta, on February 11 and 12, I S Gulati referred in this context to the attempts by the non-oil poor countries, through various international forums, to (a) establish a common fund for the financing of stockpiles of various important commodities of export interest to them and (b) improve upon the existing compensatory financing arrangements so that they provide them a much more adequate cover against shortfalls in export earnings. While the negotiations on the Common Fund appear to have reached a point where only a very weak fund may be acceptable to the rich countries, the discussions on compensatory financing seem to be intended primarily to divert attention from the Common Fund.

However reprehensible one may consider the present world monetary system which generates such regressive transfer of resources from the poor to the rich countries, Gulati felt that the poor now have a rare opportunity in the form of the sizeable reserves held by them, which opportunity they must get together to seize. As he put it, here is "an excellent opportunity to use these reserves to give adequate backing or support to the commodities they trade in". He suggested that the non-oil poor countries should meet urgently and agree on establishing an Integrated Commodities Fund with a subscribed capital of $ 3 billion and power to raise, with government guarantees, another $ 10 billion from the international capital market. This fund would finance both the stockpiling arrangements as well as shortfalls in export earnings of these countries.

Gulati clarified that the suggestions he was making derived not from the belief that international monetary reserves needed a commodity base but from the belief that the commodities produced and exported by the non-oil poor countries need the reserve backing. These countries depend on a few primary commodities for the bulk of their export earnings. One to three commodities account for more than 50 per cent of the total export earnings of about three-fourths of these countries. Moreover, these earnings are subject to violent fluctuations, thanks largely to fluctuations in prices in a market in which they are at the mercy of strong monopsonistic pressure groups.

That there is an urgent need for an international arrangement whereby the prices of the primary products of these countries can be stabilised in a manner that they can be assured of steady income in real terms is generally accepted. But must the poor countries wait till the rich countries see reason and agree to the establishment of satisfactory arrangements? Clearly, no. The poor countries possess right now the wherewithal to establish satisfactory arrangements on their own. In this matter, Gulati felt, India could play a leading role by offering to subscribe to the proposed Integrated Commodities Fund, taking into account the fact that it now holds foreign reserves which, in relation to its imports, are far in excess of the all-world average.

The proposal for a Commodities Fund is well-timed in that in a few months the international comunity will be meeting at Manila for UNCTAD V and taking stock of the situation with respect to the measures proposed at Nairobi in 1976. The developed world feels reasonably certain that it has effectively killed the Common Fund. Whatever UNCTAD succeeds in resurrecting at Manila might, if at all, be a pale shadow of the grand design. Likewise, at the IMF, the efforts at instituting special compensatory financing arrangements for the poor primary producers have made little headway. In the circumstances, should not the poor seriously question the need for the Manila meeting? Why not instead meet among themselves at once and take effective measures within their reach?

LETTERS TO EDITOR

Permanent Settlement in Champaran

THIS has reference to the review of my book "Agrarian Problems of Permanent Settlement: A Case Study of Champaran" by N Benjamin (January 6). The review is replete with inaccuracies and distortions and shows lack of familiarity with the permanent settlement and in particular with my district.

The reviewer says: "Originally the government land revenue demand was fixed at a very high rate. On p 8 Mishra says that it 'was generally fixed at ten-elevenths of the existing rental .' But on p 15 he contradicts himself and writes, 'In the beginning the margin of profit allowed to zamindars. .was generally one-tenth of the government.. '. I do not contradict myself; only the reviewer shows his ignorance of elementary arithematic. Let us say the existing rental was Rs 99. Then the government revenue would have been: Rs 99 × 10/11 = Rs 90. The zamindar's profit would have been: 1/10th of the government revenue, i e, Rs 90 × 1/10 = Rs 9. The government revenue (Rs 90) + the zamindar's profit (Rs 9) = the existing rental (Rs 99).

The reviewer's second charge is that I have not given the date to which the budget of the indigo factory relates. Watt in his "Pamphlet on Indigo" published in 1890 has not given the year but in turn has quoted from some journal. The fault does not lie with me.

The third charge is that I have not said that the money-lenders of Champaran were also grain-traders and were trying to grab the agricultural produce of the peasants when they became indebted. It is unfair on the part of a reviewer to force an author to accept his ideas even if they are not supported by facts. In this particular case, may I point out that Champaran was not the Decan? Very few money-lenders were traders in agricultural produce. I shall be grateful if Benjamin cites facts relating to Champaran.

The fourth charge is as follows: "As regards the rent-free landholders, Mishra writes, 'their share in the total occupied area of the district went down from 2.10 per cent to 1.30 per cent' (p 200). He does not specify the years to which these figures relate. Nor does he account for this change". May I draw Benjamin's attention to page 198 where it is explicitly stated that the comparative data relate to two settlements. If the reviewer had looked at Table No 6.12 on page 199 and at page 198, he would not have rushed to criticise. He should have cared to read the next line on page 200: "The very considerable reduction in the rent-free area was due partly to the decline of temporary maintenance grants of land, partly to the reversion to the landlord of numerous birts or grants and in a very few cases to rent-free entries of the earlier settlement being successfully contested."

Lastly, before criticising me for not giving more details of the records lumped as Bettiah Raj Records and Motihari Collectorate Papers, I would have liked the reviewer to have had a look at the note on the bibliography in Appendix 2. He also seems to be oblivious of the state of zamindari and other revenue records in the erstwhile permanently settled areas.

Cornwallis's hope that the permanent settlement would extend the market for British goods is not of doubtful authenticity. Had it been the purpose of the book to dwell on the reasons for and circumstances of the introduction of the permanent settlement, the reviewer should have got more details from me. My aim is to study the working of the permanent settlement. May I point out that this is the first complete study of this kind and relates to the district which I have intimately, and thoroughly known for more than 35 years?

The price of the book is not Rs 55 but Rs 45.

GIRISH MISHRA

New Delhi
January 16

N Benjamin replies:

Girish Mishra's comments on my review of his book gave me an occasion to go through the book again and this has confirmed the views which I had expressed earlier. I would like to take up his points one by one.

First, the question of land rental. Suppose it was Rs 11,000 and the government demand was fixed at 10/11. In this case, the zamindar's profit would be Rs 1,000. Let us take another case and suppose that the zamindar's profit was 1/10 of it. In this case, it would come to Rs 1,100.

Second, Mishra says that he depended on Watt's pamphlet for the budget on an indigo factory and that if he has not given the year to which the budget pertains to, it is because Watt has not given it. As Mishra says, Watt's pamphlet was published in 1890. Hence, it is likely that the budget is with reference to the 1870s or the 1880s. Mishra has not only not attempted to make an exercise on these lines, but has given an excuse which, to say the least, is unconvincing.

Third, my suggestion that the money-lenders were also grain-traders has been conceded by him, albeit haltingly, when he admits that "very few money-lenders were traders in agricultural produce". This problem certainly requires further exploration, as I suggested.

Fourth, as regards the period of decline in the share of rent-free landholders in the total occupied area, Mishra's explanation makes it clear that his account of this problem is clumsy and hence bound to mislead the reader. Similarly, he has sought to account for the phenomenon in just one passing sentence and, therefore, has not done justice to it.

Mishra's reference to the source material in the footnotes is again apologetic. Mishra adds: "Cornwallis's hope that the permanent settlement would extend the market for British goods is not of doubtful authenticity." If that is so, why has he not been able to cite even one source for it, although the correctness of his statement has been doubted by me and some other reviewers?

As for the price of the book, it was the printer's mistake to have put it at Rs 55.

Bombay
February 12

The Budget and the Crisis

Romesh Thapar

WITH deep resentments building in the urban areas against Charan Singh's tax-collecting effort, it looks very much as if we are moving Indian-style into a new phase of budgeting The current confusion is due largely to the fact that the men who do the fiscal exercises are rooted in the past and are not able to adjust to the new political pressures from the rural areas. Unfortunately, this political dimension of budgeting gets cursory attention in an essentially urban-based press. What we need is a more carefully worked out total picture of budgeting and growth in our conditions.

Even as various groups fight for and against this or that tax, there is unanimity about a commission to investigate government structures and expenditures. Indeed, such a commission should have begun work soon after the arrival of the Janata government. However, in view of the solid neglect of the recommendations of various commissions (including the Jha Committee!), one wonders whether this expensive and time-consuming work should not yield mandatory decisions. If every commission's report is to become the subject of loose debate and controversy, even within the Union Cabinet, there is little chance of a weak government proceeding with any structural change.

Nevertheless, the demoralisation is so widespread that we tend to clutch at any straw. The promised commission becomes a kind of ritualistic exercise to contain angers about the wastage of resources. Any minor probing of government activity or the functioning of autonomous bodies reveals vast and cynical expenditures which could easily be cut. It is now becoming imperative that we force proper accountabilities on our rulers (politicians and bureaucrat-managers, academicians too!) — and not the silly checks that make up scrutiny today.

In the context of the latest budgeting, and the repercussions which will flow from it, there is little doubt that prices and wage structures are going to receive a tremendous shaking. The *status quo* we have been accustomed to cannot hold. Perhaps, we need another commission to highlight some of the truths we refuse to face — that a great deal of new initiatives will have to be taken to tackle the growing problems, *vis-a-vis* wages, of housing, transport, education and health which have been too long neglected. The tax designers will have to widen their vision if they do not want their budgeting to cross points of no-return and spark extensive and determined evasion.

There was a time when a number of *observers played with the idea of detentism* easing the expenditure on the military build-up. Well, with the Chinese thoroughly unpredictable, there seems no chance of any such easing. Actually, the sentiment in the Defence Ministry is very markedly in favour of sparing no effort to keep our armed forces ready for any eventuality, particularly in view of the growth of the *Pakistani military establishment and the renewed support it is receiving from the USA following developments in* Afghanistan and Iran Even if the Chinese are badly mauled in Viet Nam — and this may well happen — these arguments will prevail in Delhi. The 1962 debacle in NEFA casts long shadows.

We will also hear during the next few weeks about the need to tax the "kulak farmer". Without attempting to describe this category, and preferring the mundane description of "rural rich", there is no denying that this segment is preparing to benefit from its suction in government. It would be strange to expect a system which is sensitive to the strivings of the well-to-do in the towns, to espouse the poorest of the poor in the villages. Talk and action seldom fuse in India But, here again, let us not assume that Charan Singh is seen as failing the kisans. Quite the contrary.

The easy effort to squeeze the narrow urban tax base of India to the maximum will create all manner of new and orchestrated pressures designed to restructure the priorities of development. If at the moment there is a simplistic view of what is "luxury", it is because alternative systems have not been worked out. So far, we are content with the old continuities in budgeting and therefore accept the play of lobbies which ask for special or exclusive treatment. The new budget is full of such decoration, and more is on the way before finalisation. Politically, it is going to get more and more difficult to fob off the real and sustained criticism without formulating alternative systems whether they be around housing or transport or education or health.

The drift into an artificial rural-urban confrontation is not imaginary. Editorial comments on the latest budgeting exercise cretainly convey a surprising exasperation against the "pampered" farmers, whatever that might mean. A necessary corrective would be to listen to what the village has to say about *the townsfolk who sit squarely* on the resources of the nation, something which is never recorded. In the weeks ahead, we are going to be at the receiving end of an urban assault on the capers of the peasant politicians. Who in the Janata party will bring matters into better focus?

The defeat of the Jan Sangh/RSS in Uttar Pradesh, following a *rapprochement* between the BLD of Charan Singh and the CFD of Jagjivan Ram, is in many respects a significant development. It has brought a new power alignment into being, and has served to warn the militant RSS cadres to curb their manipulation of the Janata party A low posture by the RSS, and an increasing "collaboration" between the BLD and the CFD, once again gives strength to those trends which are working for a better balance between urban and rural growth. This is apart from the political dividends which accrue from any effort to curb or discipline parochial, communal elements Indeed, if anti RSS sentiment continues to sweep the Janata party, Congressmen of all hues (and Indira Gandhi included!) will find their following in predominant Muslim pockets falling rapidly.

In this connection, it is worth recording that the rowdies who came to shatter the courtroom where Sanjay Gandhi and V C Shukla were tried and condemned as criminals have only helped to highlight the kind of forces which the former Prime Minister represents The lesson may have escaped Sardar Swaran Singh, but a number of his prominent colleagues are wondering who they are "uniting" with.

And, incidentally, what were the police doing during the "popular" demonstration. Even the GOI is silent on this matter.

March 3

When corresponding with the Circulation Department, subscribers are requested to mention their subscription numbers.

Industrial Relations Hurdle

Hansavivek

SIEMENS INDIA's operations during 1977-78 suffered a serious setback on account of disturbed labour situation arising out of inter-union rivalry at its works in Bombay. According to chairman, Dharamsey M Khatau, the Kalwe factory was closed for a fortnight in February 1978 because of serious violence inside the factory due to rivalry between the recognised union and the rival union when the latter staked its claim for recognition. The factory reopened on February 20 but about 1,000 workers, that is, 45 per cent of the work-force at Kalwe, did not report for work and resorted to an "illegal" strike (The Worli factory also was affected by the strike from July 1 to September 30, but here again a large number of workers continued to report for work. The management dismissed over 900 workers and suspended 65 on various charges of assault and murder. The strike was ultimately settled with the intervention of the chief minister and labour minister of Maharashtra. The management has withdrawn the dismissal letters and workmen have come to work from November 11. The issue of recognition is to be decided in accordance with law. The factories are now working normally, although tension still prevails.

During 1977-78, the company's sales dropped from previous year's level of Rs 76.13 crores to Rs 71.24 crores and gross profit from Rs 10.11 crores to Rs 7.21 crores, reflecting depletion of margins. The gap in profit has narrowed at the 'net' level because of reduced tax liability. The unchanged dividend of 16 per cent is thus still covered 1.86 times. As at the year-end, pending orders stood at Rs 60 crores, as against Rs 46.6 crores a year ago. The chairman envisages good prospects for the current year. He expects better capacity utilisation not only in the company's works but also in those of its licencees. He estimates this year's sales at around Rs 90 crores. The planned investment programme of Rs 4 crores had to be restricted to Rs 2.6 crores last year due to lower cash flow. The company's future programme includes setting up a factory at Nasik in Maharashtra for manufacture of products for the energy division.

KIRLOSKAR CUMMINS proposes to diversify into manufacture of commercial vehicles including buses and their accessories. It is seeking government permission to acquire a new technology for manufacture of integral buses from NEOPLAN of West Germany. It is intended to manufacture initially a limited number of these buses in order to understand the technical and commercial implications thereof and thereafter to sub-license the technology to manufacture the same to other persons or companies. This will stimulate a greater demand for the company's products. The company's main product at present is the Cummins engine for which it has a licensed capacity of 6,400 numbers per annum and installed capacity of 3,250 numbers. During 1977-78, production of engines was 2,404 units as against 2,389 units of the previous year. Production during the first half of the year suffered severely

The Week's Companies (Rs-Lakhs)

	Siemens		Kirloskar Cummins		Crescent Dyes		Fit Tight Nuts	
	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-9-78	Last Year 30-9-77
Paid up Capital	720	720	490	490	240	160	140	108
Reserves	954	869	714	550	134	210	111	137
Borrowings	462	445	670	534	202	247	303	303
of which Term borrowings	200	200	121	98	35	35	32	24
Gross fixed assets	1942	1745	1369	1182	164	155	581	556
Net fixed assets	950	835	770	683	115	121	287	257
Investments	1	1	60	19	40	40	2	—
Current liabilities	2353	2761	581	533	480	403	263	242
Current assets	3528	3949	1626	1406	901	860	535	507
Stocks	2161	2061	674	621	397	416	232	220
Book debts	1350	1833	951	769	456	396	296	284
Net sales	7124	7613	2887	2672	3125	3086	745	624
Other income	248	283	58	64	52	53	4	4
New material costs	4959	5255	1522	1385	2621	2588	191	138
Wages	939	901	318	263	256	248	160	141
Interest	72	62	96	103	43	31	55	52
Gross profit(+)/loss(—)	721	1011	462	407	117	120	91	84
Depreciation provision	142	145	111	96	12	11	21	21
Tax provision	332	573	202	158	63	71	37	30
Net profit(+)/loss(—)	247	293	149	153	42	38	33	33
Development rebate provision	33	40	36	22	—	—	5	4
Transfer to reserves	99	138	42	81	8	16	6	10
Dividend								
Amount	P — E115	— 115	P 8 E 63	8 42	P — E 34	— 22	P 1 E 21	1 18
Rate (per cent)	P — E 16	— 16	P 11 E 15	11 10	P — E15.70	— 14	P 11 E 16	11 19
Cover (times)	1.86	2.20	1.15	2.81	1.23	1.72	1.29	1.55
Ratios (per cent)								
Gross profit/sales	10.12	13.28	16.00	15.23	3.74	3.88	12.21	13.46
Net profit/capital employed	14.75	18.44	12.37	14.71	11.23	10.30	12.84	13.47
Inventories/sales	30.33	27.07	23.34	23.24	12.70	13.48	31.14	[illegible]
Wages/sales	13.18	11.83	11.04	[illegible]	8.19	8.03	[illegible]	[illegible]

due to long strikes in factories of suppliers of castings and electrical components. The company has now started working on the planning process and indigenous development of parts of 'K' engine models, especially for 6 cylinder engine of 600 HP and 12 cylinder V form engine of 1,200 HP. These engines will be useful for dumpers and generating sets. The company has also been permitted to enter into collaboration with Holset Engineering of UK for Manufacture of turbochargers. Despite loss of production, the company's performance last year has been satisfactory with higher sales and profits and slightly improved margins. Dividend stepped up from 10 to 15 per cent is covered 1.15 times by earnings. The management views the current year's outloook with optimism, as the generating set market looks to be more promising. Sales during the first quarter have compared favourably with those of the same period last year.

CRESCENT DYES AND CHEMICALS, a company belonging to the ICI group which recently reduced the non-resident shareholding in its equity from 100 per cent to 40 per cent, has achieved satisfactory results for the year ended September 1978 with sales slightly higher and gross profit a little lower than last year's respective figures. Lower profits are attributed to lower sales of polythene extrusion products and reduced margins in the dyes and textile auxiliaries business. In addition, difficult conditions in the textile mill sector increased the working capital requirements and entailed higher interest charges. Imports from overseas principals were at a satisfactory level because of liberalised licensing. Production at Sewri in Bombay was satisfactory, despite constraints on availability of some important raw materials. Production of polthene extrusion products was affected due to labour problems at Rishra in West Bengal in the early part of the year, but was later stepped up to meet demand. Commenting on the current year's prospects, the directors say that there are signs of revival of the textile industry due to improved cotton crop and multi-fibre policy of the government. The handloom sector, which has received considerable encouragement from government, has [illegible] well and sales to this sector have shown a steady increase. [illegible] of polythene extruded products have been [illegible], but steps have been taken to [illegible] the product-mix in favour of specialised and sophisticated applications with better margins. For future growth a major effort has been launched to identify worthwhile new products which will fulfil existing and new needs of the textile industry. Besides, it is also intended to enter a new manufacturing line.

FIT TIGHT NUTS AND BOLTS is paying 16 per cent dividend on the capital enlarged by a two-for-five bonus issue, as against 19 per cent paid on the old capital. The distribution is thus higher than last years but is still covered nearly 1.3 times by earnings. Both sales and gross profit have been higher, although margins have been reduced on account of rise in costs. The management envisages a bright future for the company. The optimism is based on sizeable expansion programmes undertaken by some of the main customers of the company In addition, efforts are being made to further expand the company's own activities and develop new items.

LOSS PREVENTION ASSOCIATION OF INDIA, an organisation promoted by the General Insurance Corporation of India and its subsidiaries, has been set up to create awareness of the causes and magnitudes of losses and the necessity for their prevention. During the last few months, it has done quite a bit of pioneering work in these fields by holding seminars and exhibitions to spread the message of loss prevention. It has now started publishing a journal 'LPA Newsletter' to cover its activities. It intends to build up loss prevention information and a data bank and to provide knowhow and expertise on the removal and neutralisation of losses LPA operates a fire salvage corps in Bombay and has plans to undertake similar activity in the other major cities of India. It holds courses for people involved in the field of loss prevention with a view to building up a large body of personnel trained in the methodology and techniques of prevention of losses.

INDIAN MACHINE TOOL MANUFACTURERS' ASSOCIATION organised the fourth all-India machine tool exhibition (IMTEX-79) in Bombay in February 1979. Several thousand machine tools, accessories, measuring instruments, testing equipment, cutting and forming tools, welding machines, plastic machines, etc, manufactured by more than 250 companies in India were displayed. Many specially imported sophisticated machine tools and accessories were also demonstrated. The exhibition provided a good opportunity for industrialists, technocrats, engineers and importers to learn of advanced technological developments and to make useful business contacts.

UNIT TRUST OF INDIA has registered a substantial increase in sale of units during July to December last. Sales under unit scheme 1964, children's gift plan and reinvestment plan aggregated to Rs 71.17 crores, exceeding total sales of Rs 70.86 crores recorded during whole of the year ended June 1977. Number of applications under which units have been sold during the first half of the year has gone up to 1.13 lakhs, well exceeding 97,661 applications received during the whole of last year Repurchase of units under 1964 scheme showed a declining trend, aggregating only Rs 2.85 crores as against Rs 4.74 crores in the corresponding period last year. About 12,000 new members have joined the unit linked insurance plan for a target amount of Rs 11.59 crores. In terms of target amount, the growth was 220 per cent over the corresponding period last year The promotional measures undertaken by the Trust in the last 2 years such as house-to-house campaign, appointment of chief representatives in selected districts, intensive publicity, etc have created a growing awareness about units as a sound [illegible] of investment.

PHILIPS INDIA's [illegible] of dilution of non-resident [illegible] under FERA has been approved by the Government of India. The scheme envisages sale of 2,681,600 equity shares of Rs 10 each, now held by N V Philips' Gloeilampen fabrieken, of Holland, and a fresh issue by the company of 1,704,000 new equity shares of Rs 10 each, both at a price of Rs 14 per shares to resident Indians. NVPG will offer 1,629,600 shares to existing Indian shareholders as 'Rights' in the ratio of one share for every 4 shares held and 277,400 shares to employees, directors and business associates of the company Out of the fresh issue of 1,704,000 shares, the company will offer 10 lakh shares to the general public through prospectus. The balance 704,000 new shares, as also 724,600 shares now held by NVPG making a total of 1,428,600, will be offered to financial institutions for meeting convertibility obligations relating to long term loans proposed to be obtained from them. Upon implementation of the dilution scheme, the non-resident equity will be reduced from its present level of 60 per cent to just below 40 per cent. It is the intention to change the name of the company to 'Peico Electronics and Electricals'.

Railway Finances

SOURCES AND APPLICATION OF FUNDS

(Rs Crores)

		Rolling Plan 1979-80	Rolling Plan 1978-79	V Plan 1974-78	IV Plan 1969-74	1966-67 to 1968-69	III Plan 1961-66	II Plan 1955-61	I Plan 1951-56
Sources of Funds									
(1)	Net revenue	334	258	860	680	367	621	338	240
(2)	Dividend to General Revenues	245	230	837	789	425	474	243	173
(3)	Surplus(+)/Shortfall (−)	+88	+28	+23	−109	−58	+147	+95	+67
(4)	Contribution to Depreciation Reserve Fund	203	148	516	538	297	387	229	167
(5)	Open Line Works charged to Revenue	12	10	29	35	27	53	53	23
(6)	Contribution to Pension Fund (net)	3	—	−3	31	31	23	—	—
(7)	Contribution to Accident Compensation, Safety and Passenger Amenities Fund	9	8	32	—	—	—	—	—
(8)	Interest on Fund balances	34	33	103	59	20	24	20	27
(9)	Total internal cash generation	350	228	700	555	317	635	397	284
(10)	Contribution received from General Revenues	442	443	1495	1027	438	1141	579	142
	(a) On capital account	381	343	901	794	412	1141	549	142
	(b) As temporary loan for								
	(i) Revenue Reserve Fund	61	95	550	134	—	—	—	—
	(ii) Development Fund	—	5	44	100	25	—	29	—
(11)	Total sources of funds (9+10)	792	671	2195	1582	754	1776	976	426
Application of Funds									
(1)	Open Line Works charged to revenue	12	10	29	35	27	53	53	23
(2)	Capital additions to Railway assets	381	343	901	795	418	1141	549	142
(3)	Replacements charged to Depreciation Reserve Fund	205	154	480	494	254	360	320	207
(4)	Development Fund Works	28	25	76	97	64	131	121	51
(5)	Works charged to Accident Compensation, Safety and Passenger Amenities Fund	10	7	5	—	—	—	—	—
(6)	Total of 1 to 5	636	539	1492	1421	763	1686	1044	422
(7)	Repayment of loans	103	122	433	14	—	29	—	—
(8)	Interest on temporary loans	22	23	89	18	1	1	2	—
(9)	Increase/decrease in Fund Balances	+31	−13	+181	+129	−9	+60	−70	+4
(10)	Total application of funds	792	671	2195	1582	754	1776	976	426

REVENUE RECEIPTS AND EXPENDITURE OF RAILWAYS

(Rs Crores)

	1979-80 (Budget)	1978-79 (Revised)	1978-79 (Budget)	1977-78 (Actual)	1976-77 (Actual)	1975-76 (Actual)	1974-75 (Actual)	1973-74 (Actual)
(1) Traffic earnings								
(a) Coaching								
(i) Passengers								
Upper class	74	67	63	60	56	53	45	43
Second class	682	596	595	562	513	461	367	324
Total passengers	757	663	658	622	569	514	413	367
(ii) Other coaching	96	91	93	90	87	89	69	59
(b) Goods	1554	1359	1431	1348	1326	1150	918	680
(c) Sundry other earnings	60	58	55	59	53	50	39	40
Total	2466	2171	2236	2119	2035	1804	1438	1147
Suspense	−10	−6	−16	+4	+1	−37	−30	−9
Gross traffic receipts	2456	2165	2220	2123	2036	1767	1408	1138
(2) Working expenses								
Ordinary working expenses	1828	1686	1700	1571	1549	1470	1186	935
Appropriation to Depreciation Reserve Fund	200	145	145	140	135	115	115	115
Appropriation to Pension Fund	64	49	49	39	34	24	16	16
Total working expenses	2092	1880	1895	1750	1718	1609	1317	1066
(3) Net traffic receipts	364	285	325	373	318	158	91	72
(4) Net miscellaneous receipts	−30	−27	−27	−21	−21	−21	−17	−16
(5) Net revenue	334	258	298	353	296	137	74	55
(6) Payment to General Revenues	245	230	233	227	209	198	187	171
(7) Surplus (+) or deficit (−)	+88	+28	+65	+126	+87	−61	−114	−116
Capital-at-charge	5521	5140	5157	4797	4534	4355	4106	3893
Operating ratio (per cent)	85.0	86.8	85.4	83.0	84.4	91.1	93.5	93.7
Ratio of net revenue to capital-at-charge (per cent)	6.1	5.0	5.8	7.4	6.5	3.1	1.8	1.4

RAILWAYS' EXPANSION IN THE PLANS

	End of V Plan	End of IV Plan	End of III Plan	End of II Plan	End of I Plan	1949-50
I General						
(a) Capital-at-charge (Rs in crores)	4,797	3,893	2,680	1,521	969	820
(b) Route kilometres	60,693	60,234	58,399	56,247	55,011	53,596
(c) Electrified route kms	4,720	4,191	2,423	748	388	388
(d) Number of stations	7,070	7,079	6,986	6,523	6,152	5,976
(e) Number of staff (in thousands)	1,495	1,452	1,352	1,157	1,025	914
II Rolling Stock						
(a) Number of locomotives						
(i) Steam	8,215	8,847	10,613	10,312	9,026	8,120
(ii) Diesel	2,025	1,610	727	181	67	17
(iii) Electric	901	669	403	131	79	72
(b) Number of passenger vehicles*	26,640	26,108	22,804	20,178	15,984	13,109
(c) Electric multiple unit coaches	2,320	1,892	1,355	846	574	460
(d) Other coaching vehicles	8,260	8,422	8,763	7,415	6,730	6,059
(e) Number of wagons	3,99,971	3,88,366	3,70,019	3,07,907	2,40,756	2,05,596
III Volume of Traffic						
(a) Tonnage originating (in million)						
Revenue	210.8	162.1	162.0	119.8	92.2	7,32
Total	237.3	184.9	203.0	156.2	115.9	93.0
(b) Net tonne kilometres (in million)						
Revenue	1,50,250	1,09,391	98,978	72,333	50,435	37,565
Total	1,62,687	1,12,354	1,16,936	87,576	59,576	44,117
(c) Passenger originating (in million)						
(i) Suburban	1,928	1,437	1,018	680	495	412
(ii) Non-suburban	1,576	1,217	1,064	914	780	872

* Includes rail cars.

NEW DELHI

Political Economy of the Budget

B M

CHARAN SINGH concluded his budget speech by putting forth a plea for a national consensus behind certain laudable objectives as he saw them and claimed that his budget was a "small step" in that direction. But the reaction to his budget — both on the part of his admirers and critics — has been such that far from promoting a national consensus, it has sharpened the cleavage more than has ever happened in the last three decades. The cleavage is particularly sharp on the question of sharing the burdens and sacrifices, to which Charan Singh made a pointed reference in his budget speech. This is not at all surprising. The most striking feature of the budget is its sectional character and the explicit manner in which Charan Singh, coming back to office as part of a political arrangement within the ruling party, has reinforced his commitment to serve certain easily identifiable sectional interests. The budget is seen by many essentially as a political move on Charan Singh's part and a starting point of the next round of in-fighting in the ruling party. This idea has only gained strength by the parallel that is being drawn with the ministerial crisis which his protege in UP precipitated on the morrow of his joining the government at the Centre.

There are, of course, others who want to steer clear of any political interpretation of the budget and take the stand that however he may have done it, Charan Singh has at least shown boldness and courage in the way he has gone about the difficult business of mobilisation of additional resources without which the prospects for the Sixth Plan would have been bleak indeed. They also argue, as the Deputy Chairman of the Planning Commission has done publicly, that any Finance Minister confronted with this formidable task could not have done anything very different. Somebody other than Charan Singh might have refrained from giving some of the tax concessions on farm inputs but for the rest the tax measures embodied in the budget are not novel at all and carry the spirit of continuity and conventionality about them. This line of argument is only reinforced by the "healthy" reaction of the stock markets to the budget. Business circles and their organisations have, of course, criticised the budget levies. But this is nothing unusual. It is even suggested in some quarters that a convention exists and is scrupulously observed that private businessmen and their organisations should refrain from praising any budget or any other official policy pronouncement lest they lose credibility with popular opinion. It seems to be also found very reassuring, in this context, that Charan Singh now has apparently discarded the notion that large scale industry in public or private sector is antithetical to development of agriculture. On the contrary, he has readily imbibed the advice of his advisers in the Planning Commission and the Finance Ministry that heavy industry has to play a critical role in providing inputs for modern agriculture. He has not, in any case, hesitated in making the required allocations for steel, fertilisers and power. This is seen to have positive implications for industrial development and has been widely appreciated by business circles.

The conventional agriculture-versus-industry debate in determining priorities in the development process has, therefore, lost much of its sting with the first budget of Charan Singh. The real interest now lies in giving a more clear and coherent direction to the concept of modern commercial agriculture which official policy has promoted since the mid-sixties but with a measure of hesitation and also with some reservations so far. What Charan Singh has attempted through his budget is to overcome hesitations and reservations in the pursuit of the so-called new agricultural strategy. His speech at the meeting of the board of directors of the Industrial Development Bank of India a few days after the presentation of the budget was very revealing in this light. The selection of fertilisers, light diesel oil for pump sets and power tillers for tax concessions has a clear logic.

The point to be noted here is that whereas the new agricultural strategy may not have given a higher rate of agricultural growth, it has been eminently successful in creating comfortable market surpluses from agriculture. This has created a paradoxical situation in which the consumption of the poorer sections of the population remains low, stock-piles of foodgrains and sizeable surpluses of other agricultural commodities have emerged. The logical step forward from this position has to be that, instead of carrying the surplus stocks at great cost, Indian agriculture and its further growth should be designed to serve the export market.

There has been a marked hesitation till recently to clearly define this position because it at once arouses the criticism that exports of foodgrains and other agricultural commodities would be at the expense of domestic consumption at a time when there is a large unsatisfied need for these commodities within the country. But a strong lobby in favour of promoting export of farm products has become active in recent months. If immediately after the present Janata government came to power, much ado was made of stopping the export of some commodities, like onions and vegetables, in order to bring down their prices for domestic consumers, especially in the urban areas, the position has now been totally changed. The cry that is being raised is that the fall in the price of agricultural commodities for the producer must be arrested and that for this purpose the government should be willing to export these commodities, if necessary with the help of liberal subsidies on the same principle as apply to non-agricultural exports. The demand for "parity" of prices of farmers' produce with the prices of inputs and other commodities that the farmer buys has been now enlarged to bring within its scope parity of domestic prices of agricultural commodities with prices in the international market. This demand was first made explicit in the charter of the Kisan rally last December and Charan Singh is the most outstanding champion of this demand.

The choice of inputs which have been given tax relief in the budget reveals a logical pattern in this light. The large surplus farmers, whose political spokesman Charan Singh is, are clearly itching to go forward — from a narrow domestic market blighted by poverty and low purchasing power to the wider pastures of profitable export markets. This is the only rationale of the budget proposals and the design of development effort with primacy to agriculture that he has in view.

Waning Developmental Impact of Government Expenditure

Central Budget, 1979-80

THE tax proposals for 1979-80 have been designed, according to the budget speech (Part B), keeping in view three objectives: minimisation of disparities in income; increasing production and avoiding waste by preventing a diversion of resources for wasteful and unproductive uses; and eliminating unemployment and under-employment by stimulating agricultural production by encouraging labour-intensive techniques of production and by improving the competitive capacity of small-scale and cottage industries *vis-a-vis* the large scale industries.

As broad statements of directions which government wishes to pursue in the matter of policy none of these is new. Although couched in different words, these objectives have been adopted ever since the planning commenced in this country. Consistent with the philosophy of the present Finance Minister, however, the role of agriculture and labour-intensive techniques used in the cottage sector has been emphasised and spelt out more explicitly in the 1979-80 budget.

What is striking is the broad-based welcome received by the budget — from business and industry, farmers and a section of intellectuals — despite additional taxation of over Rs 900 crores which it seeks to impose, before allowing tax concessions of the order of Rs 250 crores. Wide ranging excise duties have been justified as moves in the direction of curbing ostentatious consumption of the rich and the affluent urban classes. Differentiation in the rates of excise duties in favour of cottage and small-scale industries has been hailed as the budget's contribution to encouraging labour-intensive techniques of production. Sizeable concessions to farmers have been viewed as steps in the direction of setting right the sectoral imbalances of the past, when the farm sector was allegedly neglected.

While the budget does take steps in all these directions, neither is it a trail-blazer nor does it mark a departure from the past in any significant manner. Excepting the withdrawal of excise duty on unmanufactured tobacco and barring some of the dramatics, such as sanctioning relief of over Rs 300 crores through lowering of duty and enhanced subsidy to the users of fertilisers, the tax proposals are true to the usual pattern. What is more, the impact of the additional resources mobilised by the budget on development would be meagre.

SUPPORT TO AGRICULTURE

Let us begin with the Budget's support to agriculture. While the resources allocated for agriculture, irrigation and rural development have varied from one Five-Year Plan to another, it would be a distortion of facts to argue that agriculture has been a neglected sector in terms of allocation of Plan funds. The performance of the agricultural sector, though not shared equally by different crops, has been reasonably satisfactory in terms of overall growth.

But it is well known that to a large extent the improvement in agricultural output is on account of farmers with large holdings. The benefits of improved techniques of production in agriculture and better inputs, which have been supplied at subsidised rates, have accrued largely to rich farmers.

The skewed distribution of benefits in the agricultural sector, however, is not because the new technology is not viable on small farms. Research has shown that biological/chemical technology is scale-neutral. Therefore, purely in terms of the economics of cultivation, small farms would have benefited from the use of this technology as much as large farms. It is other factors, such as their organisational weakness and lack of credit and of access to the most remunerative markets, etc, which have prevented small farms from reaping the full benefits of the new technology.

In these circumstances, the benefit of subsidised fertilisers will largely accrue to rich farmers. The net income-transfer effects of such subsidies, which are partly financed through taxes on essential and semi-essential commodities and deficit financing, would not result, in reducing disparities in income. Even if some research results indicate that the intensity of fertiliser use varies inversely with the size of holding, reducing the cost of fertilisers is not the best policy alternative, for the following reasons.

First, there is no conclusive evidence to suggest that price of fertiliser is the most important variable determining its usage. Its usage has increased more rapidly when supported by extension effort. Equally important, with regard to the rapid rise in fertiliser usage, factors such as availability of complementary inputs such as water and HYV seeds play a more crucial role than its price.

Secondly, since almost 55 per cent of cropped area is accounted for by holdings in the size-class above 5 hectares (which account for only 10 per cent of the number of holdings), a large part of benefit arising from the reduced cost of fertilisers will accrue to large holdings.

Thirdly, lowering the cost of chemical fertilisers might adversely affect the use and future development of organic fertilisers.

Finally, an across-the-board reduction in the cost of fertilisers on the plea that small farmers will also benefit from it cannot be justified on grounds of interpersonal and intersectoral equity. It amounts to discrimination. For instance, there are certain items, kerosene being the classic example, which are consumed largely by the poor. Applying the same argument as is advanced for fertiliser, on considerations of equity, there should have been a drastic reduction in the duty on kerosene. Instead the budget raises the duty on kerosene to mobilise Rs 36 crores!

In addition to lowering the cost of fertilisers by reducing the duty and providing subsidies, the budget reduces the cost of agricultural inputs through some other measures. Duties on light diesel oil and pipes made of PVC resins (provided these are used for irrigation) are reduced. The primary rate of interest paid by agriculturists in respect of advances refinanced by the ARDC is reduced by 1 to 1.5 per cent. In view of the virtual absence of progressive taxation on agricultural income and property and continued subsidisation of inputs reflected in huge losses incurred, for instance, in respect of water supplied for irrigation, the measures proposed in the budget would improve profitability of agriculture.

Presumably, the budget expects the inducement provided by enhanced profitability to promote agricultural output. The beneficial impact of augmented agricultural operations on employment would thus depend upon the "percolation effect". This effect, the magnitude

TABLE 1: SOURCES AND USES OF FUNDS

(Rs crores)

Uses	1978-79 RE over BE	1979-80 over 1978-79 RE	Sources	1978-79 RE over BE	1979-80 over 1978-79 RE
(A) Developmental outlay	1195	—801	(A) Tax revenue	[illegible]	—160 (1323)
(a) Central Plan	—201	489	(a) At existing rates	NA	—620 (660)
(b) Central assistance for state plans	351	—812	(b) Additional taxation	NA	460 (665)
(c) Non-Plan	1045	—478	(B) Non-tax Revenue	38	349
(B) Non-developmental outlay	108	—392	(C) Domestic market borrowing (net)	3	197
(a) Defence	—100	205	(D) External borrowing (net)	—444	216
(b) Other	208	—597	(E) Other capital receipts	410	—1002
(C) A + B	1303	—1193	(F) A to E	228	—403
(D) Reduction in overall deficit	1675	—790			
(E) Transfer to states	1012	307			
(a) Share in taxes	—63	1483			
(b) Grants and loans*	1075	—1176			

* Included in A to D.
Note Figures in brackets indicate amounts before transfer of states' share.
NA = Not available.

TABLE 2: BUDGETARY SUPPORT FOR CENTRAL PLAN

(Rs crores)

	1978-79 BE	1978-79 RE	1979-80 BE
General services	15	15	23
Social and community services	794	726	797
General economic services	88	88	95
Agriculture and allied services	789	763	898
Industry and minerals	1873	1738	1719
Water and power development	234	241	375
Transport and communication	727	748	901
Total provision for Central Plan in budget	4520	4319	4808
Central assistance for State and Union Territory Plans	2761	3112	2300
Total Plan provision in budget	7281	7431	7108

of which is not known, has to be traded off against the adverse effect on income redistribution. To the extent demand for fertilisers by small farmers is determined largely by non-price factors, both the adverse effects on income distribution and loss of revenue would be deemed avoidable losses.

CONSUMPTION RESTRAINT

Curbing "luxury consumption" and preventing "diversion of resources to wasteful and unproductive uses" is another objective of tax measures incorporated in the budget. Despite this, the provision for conveyance and festival advances for Central government employees has been raised in the budget to Rs 52 crores from Rs 36 crores in the revised estimates for 1978-79! Likewise, allocation is made in the Plan for 1979-80 for expansion of HMT's watch factory. As regards taxes, the total increase in revenue from upper class consumer goods and consumer durables such as cosmetics (Rs 10.9 crores), radio sets (Rs 4.80 crores), refrigerators and air-conditioners (Rs 53 lakhs), chinaware (Rs 41 lakhs), linoleum (Rs 20 lakhs) and stereo systems (Rs 6 lakhs) is too small to make any difference to the pattern of consumption.

The budget speech points out that the bulk of the consumption of petrol is by the upper classes. This is not true. A large proportion of the car population belongs to the government, the public sector and the business class. Either wholly or largely (as allowable expenditure), the cost of running cars would be borne by the exchequer!

In a more basic sense, it would be useful to recognise that an economic system which leaves decisions with regard to production primarily to the market mechanism, the structure of production, distribution of income and allocation of resources are all going to be affected by this choice.

It is useful to bear this central fact in mind while assessing taxation proposals. Acceptance of the fact that some "luxury" consumption (eg, polyester khadi, handicrafts, handmade paper) is inevitable would enable more effective ways of organising production in the small-scale sector and taking steps to augment the market share of this sector. Differential tax rates in favour of the small-scale sector, in a way, are analogous to 'infant industry' protection granted to indigenous industry during the initial years of its growth. As the next step, it might become necessary to protect small-scale industries in a more direct way, as was done through quantitative import restrictions in the case of organised industry. However, if the inefficiencies which now exist in the organised industry are to be avoided, the approach would have to be selective.

Excepting matches and soaps, other indirect tax proposals would not seem to have been designed bearing in mind relative efficiency of different techniques of production. Again, if the objective is to curb consumption of items which are considered "luxury", from the point of view of allocation of resources, production of small TV sets, small refrigerators, small radios, is as much a diversion as is production these items of other sizes. In this respect also the budget does not mark a departure from the past. It seems unlikely that the Budget will make a significant impact on "luxury" consumption. Tax proposals in the budget may best be seen as revenue measures.

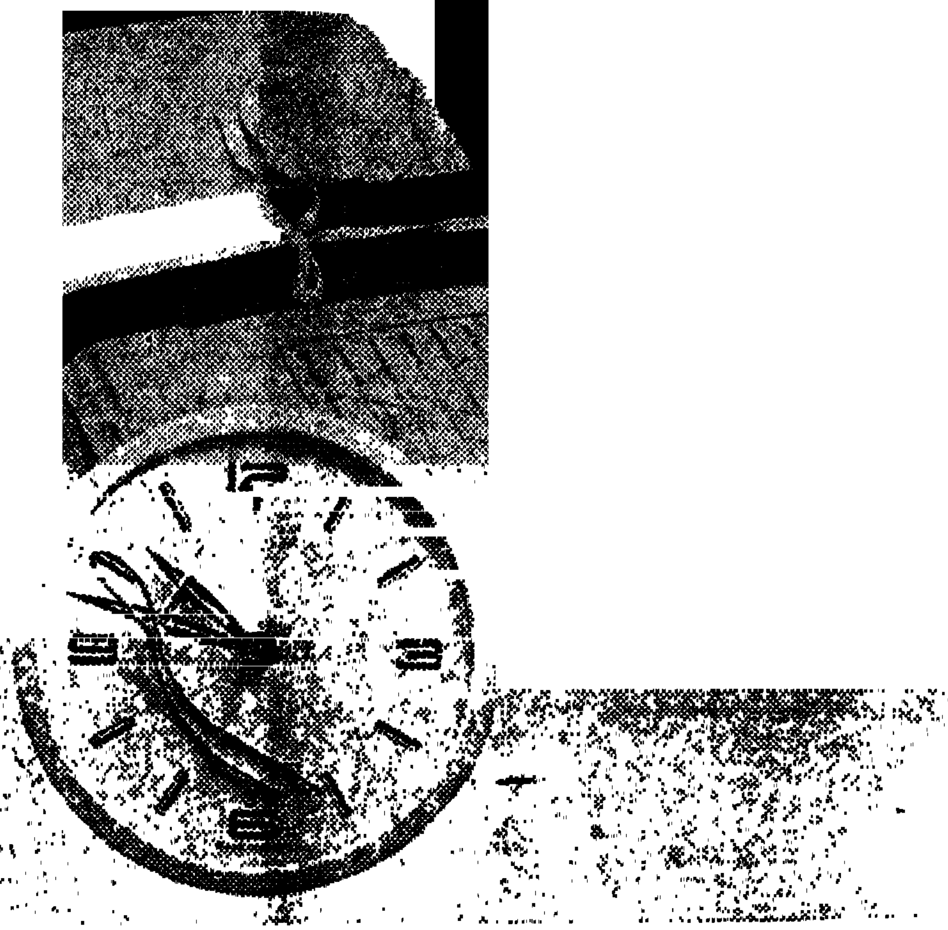


Table 3: Non-Plan Development Expenditure

(Rs crores)

	1978-79		1979-80
	BE	RE	BE
Social and community services	590	498	611
General economic services	377	353	447
Agriculture and allied services	729	879	806
Industry and minerals	[illegible]	[illegible]	1118
Water and power development	119	[illegible]	198
Transport and communications	125	157	146
Grants and loans	3308	3756	3616
Total	6058	6951	6872
Total (excluding grants and loans)	2750	3195	3256
Revenue	2012	2275	2555
Capital	728	920	701

Note: The figures of grants and loans are derived by deducting from the total grants (Annexure III, page 128, Explanatory Memorandum) and loans (Annexure I, page 125, *ibid*) provided for developmental purposes, the amount of Central assistance for state and union territory Plans (Statement VII, page 12, Budget at Glance). Figures, however, do not tally with the incremental non-Plan developmental outlay derived solely from Annexure 1.

Table 4: Subsidies and Assistance for Meeting Cash Losses

(Rs crores)

	1978-79		1979-80
	BE	RE	BE
Subsidies			
Food Subsidy	456	570	560
Export subsidy	251	381	330*
Sugar	10	83	
Fertiliser subsidy	122**	89**	284
SAIL (for import of steel)	—	7	—
Ship-building	3	5	5
Interest subsidy to SAIL, IISCO, NMDC, Binny Ltd, etc	7	2[illegible]	13
	849	110[illegible]	1192
Cash Losses/Takeover			
Machinery and engineering industries	28	52	53
Consumer industries	29	75	45
Coal India	102	173	188
	159	300	286

* Estimated.

** The amount is understated, as a part of the subsidy was clubbed under 'agriculture' for which separate details are not available.

Resource Mobilisation and Developmental Effort

The budget contemplates additional resource mobilisation through taxation of the order of Rs 665 crores. Despite sizeable additional taxation, there will result a sizeable overall budgetary deficit of the order of Rs 1355 crores. As Table 1 shows, developmental expenditure in 1979-80 would be lower than in 1978-79 (revised estimates). Even after allowing for the effects of transactions with state governments, which are considerably affected by recommendations of the Seventh Finance Commission, the developmental impact of the budget would be disproportionate to the quantum of additional taxation and deficit financing.

During 1979-80 gross (i e, before transfer of states' share) tax revenue is expected to increase by Rs 658 crores (or 6.5 per cent) at existing tax rates. Due to a large increase in states' share following the recommendations of the Seventh Finance Commission, the total tax revenue of the Centre would decline by Rs 160 crores from 1978-79 (revised estimates) notwithstanding additional taxation of Rs 665 crores. The aggregate receipts in 1979-80 are expected to be lower than in 1978-79 (RE) by Rs 403 crores. In addition to devolution of taxes, the absence of capital receipts in the form of "special securities issued to international financial institutions and certain deposits which are not repeated in the 1979-80 budget" accounts for the decline.

Aggregate expenditure would be lower in 1979-80 than in 1978-79 (RE) by Rs 1198 crores — Rs 801 crores under developmental heads and Rs 393 crores under non-developmental heads. Plan expenditure in 1979-80 is expected to be lower than in 1978-79 (RE) by Rs 323 crores. Thus even if one allows for transfer of some developmental expenditure from Plan to non-Plan account as committed expenditure, the fact remains that despite an overall deficit of Rs 1375 crores and additional resource mobilisation of Rs 665 crores, the developmental expenditure in 1979-80 would register a decline. Sector-wise details of developmental expenditure on Plan acount financed out of the budget are furnished in Table 2.

Slippages in Plan outlays should be a matter of serious concern to government. In 1978-79, despite an increase in the revised estimates of overall deficit by Rs 1075 crores and an improvement in total receipts by Rs 238 crores, the total Plan provision in the Central budget (including transfer to states) recorded a rise of only Rs 159 crores. The Central Plan proper (including internal resources) fell short of the budget estimates by Rs 272 crores. Shortfalls in outlay occurred in almost all the sectors. The most significant of these were under industry and minerals.

The widespread shortfalls in Plan outlays would indicate that there are administrative and other limitations in implementing the investment programme. In the case of fertiliser projects shortfalls occurred mainly due to "delay in sanctioning projects" and "slippages" (page 97, Explanatory Memorandum). In the case of Oil and Natural Gas Commission, shortfalls are attributed to "rephasing and postponement" of exploration activities (page 94). Likewise, shortfalls have occurred under programmes such as Small and Marginal Farmers Agencies (page 43) and construction of storage godowns by the Food Corporation of India (page 83).

These shortfalls are in terms of financial outlays. If adjustment is made for rise in the cost of various project inputs, in physical terms shortfalls would be higher than those indicated by financial outlays. The step-up of nearly 19 per cent in the Central Plan outlay (including internal resources) in the budget over the revised estimate of 1978-79 has, therefore, to be seen against these factors.

As brought out in Table 1, while Plan expenditure in 1978-79 fell short of the budget estimates, non-Plan development expenditure exceeded the budget estimates by Rs 1045 crores. Table 3

furnishes sector-wise and purpose-wise details of non-Plan development expenditure. It will be observed that the three major sectors in which non-Plan development expenditure registered significant increase in 1978-79 over the budget estimates are: industry and minerals, general economic services and agriculture and allied services. As can be seen from Table 4, to a large extent, the increased non-Plan developmental expenditure was on account of subsidies and additional assistance to public sector undertakings for meeting cash losses and take overs for which provision is made under each of these heads.

The amounts of subsidies and assistance for cash losses are not exhaustive. Even then, of the increase of Rs 445 crores in non-Plan development expenditure, excluding grants and loans (from Rs 2750 crores to Rs 3195 crores) in the revised estimates, Rs 400 crores is accounted by the increases in subsidies and, assistance for meeting cash losses and takeover of companies. In 1979-80, expenditure under these categories would rise further by Rs 70 crores — a rise of Rs 470 crores over the 1978-79 budget estimates.

Waning Developmental Thrust

Thus the revised estimates for 1978-79 and the budgeted provisions for 1979-80 clearly indicate the intense strain being experienced by government in giving developmental activity a push. The problems have arisen neither because the size of the public sector has reached a saturation point nor on account of taxation having reached unbearable limits. The developmental thrust has been waning since 1966. The reasons for this are the vicissitudes in government policies and lack of clear priorities. The economic consequences of these failures have been two-fold. First, distortions have arisen in the economy. Secondly, the increase in developmental impact from additional resources mobilised for the public sector through taxation and deficit financing has continuously declined. The worsening incremental ratio of developmental impact to additional resources mobilised by government through taxation and deficit financing should receive more attention than it has hitherto. It is in this context that the decision announced in the budget to appoint a commission on government expenditure is a welcome one.

In sum, while the budget for 1979-80 might succeed in stimulating the agricultural sector, its impact on small-scale and cottage sectors and developmental activity in the economy as a whole would be limited. Differential incidence of indirect taxes as a measure of promoting the small-scale sector could be of use only in some cases. Nevertheless, it is to be welcomed. What should cause concern is the waning developmental impact of the budgets. It is in this context that, subsidised supply of inputs and other goods and services needs closer examination.

The 1979-80 budget, by offering sizeable concessions and leaving a huge uncovered deficit would seem to have given a green signal to the states. Taking their cue from the Central budget, not only are state governments vying with one another in conferring reliefs to the already undertaxed agricultural sector but many of them have left uncovered large deficits. Fiscal discipline and integrated national development would seem to be becoming victims of the hardening postures in the matter of Centre-state financial relations.

'Industrial Unrest' : A Case Study

NINE THOUSAND workers of Premier Automobiles (PAL) in Bombay have been without work and wages since December 16, 1978. The suspension of work announced by the management on December 16, 1978 has been followed by a lock-out since January 3, 1979. Also affected as a result are another 12,000 workers employed in ancillary units wholly dependent on PAL.

The present lock-out came within barely eight months of the lock-out of early 1978 that had lasted three-and-a-half months. In the 30-year history of PAL, it is interesting, while the management has declared lock-outs on four occasions, there has not been even a single strike worth the name.

The three units of PAL are located in Bombay-Kurla (7,000 workers), Wadala (1,100 workers) and Kalyan (900 workers). The Association of Engineering Workers (AEW), led by Datta Samant, has been the recognised union at the Kalyan plant for many years. At the Kurla and Wadala plants, the Engineering Mazdoor Sabha (EMS) of R J Mehta and the Premier Automobile Employees Union (PAEU) led by a foreman, S P Galgali, have been functioning for over 20 years. The PAEU has been the management-recognised union since 1968; and in August 1978 it received official recognition from the courts.

A unit of Datta Samant's AEW was formed in the Kurla and Wadala units in September 1978. Within a very short period a majority of the workers appear to have shifted their allegiance to the AEW.

The present lock-out, the management claims, is the outcome of violence by workers of the AEW against those of the PAEU, an illegal strike for three days and a subsequent resort to go-slow from December 1, 1978. Workers of PAL, including activists of both AEW and EMS, do not deny that on November 28, 1978, several supporters of the PAEU had been beaten up; but this was after they had come to know that a fellow-worker and joint secretary of the AEW, Gurunath Varde, had been murdered, allegedly by men of the PAEU. (Galgali and some committee members of the PAEU were arrested for Varde's murder, charged under section 302 and later released on bail.)

According to hundreds of PAL workers and even two former officials of PAL, Datta Samant had not come to PAL to capture the union. He had been brought there on the continued insistence of ex-activists of the EMS and a large number of workers to help them combat the terror and violence against workers allegedly unleashed by PAEU, which has the full support of the management. It has been alleged that there have been innumerable cases of workers being beaten up at their work place during working hours by musclemen of the PAEU without the management taking any action. Moreover, in the past 10 years, nearly 50 activists of the EMS and many other workers are reported to have been suspended or dismissed by the company. Over 100 workers and activists of the EMS and the AEW have also been transferred from departments paying production-based incentive wages to departments where no incentive is paid. It is also alleged that the management-supported union has been extorting money from workers on a variety of pretexts and levying 'service charges' for getting the workers loans from their own Provident Fund Trust.

There has been no wage revision in PAL since 1958, except for a minor one in 1962 on the recommendations of a Board of Conciliation headed by F Jeejeebhoy. PAL workers are paid DA at the rates applicable in the textile industry, which are much lower than the average in the engineering industry. As a result, while workers of Automobile Products of India (API), for instance, are paid DA alone ranging between Rs 640 and Rs 1,000 pm, the total wage of a majority of PAL workers does not exceed Rs 525. Several hundred workers in PAL have not had any wage increment for many years. A large number of workers who have been performing skilled tasks for many years continue to be paid wages applicable to semi-skilled and even unskilled grades. The PAEU, which is supported by the management, has not submitted a single charter of demands in the last 10 years.

One of the major demands put forward by Datta Samant's AEW is that some 100-odd musclemen of the PAEU, who are allegedly not required to do any work and together receive a monthly wage of nearly Rs 2 lakhs, should be required to work the same eight hours as expected of other workers. A simple arithmetical exercise will, however, show the 'wisdom', from the management's point of view, of paying out Rs 2 lakhs every month to some 100 'workers' in this manner. A strong union of workers, by gaining a demand of additional DA of even Rs 100 pm could increase the wage bill on [illegible]

PAL was founded in 1944 and began operations in 1946. Given the close affiliation of the Walchands with the Congress party, an INTUC unit under the leadership of H N Trivedi was formed at PAL and received full management support. However, by late 1947, workers had already turned away from this union and in 1948 they brought in the EMS. The attempt, however, failed, allegedly because of victimisation of a number of committee members of the EMS. A unit of the EMS was formed again in 1951, under the presidentship of Ashok Mehta. In 1953, as a counter to an agitation led by Ram Desai of EMS, a lock-out was declared that lasted three months. Workers finally resumed work without securing their demands. The discontent, therefore, continued. A series of INTUC leaders came and went during this period without succeeding in winning the workers' support.

In 1954, PAL shifted operations from assembly work to production of vehicles. Since it was not possible to raise production significantly in the face of continued resistance by workers, the EMS was given recognition that year. A new problem, however, cropped up. With the closure of General Motors in India in 1954, many of its highly skilled workers were absorbed by PAL when it shifted to manufacture of vehicles. In a large number of cases, these workers were expected to perform highly skilled tasks, but were paid wages applicable to semi-skilled and unskilled grades. The massive growth of discontent and militancy resulting from this and other outstanding grievances made any co-optation of the EMS union impossible. As a result, even as negotiations were in progress on a charter of demands, the EMS was suddenly given notice in April 1958 that it was being derecognised.

A three-day strike in protest against the derecognition became the pretext for the management to declare another lock-out which lasted 110 days. It was in the midst of this lock-out that Galgali's union was born. Years of effort to plant a 'friendly' external INTUC leadership on the workers had failed. So management strategy now shifted to promoting an internal leadership with external support and 'advice'. According to one of the workers, H M patil, who was then vice-president of Galgali's union, all the plans used to be worked out at the residence of the then Labour Minister of Maharashtra, Shantilal Shah. Indravadan Oza, an MLA and a close associate of Shantilal Shah, became the president of the union. G P Galgali, a science graduate

a Sholapur, hometown of Lalchand known to him through the Congress party, took up a job in PAL in 1956. Out of the nearly 500 initial members of this union, 400 allegedly comprised musclemen who were employed in the midst of the lock-out to break the morale of the 5,000 workers. In the next phase of expansion of the company, a majority of the new workers were recruited from Sholapur. For a year or two, Galgali's union expanded rapidly on the strength of the new recruits. But once these workers became permanent and began to experience the same problems as the others, they began to shift their allegiance to the EMS. Quite a number of the 400 musclemen also changed sides. By the end of 1961, the union was reduced to virtual extinction and thus the strategy of promoting a 'pocket' union also failed to work.

After the border war with China in 1962, there was a sharp rise in demand for vehicles for defence and also mounting pressure for increasing the tempo of indigenisation in the automobile industry. For the second time, the EMS was recognised by the management in 1964. However, this did not result in the emergence of a strong and united organisation of PAL workers. Among the factors responsible for this were:

(i) Piece-meal and discriminatory solution to the burning issue of job evaluation and classification. After the 1958 lock-out a Classification Committee had been set up to investigate the matter in detail. While the investigation was still on, in March 1954, R J Mehta withdrew the cases from the Committee and entered into an *ad hoc* arrangement. As a result, evaluation was taken up only for a small section of workers and the basis for evaluation was not only efficiency, but 'approach' or influence as well. A lot of dissatisfaction resulted.

(ii) An incentive scheme which benefited only some workers. An agreement on incentive wages linked to production in excess of agreed norms was arrived at for the truck line in June 1964 and for the passenger car line in 1966. The two agreements gave a massive boost to production. However, whether a worker received 100 per cent incentive wages or none at all depended entirely on where he was located and where he could get himself transferred. As a result, while wages of workers employed in certain departments doubled within a year's time, absence of any agreement on revision of wages and DA rates left a large number of workers exactly where they were for years. The incentive scheme was thus an extremely powerful instrument for favouritism, corruption and victimisation through transfers.

(iii) The slogan of 'production in the interests of the nation' raised by R J Mehta and the EMS. A cartoon in the October 1965 issue of the EMS's *Bulletin* showed a Muslim worker with a bomb in his hand and a communist worker nearby as putting a light to the bomb. 'Patriotic' workers were shown catching hold of these 'enemies of the nation' and throwing them out. Some workers tried to point out that the way R J Mehta defined the 'national interest', it tended to coincide completely with the management's interest and to be contrary to workers' interests. However, workers, influenced by the 'anti-communist', 'anti-Muslim' propaganda, failed to react and this small group of workers paid with their jobs for their opposition.

(iv) R J Mehta's style of functioning. Workers and ex-activists of EMS complain of the increasingly aggressive and authoritarian manner of Mehta's dealings with them. As a result, he alienated himself from a lot of his own activists and a large number of workers.

As a result, Galgali's union returned as a recognised union in 1968, but first under the guise of the Association of Engineering Workers, of the type it then was. Its president was Prabhakar Kunte, an MLA, who had little time for trade union work. With the passing of AEW into the hands of Datta Samant in the early 1970s, Galgali dissociated himself from it, and renamed the union.

When the PAEU launched its offensive against EMS activists and workers, the latter were already disarmed. While the battle was being daily lost within the four walls of PAL, R J Mehta's sole mode of 'fighting' was confined to the court-rooms. The tremendous enthusiasm and morale of the workers today and their respect for Datta Samant derives from the fact that he has supported them in focusing attention back to where the real battle lies — inside the factory premises. The response [illegible] once again to [illegible]

Every major struggle of PAL has had wider ramifications. In 1958 the trade union movement in Bombay observed a one-day 'Bombay bandh' in solidarity with the PAL workers. This time too CITU, AITUC, Sarva Shramik Sangh and some independent unions like the Kamani Employees Union, Mazdoor Congress, the union of taxi-drivers led by Datta Samant and other units of the Association of Engineering Workers have come out in support of the PAL workers' struggle. Out of this demonstration of solidarity has emerged the Workers' Unity Centre, a co-ordinating body of the unions metioned above, in the eastern suburbs of Bombay.

In the past two years, one method after another has been tried by the governments at the Centre and in the states to somehow 'discipline' labour. In Bombay the industrialists' fury seems to be concentrated in particular on Datta Samant, who is portrayed as the person mainly responsible for 'labour violence' and 'union rivalry'. Behind all this can be seen an attempt to weaken the movement of the working class piece-meal. It is crucial that the class closes its ranks to face this challenge. To Workers' Unity Centre is taking shape on such a broad understanding.

In the specific context of the PAL lock-out, the Workers' Unity Centre, along with Datta Samant's union, is demanding a government take-over of Premier Automobile. It has been pointed out that the company has been severely mismanaged. Prices of the company's automobiles have risen by 100 per cent in the past eight years and another price hike is certain after the present lock-out is lifted. Nevertheless, the company continues to run at a loss. In the last 30 years, the company has been able to declare a dividend only three or four times. As it is, 45 per cent of PAL's shares are believed to be held by various public financial institutions and the Lalchand group is reported to hold only 7 per cent of the shares.

SIKKIM

New Chogyals

THERE is irony in the disclosure that the Election Commission has broken with all precedents to order that Sikkimese voters should be equipped with photograph-bearing identity cards. This is apparently a precaution against infiltration, not only from the hill districts of West Bengal but also from Nepal, of villagers who are drawn by tales of the lavish Central largesse that is circulating in Sikkimese hands. According to one report, about a lakh of Nepalese have poured into Sikkim in the last two years.

The irony is that the Chogyal's government repeatedly sought to impose precisely such a restriction. But each time the request was made, the Indian Political Officer in Gangtok reported to New Delhi that the Durbar was only seeking an excuse to penalise — or even disenfranchise — Sikkimese subjects of Nepalese origin. It was an integral feature of India's agitational propaganda campaign aginst the Chogyal not only to dilute Sikkim's demographic composition, but also to encourage ethnic Nepalese to assert their separate language, religion and cultural identity and use these factors as battering rams against the Durbar.

New Delhi's loyal protege in the Himalayan kingdom, Lendhup Dorji Kazi, faithfully picked up the chant and lost no opportunity of denouncing attempts to control entry as communal victimisation. As Chief Minister under the Centre's protective aegis, Kazi now fully endorses the very measures that he condemned for so many years.

His concern is understandable. The passage of the Constitution (45th Amendment) Bill has deprived his government of the additional year of life bestowed on it by Indira Gandhi's indulgent regime. The life of the present Sikkim Assembly, which was elected in 1974 under the shadow of Central Reserve Police guns and while the Chogyal was still formal ruler of the 'Associate State', ends on April 26. Elections should be held soon afterwards; and Kazi is by no means certain of winning them in a fair contest.

Foremost among his worries is the defection of his most able young lieutenant, Nar Bahadur Khatiawada, who now leads the Prajatantra Congress, recognised as the official opposition party with the five MLAs in a 32-member house and enjoying the support of Indira Gandhi's Congress. Another Prajatantra follower, Kusu Das, MLA, recently returned to the Chief Minister's fold when he was promised chairmanship of a committee to investigate Harijan welfare.

Such setbacks notwithstanding, Khatiawada has announced his party's resolve to contest all the 32 seats. The Nepalese community is with him. So are influential Marxist and Gurkha League leaders in Darjeeling and Kalimpong. The group also enjoys the support of a veteran local Nepalese leader, C S Roy, who was the Assembly's first Speaker. More surprisingly it can claim to speak for indigenous Bhutia-Lepchas as well after the induction of Karma Gyampo Lamp who represents Buddhist monasteries.

Trouble is brewing too in Kazi's own camp. His Planning and Development Minister, Ram Chandra Poudyal, was persuaded to withdraw his resignation; but one of the party general secretaries, K M Uprety, has quit. The decision to define Sikkim's 23 per cent Bhutia-Lepcha population as a Scheduled Tribe has not proved universally popular, and the Chief Minister is in danger of alienating leaders of his own community. In a gamble to recoup that loss, two of his nephews, Palden Wangchuck and Norchen Loksam, recently quit the civil service apparently to rally Bhutia-Lepchas to the cause and contest the expected elections.

Patronage plays an even greater role in retaining control. Apart from the eight members of the Cabinet, seven other MLAs are chairmen of committees. With Rs 80.50 crores promised by New Delhi for development plans during 1978-83, there is plenty of inducement all round in a 2,818-square-mile terrain of barely 200,000 people. The cost of each project is grossly inflated, and palms are generously greased all down the line. Lendhup Dorji Kazi, a disgruntled Durbari nobleman, has flamboyantly demonstrated that the most effective way of earning and retaining New Delhi's support is to change sides with each passing wind.

After the Chandigarh session of the Congress party, he pledged wholeheartedly support to Indira Gandhi and merged his Rashtriya Congress with her organisation. But following the 1977 general elections, he became a no less enthusiastic supporter of the Janata party. "We believe in the Election Commissioner's impartiality" says Khatiawada wryly, "but the vested interests are determined to keep Kazi in office". His own Prajatantra Congress now operates within the ambit of the Indian Constitution; but it is not expected to be quite such a pliable instrument in the hands of the Governor, Bipin Behari Lal, who calls all the shots in Sikkim. "We will continue to fight against the colonial attitude of all Indian bureaucrats including the Governor" promises Khatiawada.

His allegation of abuse of power is borne out by the spate of official tours now being undertaken by the Chief Minister who travels with greater panoply than the Chogyal ever did. In slavish imitation of the Palace's now vanished style, he has even bought a Mercedes saloon from the State Trading Corporation and, in flagrant disregard of normal Indian practice, fitted it with a plate reading just 'Sikkim'. He and his ministers have also adopted the Namgyal dynasty's personal coat of arms which was given to an earlier Chogyal by Lord Curzon as part of Queen Victoria's grandiose imperial design.

No one was surprised, therefore, when a Panchayat Sammelan, organised in Gangtok by the administration from February 10 to 12, was suddenly converted into a Janata party meeting. The borderline between party and bureaucracy has altogether been erased.

Sikkimese also complain that the new registration process is biased and that large numbers of voters are deliberately being excluded. About 133,000 voters were listed for the 1975 polls; this year's figure of under 90,000 includes a substantial number of marwari and other plains traders who can be relied on to support the *status quo*. Villagers in the northern Lachen-Lachun areas complain of having to walk ten miles or so to persuade indifferent officials to include their names. The tentative decision to abolish legislative parity is part of the same attempt to disenfranchise those who might be disillusioned with Kazi's rule and vest power in the hands of beneficiaries.

Also suggestive is the move to revive

special representation for the Scheduled Castes. A reserved constituency existed under the Durbar, but it was abolished when Lal (the Governor) and Kazi took over with fulsome promises of an egalitarian ethos in which special protection would no longer be necessary. They are both now convinced that an unpopular ministry needs the additional support of a captive MLA.

The greatest anomaly, however, is in the life-style and methods of legislators, simple villagers who have suddenly been catapulted into power and position. Their frequent extravagant forays into the fleshpots of Calcutta's best hotels reflects the lavishness with which they enjoy themselves in Gangtok. Life in the Palace is modest, even humble, by comparison. Where Sikkim once had only one Chogyal, there are now 32. To be able to dangle before the populance the hope of attaining similar grandeur at the Indian taxpayer's expense is Lendhup Dorji Kazi's most important asset in wooing voters.

BIHAR

'Trade Union' Murders in Dhanbad

Arun Srivastava

THE arrest (and subsequent externment from Dhanbad) of Surajdeo Singh, a Janata MLA, on charges of being involved in a conspiracy to murder three CPI workers as well as in the attempt on the life of S K Rai, AITUC leader and former MLA, has once again brought to the fore the true character of various trade unions in the area.

The new class of labour leaders in Dhanbad include contractors, businessmen and money-lenders too. For instance, along with the Janata MLA, a veteran trade unionist who is a leading businessman and a contractor has also been arrested in connection with the murder conspiracy. Also arrested has been Navrangdeo Singh, a prominent businessman, contractor and a Congress(I) Sevadal leader. Satya Deo Singh, businessman and contractor, the brother of a former Congress minister and presently the vice-president of Janata party of the district and an INTUC leader, has also been served an externment order in this connection.

'Trade union' murders are not unusual in Dhanbad. The violence which is presently institutionalised began in the days of private ownership of coal mines. In order to 'discipline' the labourers who were lured from their villages, the owners always used musclemen, a private militia. While the toughs tamed the labourers, they also took a cut from their meagre wages. The miners were left with no option but to keep on borrowing from the toughs, thus for ever remaining in their clutches.

It was against such practices that a few honest and sincere trade unionists tried to organise the labourers in the early 1920s. But by the 1950s the character of the trade unions had undergone major changes. The leaders, especially those of INTUC unions, established rapport with the pahalwans and entered into an unholy alliance with the owners. A trade union-pahalwan-owner axis began to emerge in the coal belt to control mines, miners and money.

Coal money now began to play a crucial role in politics in Patna and Delhi. A second ranking 'union' leader became as important as the Chief Minister of the state. To this day the practice continues, and it is against the prestige of a Dhanbad leader to camp at the house of a minister in Patna or Delhi; the more proper thing is for the ministers to pay courtesy calls on these leaders.

After nationalisation of coalmines, the axis continued, with the owners being replaced by officers. The pahalwans who after nationalisation were made secure in their jobs now carried out their business openly and vigorously. Within a few months these pahalwans became trade union leaders. As trade union leaders they had at their disposal huge sums of union money and so began business as money-lenders.

The 'original' leaders who began the trade union activities entered bigger spheres by becoming contractors. They utilised their position, their followers — the pahalwans turned 'union' leaders — to obtain more and more business and contract.

Around 1968 a new trade union, Colliery Kamgar Union, led by A K Roy of the Marxist Co-ordination Council (MCC), emerged in the Dhanbad area. Within a very short period of this development, there was unprecedented resistance on the part of the workers which infuriated the professional trade union leaders and gangsters and clashes took place. But these clashes were not a major immediate headache for the Colliery Kamgar Union; the professionals clashed amongst themselves, with the one aim to become kingpin of the mafia.

With the rout of Congress in the last Lok Sabha elections, the entire situation took a new turn. Overnight the pahalwans (who till then were the junior partners of 'original' trade union leaders-cum-political bosses) became ringmasters. Because of his links at the Centre (not to speak of his being a 'co-villager' of Janata chief Chandra Shekhar) the Janata MLA Surajdeo Singh who was once a mere tough and pahalwan of Raniganj Coal Association, became politically very powerful. It is widely believed that he secured the Janata party ticket for the Assembly elections at the behest of a central leader whom he had helped in his Lok Sabha elections by supplying a caravan of cars and huge sums of money. The Bihar Janata Election Committee had to face some protest against his nomination.

To enlarge his operations over the entire coal belt, Surajdeo Singh formed the Janata Majdoor Sangha; with the formation of this organisation, murders in the area became more and more frequent. Even his mentor, B P Sinha, a veteran INTUC leader who originally introduced the practice of 'upgrading' pahalwans to trade union leaders, was not spared. When Sinha was killed by 'some unknown assailants' while having his breakfast with his family members, there was hue and cry in the Assembly and government promised to nab the culprits. Now, in the wake of the attack on S K Rai, police have recovered the number plates of the car used in the Sinha murder and other incriminating articles from the house of the Janata legislator.

Since the murder of Sinha, about nine months ago, nearly 70 prominent labour leaders have been done to death in the Dhanbad area. According to official sources, 24 political murders took place from October 5, 1978 to January 10, 1979. However, the total number of killings including those of workers and followers is put at 400. The latest in the chain has been the murder of three CPI workers.

First Year of Martial Law

THE year 1978 in Pakistan was the year of consolidation for the military regime; of resistance against Martial Law; of disintegration of PNA and the emergence of an embryonic Left alliance.

Consolidation

The Martial Law government set out to consolidate itself, both in the economic and political fronts. The objectives were the revival of the economy through creating the atmosphere for increased investments and to demolish the PPP in such a manner that 'positive results' would be ensured in general elections. On the economic front the year began with a clear indication of support to the capitalist class in the form of a massacre of workers of Colony Textile Mills, Multan, on January 2. An earlier indication had been the Pat Feeder massacre in district Nasirabad, Baluchistan towards the end of December 1977. The earlier denationalisation of flour mills, rice mills and cotton ginning factories was soon combined with a new Presidential Order issued in September 1978 which would enable further denationalisations when and if desired.

On the political front, all forms of legal and administrative persecution have been employed against the PPP leadership in order to defame and discredit the party. These efforts of the Martial Law regime have received the full co-operation of the PNA. On the other hand, the judiciary has also played its role in the consolidation of the regime. Firstly through the agency of the Supreme Court, it extended unconditional support to Martial Law and subsequently through the decision of the Lahore High Court to sentence Bhutto to death in the Nawab Ahmed Khan murder case, it has contributed to the efforts to defame Bhutto. These events were accompanied by the banning of political activities in March and the large scale arrests and floggings of political workers.

Various reasons have been given for continually postponing elections. Firstly it was the need to complete the process of accountability of politicians and the disqualifications related thereto. Then it was the need to revise the electoral rolls and bring them up to date. This was followed by the decision to introduce a separate electorate system for the minority communities which was formally decreed on September 24 through a Presidential amendment.

The absence of any intention by the military regime to relinquish power was clearly indicated by the formation of a 'national government'. This proposal which was much discussed by the various political leaders during the months of April and May in the first instance, took concrete shape in a cabinet composed of generals, technocrats, bureaucrats and Muslim League politicians. This cabinet, announced on the first anniversary of the imposition of Martial Law, soon led to a new cabinet being formed on August 23 which incorporated more politicians of the PNA while allowing the generals to take a back seat.

The disregard of the Constitution has proceeded apace with the consolidation of the regime and with no apparent dissent within the Judiciary. The emphasis on the continued validity of the Constitution has slowly given way to its complete disregard. In the light of this situation, even Chaudhuri Fazal Elahi tendered his resignation as President, and when General Zia-ul-Haq assumed the office of the President on September 16, 1978 his oath of office did not even mention the Constitution.

Elections are not being promised before October 1979; and before that date it is quite likely that the electoral laws will be questioned before the yet to be established Shariat bench as to their validity in Islamic system. This complete process of consolidation, accompanied as it has been by press restrictions and harassment, has still not managed to destroy Bhutto as a political force.

Resistance

The Martial Law regime has faced resistance both from PPP quarters as well as from various independent and basically spontaneous sources. With the continuance in power of the military junta, the PPP has made a number of attempts to exert pressure on the regime through the means of mass agitation against the government. The PPP agitation has, however, remained rather limited and city-based in character. The first phase of agitation encompassed the incident at Qaddafi Stadium, Lahore, involving Begum Bhutto's appearance at the cricket test match on December 16, 1977; the taking out of processions and raising of slogans outside the Lahore High Court by women supporters and the lower rank PPP workers during Bhutto's trial; and the call for 'Democracy Day' to be observed on January 5, 1978. The response of the military regime was large scale arrests and the lashing of political workers. However, even at this time the PPP was not relying on the masses for its support, and attempts to reach an understanding with the Martial Law regime were obvious from the statements of the PPP leadership against any demonstrations outside the Lahore High Court. The PPP efforts were being aimed at various foreign powers and the attempt to mobilise external pressure on the regime.

By March 1978, the first phase of PPP agitation had petered out, but in view of the announcement of Bhutto's death sentence on March 18, a ban on all political activities was imposed in the beginning of March. The announcement of the sentence itself gave rise to renewed agitation on a small scale. Girl students took out processions in violation of Martial Law restrictions. The peak of this agitation was soon reached with the arrest of Retd. General Tikka Khan on March 20 in the Old City area of Lahore. In Sind where the agitation had been more widespread, the movement degenerated into isolated acts of sabotage. During this period, thousands were arrested and the punishment of lashes was employed as an effective deterrent.

The second phase of PPP agitation was based on an attempt to use the religious shrines or mazars as a focal point of agitational activity. This style of agitation soon gave way, however, to the spectacles of attempts at self-immolation that were carried out in a number of towns of the Punjab in September. However, no mass mobilisation of the people took place and the response of the people at large took the form of a passive support for PPP.

In contrast to the lack of active enthusiasm for the PPP attempts at mass agitations, the struggles of students, industrial workers and journalists were much more significant during this period. Workers responded to the Multan Massacre of January 2 by observing January 24 as a black day and February 16 as struggle day. The desire for working class unity in the face of repression was intensified.

Journalists had started a hunger strike to press for the restoration of *Mussawat* (Karachi) in December 1977. This struggle of the newspaper workers and journalists was successful in restoring *Mussawat* (Karachi) but continued press harassment and restrictions led to *Mussawat* (Lahore) ceasing publication. The failure of the negotiations between press workers and the government led to the press workers going on strike in

front of the offices of *Mussawat* (Lahore) from April 30. This agitation continued for a full *month* with daily arrests and resulted in about 200 press workers being arrested. Eventually government was forced to lift the ban on *Mussawat* (Lahore) and release the arrested press workers. However government managed to establish a tout leadership amongst the press workers and journalists which was then credited with the success of the journalists' struggle. Discontent continues amongst the journalists as many have not been reinstated. Further, the punishment of lashes awarded during the agitation to journalists arrested on May 12 has left a deep impression.

Even the workers of Pakistan Television Centre, Lahore, took over the TV studios on February 16. Their rather short-lived protest startled the military regime and resulted in the banning of all trade union activity in the Radio and TV broadcasting corporations.

Student agitation for the postponement of Intermediate examinations, against the denationalisations of educational institutions, agitation by girl students following the Bhutto's death sentence by the Lahore High Court, and most recently, agitation in educational institutions of Sind have taken place during the year. Towards the end of the year, students were demanding the re-opening of educational institutions in Sind. The Islami-Jamiaat-Tulba, ardent supporters of the military regime suffered total defeat in Sind and NWFP in the student union elections of the various colleges and universities. In the Punjab they managed to register some success especially in the city of Lahore.

PNA Disintegration

The situation of the PNA steadily deteriorated over the past year. The Tehrik Istiqlal were the first to desert the ranks of the PNA. For the National Democratic Party, once Wali Khan and the Baluch leaders had been released, it was only a matter of time before the break would come. The common purpose of politically eliminating Bhutto was not enough to keep the PNA together. The Jamiat-Ulema-Pakistan soon came into conflict with the PNA leadership and demanded its resignation. The JUP considered the functioning of the alliance to be undemocratic and demanded that decisions be taken by consensus.

The issue of the formation of a 'National Government' was much debated during [illegible] May and was considered acceptable by the PNA on condition that political activity was restored, that the government formed would be independent and all powerful and that a firm election date was announced. These conditions were put forward by Mufti Mahmood in a letter dated May 27 and sent on behalf of the PNA. The unilateral participation of the Muslim League in the July 5 cabinet violated the PNA stand and threw the alliance into disarray. The Jamaat-Islami put pressure on the other PNA components to join the government, while the NDP moved to formally dissociate itself from the alliance. The eventual participation of the PNA in the August 23 Cabinet came about without the PNA pre-conditions being met. The new Cabinet is not all powerful, its functions relate more to the execution than the formulation of policies and only a partial restoration of political activity was announced while elections were not promised before October 1979. In the longer term, the collaboration of the PNA with the military is likely to be harmful for the PNA popularity and beneficial for the military. In the short term, the PNA components may be able to use their position in government to extend patronage to their supporters. The most recent example of this has been the disbandment of about 1,700 Cement Agencies in December 1978 and the provision of new agencies, particularly to Jamaat-e-Islami supporters.

The image of the PNA has further deteriorated with the split within the Muslim League between a Pagara group and a Chatta group. All the Muslim League ministers in the Cabinet belong to the Chatta group and none of the Muslim Leaguers close to Pir Pagara were taken in the Federal Cabinet.

Left Alliance

In contrast to the growing divisions and disintegration of the right wing PNA alliance, 1978 has seen the emergence of an embryonic Left alliance. The efforts at developing some unity amongst the Left parties and groups appear to have made progress during the year. These positive developments have emerged from a widespread desire amongst left-wing workers and activists to strengthen their co-ordination and co-operation. The trade union movement which has been on the retreat and defensive since a number of years has given rise to sentiments in favour of overcoming local and personal contradictions and forging greater unity. The progressive student movement is managing to link up progressive student organisations from all the four provinces. The need to strengthen the unity of the various nationalities and the importance of the question of nationalities is being given increased attention. Especially in the Punjab, various Left groups are beginning to recognise that this can only be ach[illegible] is the demands for the political [illegible] economic rights of the minority nationalities.

The Awami Jamhoori Ittehad (AJI) is a Left alliance which originally came into existence in April 1977 but was formally established through meetings held during August and September 1978. With a few exceptions, this alliance is composed of those Left groups and factions which have broken away from the original National Awami Party (NAP), at some time or the other in the past. This alliance is unlikely to adopt any militant character and as such few people hold significant expectations concerning its performance. Many of its leaders are opposed to militant struggle and view the alliance as a platform from which to issue political statements and project their own leadership positions.

The Pakistan Awami Tehrik (PAT) which came into existence most recently in December 1978, on the whole has no relationship with those Leftists who emerged from the old NAP. They are more the products of the anti-Ayub agitation and the PPP movement during the end of the 60s and the beginning of the 70s. The PAT is composed of organisations which are more youthful in character, have managed to develop more roots amongst the masses and are representative of more significant elements amongst the progressive forces in the smaller nationalities.

The other expression of developing unity within the Left has been the formation of the Pakistan Progressive Students Alliance (PPSA) which was formally announced on September 24, 1978 in Lahore. The alliance has adopted an 11-point programme on the basis of which it will be encouraging other student organisations to participate and thereby broaden the alliance to encompass progressive student organisations throughout Pakistan.

Conclusion

The year 1978 thus ended with the military junta well established in the seat of government. In spite of this insecurity remains. Its efforts at consolidation appear to revolve around the introduction of an Islamic system. The past month has seen a fanfare of publicity to precede the announcement on the 12th Babbi-ul-Awal (February 10, 1979) of important steps towards the introduction of the Islamic system. With the confirmation of Bhutto's death sentence by the Supreme Court on February 6, these steps may now be overshadowed. The military junta will now feel the need, must as it has felt over the past year, for further consolidation of its own position.

Proposals for a Smaller Public Sector

Anupam Gupta

Direct Taxes: Proposals for Reform edited by O P Vaish and Surekha Panandikar; Vikas Publishing House, New Delhi; pp 117 + xii, Rs 40.

THIS is a publication of the Centre of Fiscal Studies, New Delhi. In this study the authors have analysed taxation and other related matters in India in order to formulate an optimum structure of direct taxes. According to the authors, in India the feasible rate of growth is 8 per cent. A tax structure which makes 8 per cent rate of growth attainable and also simultaneously reduces inequity in the distribution of income is considered as optimal. The justification for the assumption, that 8 per cent is the feasible rate growth, is not available anywhere in this book. The authors prefer an 8 per cent rate of growth, because at this rate of growth the per capita income can be doubled within a period of 12 to 13 years. The authors feel that at a high rate of growth larger employment opportunities could be created and the problem of proverty could be more easily solved. Here the main contention is that the rate of growth can be raised by raising the rate of savings and in order to raise the rate of savings the rates of taxation have to be lowered.

The reader cannot help feeling curious about the repeated assertion of the authors of the feasibility of an 8 per cent rate of growth. If the capital-output ratio is taken as 2.5 — as it has been assumed at two places in this book (p 31 and p 66) — an 8 per cent rate of growth will be possible if the rate of investment is 20 per cent. The "National Accounts Statistics, 1960-61 to 1974-75" published by the CSO shows that the rate of savings in the non-government sector was 12.4 per cent in 1973-74 and 74-75. Direct taxes constituted only 2.73 of national income in 1974-75. The authors firmly believe that this entire tax comes from potential savings. Even if this extreme possibility is assumed to be true, abolition of direct taxes would increase household savings rate to 15.7 per cent. Indirect taxes constituted 11.82 per cent of national income in 1974-75. The Report of the Indirect Taxation Enquiry Committee (1977) shows that 55 per cent of the total indirect taxes in 1973-74 was borne by households below the per capita expenditure level of Rs 100. It cannot be denied that these households have very little scope of making a choice between consumption and saving, and for them the incidence of tax is on consumption and not on savings. In the case of those households who can exercise some choice between consumption and saving, indirect taxation will produce a substitution effect towards savings and against consumption. However, apart from strongly asserting that taxes fall on savings, the authors do not provide any explanation. The authors contend that income earners above Rs 50,000 save 30 per cent of their income. However, the total income of all personal income tax assessees constitutes less than 5 per cent of national income.

In India revenue from indirect taxes has risen at a much faster rate than revenue from direct taxes. Simple exercise with the figures in Tables 4 and 16 of Chapter 2 reveals that, whereas direct taxes as a percentage of national income increased from 2.42 in 1951-52 to 2.73 in 1974-75, the corresponding percentage for indirect taxes rose from 4.99 to 11.82 during the same period. "'The National Accounts Statistics, 1960-61 to 1974-75" shows that the rate of savings was 21.83 per cent in the public sector as against 12.40 per cent in the rest of the economy in 1974-75. So contrary to the views of the authors, it can be held that preponderance of indirect taxes reduced consumption in the economy and diverted resources from sectors with low marginal propensity to save to one having higher marginal propensity to save. This fact is also supported by the findings of the authors: "The index of household savings increased to 1379 (in 1974-75) with 1950-51 as base (= 100), as against an index of 2072 for government savings". The very next paragraph, however, runs as follows:

> If the index of Government savings had increased along with parallel or greater increase in the index of savings for household sector, it would have been most welcome. That this increase in the index of Government savings took place at the cost of increase in household savings, is a matter that deserves serious consideration.

The rationale of this statement is not at all clear. It only indicates the attitude of the authors.

The proposals for reorganisation of taxation form the subject matter of the final chapter. These proposals mainly deal with personal taxes. The authors believe that indirect taxes, although they raise prices, are less harmful than direct taxes because the former, being concealed, are likely to be "painless" and the latter will affect "sensitive economic reflexes" (pp 44, 64). With the help of a peculiar device the authors show that the secrifice of the tax payers in India in terms of tax payment is the highest among a large number of countries. They have measured sacrifice by the ratio of the effective rate of tax to the disposable income per capita. If for UK this ratio is taken to be 100, it becomes 29.3 for USA, but 1109 for India. Does it mean that since the per capita disposable income in India is less than 4 per cent of the per capita disposable income in UK, the effective rate of tax also should be less than 4 per cent of that in UK? If so, then the effective rate of tax in India would be only 1.12 per cent. This same formula has been used in order to derive personal income tax rates at different

TABLE: PER CAPITA PUBLIC EXPENDITURE IN SELECTED COUNTRIES

(in Rs)

Country	Year	Total Public Expenditure Excluding Defence	Education	Health	Social Security
USA	1973	14893	3831	1228	
	1974	17228	4380	1498	
UK	1973	9687	1373	1016	1862
	1974	12665	1650	1289	2313
Japan	1973	5937	622	2092	
	1974	6592	695	2531	
India	1973	184	24	5	4
	1974	233	28	10	4

Source: (1) UN Statistical Year Book 1975.
(2) Reserve Bank of India, Report on Currency and Finance, 1975-76.
(3) CSO, National Accounts Statistics, 1960-61 to 1974-75.

[illegible] Any formula of equal [illegible] involves assumptions about the utility function of income. Since any assumption about the utility function is not verifiable, there is no justification for putting too much emphasis on a particular formula of sacrifice.

The authors hold that the maximum marginal rate of tax should not exceed 30 per cent because (i) "It is not a matter of coincidence that the rate of growth in the First and Second Plans was relatively higher when the levels of taxation were lower" (p 44) and (ii) a high rate of tax creates strong temptation for tax evasion (p 79). The first statement is not correct. The statutory marginal rate of tax in the highest slab was higher than 90 per cent in 1956-57, and excepting earned income from 1957-58 to 1960-61, the marginal rate of tax on the highest slab was more than 80 per cent during the Second and Third Plan periods. The marginal rate on earned income in the highest slab was 77 per cent from 1957-58 to 1960-61. The authors argue that the temptation for evasion depends upon among other things the subjective judgment of the chance of detection of the taxpayer. According to them if the proportion of income taken out as tax is higher than the proportion left to the assessee after taxation and the chance of detection is low, the assessee will have a strong incentive to evade. Here instead of a reduction in the rate of tax an increase in the chance of detection, say from the assumed 1 per cent to at least 5 per cent seems to be a socially more justifiable remedy.

The authors have suggested abolition of wealth tax because they feel that it is a tax on savings. The concern about the incidence of wealth tax is not so important because its yield constitutes hardly 2.5 per cent of total revenue from direct taxes. The necessity of wealth tax was felt not for the revenue that it might raise but as a measure for checking tax evasion. But the main purpose of wealth tax was defeated when The Direct Taxes Administration Enquiry Committee (1958-59) denied the necessity of a comprehensive return of income, wealth, expenditure and gift proposed by Kaldor in 1956. Due to the absence of a comprehensive return of income and wealth, even today there is no information for studying the relationship between income distribution and wealth distribution in India.

The objective of this book, as it is stated in the preface is to suggest a tax structure that will create scope for maximising the rate of growth and improving the condition of the poor. We [illegible] no obvious reason [illegible] high taxation is reducing [illegible] rate of savings and lowering the rate of growth. Moreover, a smaller public sector will mean smaller per capita expenditure on public utilities. Since the authors have compared the effective rates of tax of different countries, a comparison of per capita expenditure may not be entirely irrelevant. The accompanying Table gives some revealing facts in this respect.

Improvement of standards of education and health of the people is one of the essential ways of ameliorating poverty and reducing inequality in the distribution of economic opportunities among the people. A comparison of our present state with that of some of the advanced countries shows that the Public Sector has yet to take a lot more of responsibility and the relatively well-off have to make more sacrifices for the purpose. However, one would definitely agree with the authors that there is sufficient scope for introducing economy and improving the allocation of resources within the public sector. Moreover, the suggestions that corporate tax should be charged on undistributed profits only, and that fiscal concessions to the corporate sector should be related to labour rather than capital deserve greater attention.

One would wish that there were better editing of a study published by a research organisation. A large number of Tables are given in the text but the sources of the data are not mentioned anywhere. The years of the plans mentioned in the Table on page 5 are wrong. The last year of the annual Plan was 1968-69 and not 1970-71, and the period of the Fourth Plan was from 1969-70 to 1973-74 and not from 1970-71 to 1975-76. Reference to initial depreciation, development rebate and investment allowance should have been made in the discussion of the effect of rising prices on the replacement cost of assets (p 44). The years of the data in Table 3 (p 49) are not mentioned. It is difficult to understand the meaning of annual rate of increase of income of the assessees in an income bracket (p 71). Given the limits of the bracket and the distribution of income within a bracket, the income and the number of assessees will increase at almost the same rate. If the rate of increase of income in the bracket Rs 10,000-Rs 15,000 is higher than that in the bracket Rs 100,001-200,000, it means that the number of assessees in the lower income bracket rises at a higher rate than that in the higher income bracket. Skewness in the distribution of income is the explanation of this very common phenomenon.

Corporate Investment in 1979 : A Forecast

C Rangarajan

An attempt is made in this paper to forecast the behaviour of private corporate investment in 1979. Corporate investment is taken to include gross capital expenditures of all companies including joint sector companies: Government companies alone are excluded. This study also provides a picture of investment behaviour in 1978.

I

Forecasting Technique

THE methodology applied in this paper to forecast corporate investment relies on the data available with the term lending institutions on the phasing of capital expenditures of projects sanctioned by them. These may be regarded as a kind of anticipatory data for forecasting. The details of the technique followed have been explained by the present author in his earlier writings.[1]

It has been observed that most projects in the corporate sector approach one or the other of all-India term lending institutions for obtaining the necessary financial assistance. The companies provide the lending institutions with data not only on the total cost of the project but also the capital expenditures (project as well as normal) to be incurred in the various years. This information forms part of the cash flow statements attached to the proposals. By aggregating the information on the phasing of capital expenditures of proposals sanctioned in all the previous years, it should be possible to forecast capital expenditures for any year. The scope of the study is strictly restricted to the enterprises which have taken assistance from the term lending institutions. Thus, obviously the estimates arrived at do not cover the entire corporate sector. Nevertheless, since most of the companies come to the financial institutions for assistance, this estimate can be regarded as a reliable reflection of the behaviour of the entire corporate sector. What is relevant from the point of the corporate sector as a whole is the trend revealed in the rate of change rather than the absolute figures.

The estimates that are derived approximate more closely to the gross fixed asset formation than to net fixed asset formation. In the case of new companies there is no difference between gross and net fixed assets. But with respect to old companies the cash flow statements provided to the financing institutions relate to the entire company. Therefore, as mentioned previously, we take down not only the capital expenditures on projects but also the normal capital expenditures which are shown in the cash flow statements. In the last few years we have taken extra care to collect data on both types of capital expenditures. But we have faced some difficulties in this regard. There are some companies which have not provided data on normal capital expenditures. In the case of certain types of loans such as those for balancing equipment, detailed data are not usually provided.

A limitation of this method of forecasting is that part of the expenditures to be incurred in any year comes out of projects sanctioned in that very year itself and we have no information on this. The proportion of such expenditures has varied from year to year. In 1973, 1974 and 1976 the ratio was around 30 per cent. There was a sharp jump in the ratio to 45 per cent in 1977, which may perhaps be accounted for by the introduction of new schemes such as soft loan schemes and technical development fund schemes. Expenditures on projects coming under such schemes may not have much lag. This ratio has dropped to 28 per cent in 1978. Thus a part of the capital expenditures to be incurred in a year will largely depend upon the factors that operate within that year and these cannot be forecast by our model. While the pending applications with the term lending institutions can give some clue, they do not provide a satisfactory indicator. However, this method at least indicates the minimum investment that will be made. Also it indicates the expenditures that will have to be forthcoming out of the investment decisions of the forecast year in order to show a rise.

The other limitations of this model of forecasting have been pointed out by the author in his earlier writings. The validity of the estimates depends upon how closely companies adhere to the expenditure pattern outlined in the initial project proposal. Cost over-run of projects by itself is not a limitation. So long as, companies seek assistance from the term lending institutions for financing the cost over-run, they would get incorporated in our estimates. In the case of such projects necessary adjustments are also made in the phasing of capital expenditures in the light of the new information. Obviously companies which finance the over-run out of their resources will not be captured in our estimates. However, the crux of the problem is how closely even under normal circumstances companies stick to their original phasing of capital expenditures. We made an analysis of 44 projects comparing the original and the actual phasing of capital expenditures. It is difficult to draw any generalisations from this study. The one factor that emerges is that in the case of expenditures to be incurred in the year of sanction, planned expenditures are always higher than the actuals. It appears that normally projects provide for about 20 per cent of the cost of the projects to be incurred in the year of sanction. But the actuals are much closer to 10 per cent There is some evidence to believe that the original and the actual phasing of capital expenditures are much closer for existing companies than for new companies. To some extent differences are also accounted for by the nature of the industries. Actual expenditures will perhaps be close to the planned ones in the case of loans granted under such schemes as soft loan schemes and technical development funds. The composition of the projects in terms of old and new companies, types of industries and types of loans vary from year to year. There is no general formula by which one can modify the original phasing of capital expenditures. We have to be content with making changes in the original phasing of capital expenditures as and when new information is made available to the financing institutions. However, some judgment will have to be exercised in relation to

TABLE 1: PHASING OF CAPITAL EXPENDITURES ON PROJECTS SANCTIONED BY LENDING INSTITUTIONS

(Rupees in lakhs)

Year of Sanction	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
1960	72	39	44													
1961	217	76	41	21												
1962	269	238	134	52	26											
1963	1738	165	112	80	63	53	40	30								
1964	3498	1447	354	295	153	79	47	28	12	2						
1965	10147	7227	1897	754	449	203	184	135	21							
1966	5994	7393	6202	5930	2397	1127	623	397	359	151						
1967	201	4651	12160	9407	4377	2041	424	308	190	138	23	3	12			
1968		232	4276	9170	6655	4219	2768	1711	178	110	53	5				
1969			74	8914	14168	7859	6213	2172	445	164	54	12				
1970			279	74	4545	7817	6704	2193	647	403	176	332	315			
1971				63	766	7600	10990	9062	4487	854	396	260	260	238		
1972						762	15288	17531	11778	4036	977	357	283	229		
1973							2652	15622	26183	11053	5167	4046	1003	836		
1974						95	361	3889	19832	20413	14411	2193	1245			
1975								17	4016	11423	23122	21535	11864	5200	879	4076
1976										4248	19462	23084	13015	1652	701	
1977											6364	43703	45549	23537	8040	
1978											326	5638	27944	43002	32150	16937
Total	22131	21468	25574	33759	34048	31844	46294	53095	68148	52995	70531	101168	101480	74694	41770	21033

Table 2: Industrywise Capital Expenditure for 1977 and 1978 and Expected Capital Expenditure for 1979

(Rupees in lakhs)

S No	Industry	1977	1978	1979
(1)	Chemicals and pharmaceuticals	19774	18959	13382
		(20.38)	(18.77)	(19.62)
(2)	Electrical	4381	9364	12630
		(4.52)	(9.27)	(18.52)
(3)	Engineering	6648	3325	1676
		(6.85)	(3.29)	(2.46)
(4)	Jute	287	1396	1424
		(0.30)	(1.38)	(2.09)
(5)	Minerals and metals	16704	12214	9567
		(17.22)	(12.09)	(14.03)
(6)	Paper	9741	14489	4861
		(10.04)	(14.34)	(7.13)
(7)	Textiles	11682	13358	12110
		(12.04)	(13.22)	(17.76)
(8)	Transport	9552	6780	1818
		(9.85)	(6.71)	(2.67)
(9)	Cement	4330	8073	5156
		(4.46)	(7.99)	(7.56)
(10)	Miscellaneous	13910	13067	5567
		(14.34)	(12.93)	(8.16)
Total		97009	101025	68191

Note: Figures in brackets are percentages of total.

planned expenditures to be incurred in the year of sanction.

Forecasts of corporate investment using this model have been made in the past several years. However, one is naturally tempted to ask how far these forecasts compare with actuals. It is rather unfortunate that we do not have a series on corporate fixed investment which is reliable and acceptable to all. At present estimates are provided by the CSO, the *Economic Times* and to some extent by the Reserve Bank of India. An analysis of these estimates indicates that they differ from one another not only in absolute amount but also in terms of relative changes for several years. Though all the estimating agencies use the method of blowing up the figure obtained from a sample survey of companies, differences seem to arise because of lack of reliable data on the total paid up capital of all companies industrywise.[8] For 1972-73, 1973-74 and 1974-75 the *Economic Times* estimates of gross fixed assets formation of the corporate sector show a rise of 42.4 per cent, 6.5 per cent and 82.8 per cent, respectively. The corresponding rates of growth according to the CSO estimates which include co-operatives also are 31.4 per cent, 7.3 per cent and 16.4 per cent, respectively. Our final estimates showed a rise of 45.3 per cent, 14.7 per cent and 28.5 per cent, respectively. The substantial increases in gross fixed investment at least in nominal terms witnessed in 1972-73 and 1974-75 were captured by our forecast. For 1975-76 our forecast showed a fall whereas all other estimates showed a rise. Data since 1976-77 from RBI and CSO are yet to come.

II

Picture for 1978

Table 1 provides the data on the phasing of capital expenditures of projects sanctioned by the three major term lending institutions — IDBI, ICICI and IFCI.[8] Read horizontally, each row shows the expenditures to be incurred in the various years by companies whose projetcs were approved in a particular year. These include normal as well as project capital expenditures in the case of old companies and project expenditures in the case of new companies. Read vertically, each element indicates expenditures to be incurred in a year out of projects sanctioned in a previous year. The total of each vertical column indicates the expenditures to be incurred in a particular year out of projects sanctioned in all the years.

From Table 1 it can be noticed that the capital expenditures in 1978 will be Rs 1,014 crores as against Rs [illegible] crores estimated at this point for 1977. This would imply a growth rate of six per cent. It may, however, be noted that the estimates for 1977 as of now is Rs 1,011 crores. This includes Rs 56 crores spent in 1977 on projects sanctioned in 1978. The estimates for 1978 would also go up by a more or less similar amount when the projects sanctioned in 1979 are known. Therefore one can conclude that corporate investment in 1978 rose by six per cent over the level reached in 1977. This also confirms the forecast made last year of a rise between five per cent and eight per cent.

All the capital expenditures indicated are in current prices. The cost estimates of projects sanctioned in any year would be at the price level of that year. Thus, while aggregating the estimates of projects sanctioned in the previous years, there is need to reduce all the figures to a common price level. We have deflated all the elements in the columns by the combined price index of electrical machinery, non-electrical machinery and transport equipment with 1960-61 as 100. It is seen that the total capital expenditures for 1975, 1976 and 1977 would be Rs 244 crores, Rs 292 crores and Rs 408 crores, respectively. The total capital expenditures for 1978 in real terms will also show a rise of six per cent over the level achieved in 1977.

The estimates provided are based on projects approved by the all-India institutions. There are cases where the financing of projects even in the corporate sector is done by state-level term lending institutions. However, we have found it difficult to collect at this point detailed data on such projects. Also there are other facilities such as the bill rediscounting scheme of IDBI which also finance capital expenditures. The total amount disbursed by IDBI during 1977-78 under the scheme of rediscounting of bills came to Rs 100 crores.

TABLE 3: INDUSTRYWISE TOTAL CAPITAL COST AND PHASING OF CAPITAL EXPENDITURE ON PROJECTS SANCTIONED BY IDBI AND ICICI DURING 1978

(Rupees in crores)

Industry	Total Project Cost	Years					Number of Projects	Completion Expected in			
		1977	1978	1979	1980	1981 and Onwards		Same Year	Next Year	Year After	Four or More Years
Automobile and cycles	12.45 (1.13)	—	1.83	5.70	4.47	0.45	6	2	2	1	1
Cement	88.04 (8.00)	2 90	11.68	16.63	29.78	27.05	6	1	2	2	1
Chemicals and Petrochemicals (except fertilisers and pesticides)	70.25 (6.38)	5.68	17.45	37.11	10.01	—	27	11	12	4	—
Electrical equipment	25.17 (2.29)	0.56	7.77	10.30	6.52	0.02	20	3	12	4	1
Electricity, gas and steam	303.40 (27.56)	—	28.63	75.70	118.61	80.46	3	—	—	1	2
Fertilisers and pesticides	17.74 (1.61)	1.26	2.00	4.98	2 00	7.50	6	—	4	1	1
Food products (other than sugar)	3.06 (0.28)	—	1.59	—	0.47	1.00	3	2	—	—	1
Glass, pottery, etc	25.21 (2.29)	3.10	5.78	12.00	4.33		5	—	2	3	—
Machinery manufacture (other than electrical)	24.14 (2.19)	2.13	10.58	8.51	1.73	1.19	27	4	19	2	2
Metals and metal products	242.54 (22.03)	2.08	51.14	71.67	56.50	61.15	43	12	22	4	5
Printing and publishing	2.20 (0.20)	—	2.10	0.10			3	2	1	—	—
Pulp, paper and paper products	31.50 (2.86)	1.53	11.26	16.91	1.77	0.03	13	2	7	3	1
Rubber products	13.42 (1.22)	—	1.19	10.62	1.61	—	5	1	3	1	—
Shipping	—	—	—	—	—	—	—	—	—	—	—
Sugar	25.82 (2.35)	10.22	5.66	9.48	0.41	0.05	10	1	7	2	
Textiles	206.59 (18.77)	8.33	60.37	97.92	37.71	2.26	81	14	38	26	3
Wood, cork, and hardboard	—	—	—	—	—	—	—	—	—	—	—
Miscellaneous	9.31 (0.84)	0.88	5.28	2.30	0 70	0.15	13	3	7	2	1
Total	1100.84	38.67	224.31	379.93	276.62	181.31	271	58	138	56	19

Note : Figures in brackets are percentages of total.

III

Pattern of Capital Expenditure in 1978

Table 2 provides an industrywise break-up of the capital expenditures incurred in 1978. 'Chemicals' and 'pharmaceuticals' (including fertilisers and pesticides) have topped the list with 19 per cent of the total capital expenditures. 'Paper' ranks second with 14 cent of the total capital expenditures. 'Textiles' and 'cement' account for a slightly larger proportion of the total expenditures in 1978 than in 1977.

Table 3 indicates an industrywise analysis of the projects sanctioned in 1978. It shows where the new projects are being set up. The total number of projects approved in 1978 was 271 as compared with 302 during 1977. In the previous year there was a sharp rise in the number of relatively small loans granted. During 1978 there were 78 soft loans and about 30 TDF projects. The total cost of projects sanctioned in 1978 came to Rs 1,100 crores which is more or less equal to the total cost of projects sanctioned in 1977. In the previous year, 18 joint sector projects including a giant fertiliser project accounted for 33 per cent of the total cost of the projects. But during 1978 the joint sector projects contributed only seven per cent of the total cost. The total cost of the projects coming under the soft loan scheme was Rs 183 crores.

There is also a marked difference in the composition of industries assisted during the current year as compared with previous year. The two major industrial sectors in which new projects were being initiated in 1977 were fertilisers and pulp and paper. During 1978 electricity generation is the major sector accounting for 28 per cent of the total cost of the projects initiated. Next comes metal and metal products with 22 per cent; textiles account for 19 per cent and cement 8 per cent.

There were seven projects sanctioned during 1978 with a capital cost of more than Rs 20 crores each. These seven projects include projects in electricity generation, steel expansion and cement production. These projects accounted for 55 per cent of the total cost of the projects.

IV

Forecast for 1979

As of now, based on the projects sanctioned until the end of 1978, the capital expenditures in 1979 will be Rs 747 crores. Thus there is a gap of Rs 268 crores to be filled in to come up to the level of 1978. Since normally the capital expenditures to be incurred in a year out of the projects sanctioned in that year itself does not exceed Rs 250 crores, it is unlikely that the corporate investment in 1979 will exceed the level reached in 1978. Of course, there is an exception when in 1977 there was a very substantial amount of capital expenditures incurred in that year flowing out of projects sanctioned in that year. But this is an exception rather than the rule. Therefore, based on past general behaviour, it is hard to expect more than Rs 270 crores of capital expenditures in 1979 out of the projects to be sanctioned in that year. Therefore our conclusion is that corporate investment in 1979 will stay at the level reached in 1978.

Notes

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1 Samuel Paul and C Rangarajan, "Short Term Investment Forecasting", Macmillan, 1974.
C Rangarajan, "Forecasting Capital Expenditures in the Corporate Sector", *Economic and Political Weekly*, December 19, 1970. "Investment in Private Corporate Sector in 1972: A Forecast", *Economic and Political Weekly*, February 26, 1972. "Capital Expenditures in Corporate Sector: Forecast for 1974", *Economic and Political Weekly*, August 31, 1974. "Capital Expenditure by Corporate Sector: A Forecast for 1975", *The Economic Times*, February 26, 1975. "Corporate Investment in 1976: A Forecast", *Economic and Political Weekly*, February 28, 1976. "Corporate Investment in 1977: A Forecast", *Economic and Political Weekly*, April 2, 1977. "Private Corporate Investment in 1978: A Forecast", *Economic and Political Weekly*, March 11, 1978.

2 For a discussion on this, see C Rangarajan and Kirit Patel, "On Constructing a New Series on Corporate Fixed Investment", Paper presented at the Annual Conference of the Association for Research in National Income and Wealth, January 1979.

3 For 1977 we have not been able to collect all data from all the term lending institutions. The data on projects sanctioned exclusively by IFCI remain to be collected. Since this is usually a small figure this should not affect the conclusions drawn.

Kirloskar Brothers

KIRLOSKAR BROTHERS has fared so well during 1978 that the board, known for its conservative distribution policy, has stepped up dividend from 6 per cent to 12 per cent. This is subject to the approval of the financial institutions, although it enjoys a more than twofold earnings cover. Demand for the company's products, continues to be satisfactory and the management expects that the current year will prove even more profitable. Shortage of raw material, however, is causing some anxiety. The company intends to replace the existing old plant in the foundry at Kirloskarvadi and has approached ICICI, IDBI and IFCI, who have together sanctioned a soft loan of Rs. 96 lakhs. The balance requirement of Rs 24 lakhs will be met from the recent rights issue of equity shares made in the proportion 1:2. The company is participating in a new joint venture in association with Sigmund Pulsometer Pumps of UK who has been acting as sole distributor for the company for UK and Western Europe. SPP has now proposed that a separate marketing company be formed under the name 'SPP International' for handling the sale of certain types of pumps manufactured by the company and certain other products developed with the help of SPP and manufactured by the company. SPP has offered a part of the equity capital of SPPI to the company. By accepting the offer, the company will be able to share in the profits of the trading activity. During 1977-78, the company invested Mauritian Rs 84,000 in the equity shares of Hydrodyne, Mauritius, by supply of machinery and equipment of that value which represents 70 per cent of the equity capital of that company which has thus become its subsidiary. Sale or pumps manufactured by Hydrodyne will commence during the current year. The Company has received government's approval for equity participation in Kirloskar Kenya, a trading joint venture in Kenya.

Bonded Labour and Illicit Money-lending in Maharashtra

Review of a Report

S D Kulkarni

Though spokesmen for the Government of Maharashtra have more than once officially denied on the floor of the state assembly that the system of bonded labour does not exist in Maharashtra in any form, it is a well-known fact that the practice of bonded labour does exist in the State; and accounts of the practice, supported by unimpeachable data, have also been published. That the government itself was not quite convinced of its denials of the practice was evident in the appointment of a Committee by the state government to examine the problem of illicit money-lending in the state, but which was also asked "to investigate whether the system of bonded labour still exists in the state... and to suggest ways and means to eradicate the system".

This article briefly examines the background to the appointment of this Committee and presents a critical summary of its findings.

THE British practice of appointing a Committee whenever a complex problem that evades simple solution arises continues in independent India. Committees are being appointed on so large a scale that even those who appoint them appear to forget their work. Committee Reports have proved to be a mine of data for researchers. One has only to glance at the recently published annotated bibliography of the economic history of India to see the range and depth of variety of subjects covered by these Committee Reports.[1]

Of course, not all the Committee Reports can be equally good. Some are good, some are not so good while some are not at all good. The Report of the Committee appointed by the Government of Maharashtra on Problems of Illicit Money-lending and Bonded Labour would come under the last category.

The Background

First, the background to the appointment of this Committee. The issue of bonded labour came into limelight during Emergency; the fourth point of the 20-Point Programme declared that "bonded labour, wherever it exists, will be declared illegal".

To implement this part of the programme, the Government of India issued the Bonded Labour System (Abolition) Ordinance on October 24, 1975. It was later on passed as an Act (19 of 1976). The Act defined the system of bonded labour in a very exhaustive manner. Two main characteristics of bonded labour were cited as (1) the loss of freedom to work in consideration of an advance or social obligation; and (2) work on wage rate lower than the one prevailing in the market in consideration of the loan and interest. The definition of bonded labour also covered the forfeiture of the debtor's right to sell at market value any property or the product of his labour. This brought the system of *palemod* (agreement to sell standing crops against a loan) prevalent in Maharashtra under the term of bonded labour. The Act declared the system of bonded labour as illegal and discharged all bonded labourers from any obligation to render labour. It also extinguished their liability to repay debts. Any creditor who accepted any payment against any bonded debt was made liable to imprisonment upto three years and fine. The Act also made provision for the constitution of vigilance committees to look after the implementation of its provisions.

After the declaration of the 20-point programme, several governments published reports on its implementation. The Government of Maharashtra simply denied the existence of the system of bonded labour in the State and evaded the entire issue. Several reports of the Commissioner for the Scheduled Castes and the Scheduled Tribes had pointed out the prevalence of the system in Maharashtra.[2] In spite of this evidence, the then Finance Minister, Y J Mohite, in his budget speech before the Legislative Assembly, said that "The bonded labour system is not prevalent in Maharashtra. However, to make sure that such labour in any form does not exist in the state, enquiries are being made through the Tribal Commissioner and the Director of Social Welfare".[3] Similar statements were made by other ministers in the Legislature and outside. It is surprising that neither the government nor any member of the Legislature was aware of the statements made in the Reports of the SC and ST Commissioner. This attitude of the government came in the way of the eradication of the system. It is pointed out in the Report under review that "the Government of Maharashtra had denied that bonded labour system existed in Maharashtra in any form. As such the state government did not make any efforts to conduct any survey to ascertain the actual position in this regard, nor any other social service or research organisation made any investigation into this problem" (pp 20-21).

Certain newspapers, however, reported cases of bonded labour in different areas of the state. Bhoomi Sena, an organisation of Adivasis in Palghar tahsil, conducted a survey of bonded labourers in 20 villages and found 261 identifiable cases of bonded labour.[4] It submitted more than 100 applications of bonded labourers for discharge from the bondage.

The state government, while considering the recommendations of the Shivaraman Committee on consumption credit, decided to appoint a Committee to examine the problem of illicit money-lending in the State. This Committee was also asked "to investigate whether the system of bonded labour still exists in this state and, if so, in what form, and to examine the circumstances leading to the system of bonded labour and to suggest ways and means to eradicate this system".[5] The Committee was asked to submit its report within three months. This period was extended to May 31, 1977 and was further extended to October 31, 1977. The Committee submitted its report in October 1977 that is nearly one year after its appointment. Summaries of

the Report, [illegible] is November, 1977.

The Report

The Report is divided into five chapters. The first chapter gives general information on the composition and the working of the Committee. The second chapter gives the background of the bonded labour system and legal measures taken to eradicate it. The third chapter describes the practices of bonded labour in Maharashtra. The fourth chapter is about the practices of illicit money-lending while the fifth gives a summary of conclusions and the recommendations made by the Committee.

The Committee traces the origin of the bonded labour system "to caste hierarchy and feudal structure". It points out that the victims of the bonded labour system are "found largely among adivasis, scheduled castes and other economically weaker sections of the society". The statements are general and vague. It would have been better if the Committee had noted the role of some laws introduced under British rule in creating the system of bonded labour.

Following the directive given by the British Parliament in 1833 (3 and 4 William IV, Cap 85, 1833) the Government of India passed an Act to abolish slavery in 1843 (Act 5 of 1843). Bonded labour system came into existence after the abolition of slavery. Some of the laws helped to create the system of bonded labour. An Act to provide for the breaches of contract by artificers, workers and labourers in certain cases (Act 13 of 1859) made the breach of contract for service after receiving an advance a criminal offence punishable with imprisonment. Landlords, merchants and master craftsmen took advantage of this Act and held labourers in virtual bondage under the threat of imprisonment. Another Act passed in the same year, the Civil Procedure Code, had also the same effect. Section 200 of the Code made provision for the execution of decree by attachment of property or by imprisonment of the party against whom the decree is made. Landlords and money-lenders used this provision to hold labourers in bondage.[8] The Act to provide for the breaches of contract was repealed in part in 1874 and altogether in 1925. Section 200 of the Civil Procedure Code was amended by the Deccan Agriculturists Relief Act of 1879.

The Committee should have also noted the laws made to abolish bonded labour system in other states. The Government of Bihar and [illegible] the Bihar and Orissa Kam[illegible] of in 1920 and prohibited all agreements to work in return for advances and loans or payment of interest. The Government of Orissa promulgated the Orissa Bondage Abolition Regulation Act in 1948 to abolish the system of *gothi* prevalent in the state. The Government of Rajasthan passed the Rajasthan Sagri System Abolition Act in 1961 to abolish the system of bonded labour in the state. All these Acts achieved only a partial success. The Committee should have tried to examine the provisions and effects of these Acts.

The Committee has also failed to take notice of an important provision of an Act of the state of Maharashtra that deals with bonded labour agreements. The Government of Maharashtra promulgated the Maharashtra Debt Relief Ordinance on August 22, 1975. Section 4 of this Ordinance declared that "any custom or tradition or any agreement (whether made before or after the appointed day), whereunder or by virtue of which a debtor or any member of his family is required to work as labourer or otherwise for the creditor shall be void and of no effect and shall never be enforceable in any Civil Court" (Ordinance 7 of 1975). The Ordinance with some changes was passed as an Act (3 of 1976). The Government was empowered to extend the two year period of the operation of the Act by another Act in 1977 (40 of 1977). The omission to mention this provision is very surprising and shows gross carelessness.

The third chapter tries to describe the system of bonded labour in Maharashtra. We have already pointed out that the Committee mentions that neither the government nor the social service or research organisations made any investigation into this problem. This does not speak well of the research institutions, some of whom claim international reputation, and also of the government departments. One wonders why the government sponsored Tribal Research and Training Institute also did nothing in this matter.

The Committee also failed to do much in the matter. It relied mainly on visits to certain areas and has recorded their impressions in the Report. The chapter, therefore, reads like the description of a tour rather than a Committee Report. The Committee refers to two articles in Marathi weeklies. One of these is the article in *Manus* referred to above. It is surprising that the Committee did not find it necessary to make inquiries in Palghar tahsil where over a hundred cases of bonded labourers were reported.

The Report mentions that the Committee in its meeting at Thane was informed by the Labour Officer that 891 complaints regarding bonded labour were received from the area and that 459 persons were freed from bondage. One wishes that it had given some details of the cases that could not be settled and the bonded persons freed. It appears from the Report that the government had appointed Vigilance Committees under the Bonded Labour System (Abolition) Act. Were the complaints referred to these committees and, if so, what were the steps taken by them in different districts?

The experience of Bhoomi Sena workers who submitted several petitions of bonded labourers to Palghar talsil office is that in many cases the papers were sent to the village *talathi* (circle inspector) who called the bonded labourer and told him that he was free to work anywhere. The message was also conveyed to the employers. At no time any inquiry was made by any member of the Vigilance Committee at the district level.

The Report describes different forms of bonded labour in different districts. The system of *lagna-gadis* (marriage debt labourer) is prevalent in Thana and Nasik districts. Under the *lamzana* system among the tribals in Amravati district, the bridegroom who cannot pay the bride-price works in the house of the bride's father for a stipulated period. This is a sort of bonded labour but it cannot be dealt with by law. The Committee notes that lack of adequate employment is the root cause of the bonded labour system. It is a general notion that the employers give work to bonded labourers all the year. This is not always the case. In lean season when the employer cannot provide work to the bonded labourers he asks them to seek work elsewhere and does not pay them the stipulated wage in cash or kind for these days. In some cases, when the labourers work under the Employment Guarantee Scheme, the earnings are handed over to the employer in exchange of customary wage (p 44). The Committee has come to the conclusion that "bonded labour system in various forms exists in Maharashtra, specially in adivasi areas of the state".

The Committee has also referred to the system of forced labour. Under this system labour is rendered not in return of any consideration but under certain customary social obligations. The Tata Institute of Social Sciences conducted a survey of bonded labour in

three tahsils of Chandrapur district and Thane district each. This Report of this survey is presented as Annexure III to the Report under review. The Report gives some cases of forced labour. In some forest villages forest guards force tribals to work on job without any payment. In some cases if a husband is given a job in the forest the wife is supposed to give free labour (p 96). In some cases small farmers have to keep aside their work and work for some big farmers on nominal wages. Refusal to do such work results in serious beating (p 99).

The fourth chapter describes different practices of money-lending prevalent in the state. The chapter also describes the provisions of laws controlling money-lending in the state. The Maharashtra Debt Relief Act (3 of 1976) is referred to in this Chapter. As stated earlier there is no mention of the provision that prohibits bonded labour. One wishes that the Committee was more careful and precise in its mentioning of the title of the Act and in its references to it. According to the Committee, "the Government of Maharashtra passed the Debt Relief Act of 1975 which came into force on 22-8-1975" (p 50). In fact it was not the Act but the Ordinance that came into force on August 22, 1975. The Ordinance was later passed as an Act. And the correct title of the Act is not the 'Debt Relief Act of 1975' but 'the Maharashtra Debt Relief Act of 1976' (3 of 1976). Such mistakes should not be made in a Committee Report that is likely to be read and referred to for a number of years.

The government made certain amendments in the Bombay Money-lenders Act of 1946 (31 of 1947) by passing the Bombay Money-lenders (Amendment) Act, 1975 (76 of 1975). The amendments came into force on July 29, 1976. These amendments are described in the chapter.

The fifth chapter gives the conclusions and recommendations. The Committee has rightly pointed out that bonded labour and illicit money-lending are the results of extreme poverty and can be eradicated by "improving economic, cultural, religious and social conditions of the weaker sections of the community" (p 72). One fails to understand what the Committee means by improving the 'religious' conditions of the weaker sections of the community. Does it mean conversion to some religion? The Committee "recommends that district-wise surveys should be undertaken by the Social Welfare Department of the state government or by the Tribal Research Training Institute, Pune or by recognised social service organisations working for the benefit of backward class communities, to identify bonded labourers in each district" (p 72). The recommendation is very good. But what is a 'recognised' social service organisation? What note has been taken of surveys made by organisations like Bhoomi Sena? The Committee has also recommended a time bound programme for the spread of literacy and education in the tribal and backward areas on a priority basis. The Committee has also recommended a provision of guaranteed employment to every able-bodied person. It recommends a total ban on money-lending in tribal and backward areas. It also recommends a ban on private trading in foodgrains in tribal and other backward areas.

Some Conclusions

One feels that the Committee should have recommended that the bonded labour contracts should not only be declared void but should be made punishable.

In brief, the Committee has done a bad job of a good undertaking. The Report is full of mis-statements and inaccuracies. The Committee is not clear as to what bonded labour is. For example, in the chapter on bonded labour system in Maharashtra, it is stated that the Committee was informed by the Prant Officer, Thane that it found that a person sitting near the muster-clerk paying wages was collecting some amounts due to the local money-lender (p 23). This is no doubt against the rules but this is not bonded labour. Illegal and improper recovery of loan by itself is not bonded labour. The Report lacks depth expected of a committee of experts.

The Committee submitted its report to the Government of Maharashtra something in October 1977. However, the government has not announced either the acceptance or rejection of these recommendations. The legislature has not found time to discuss it. A new government has assumed office. To undo the old 20-point Programme, the new government has declared a 40-point Programme in which there is no mention of any programme for bonded labourers. It appears that those who drafted this programme believed the earlier official stand that there was no bonded labour in the state. They had not heard of the Committee on Problems of Illicit money-lending and Bonded Labour nor of its Report submitted nearly eight months before the drafting of the programme.

The Gandhi Peace Foundation and the National Labour Institute are conducting a survey of bonded labour in India. According to their provisional estimates, the number of bonded labourers in Maharashtra would be about 1.05 lakhs. But how can one expect the coalition of parties that now rules the state, and which does not even know the existence of the problem of bonded labour, to solve it?

Notes

1 "Annotated Bibliography on the Economic History of India" (1500-1947), published jointly by the Gokhale Institute of Politics and Economics, Pune, and the ICSSR, New Delhi: Volume II Part 6.
2 For example, the Reports for years 1960-61, 1962-63, 1963-64, 1964-65, 1965-66, and 1968-69.
3 *Lokrajya*, April 1, 1976, p 37.
4 Two articles based on the survey have been published. (1) *Manus* (Marathi) November 13, 1976 pp 2-3, (2) Husain Dalwai, 'Bonded Labour Continues', *EPW*, May 28, 1977, pp 868-69.
5 Government Resolution CCR-1676/30193/2-C of November 9, 1976.
6 See S D Kulkarni, 'Over a Century of tyranny', *EPW*, March 9, 1974, pp 389-392 for some cases of bonded labourers under these Acts.

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THIS BUDGET AND THOSE

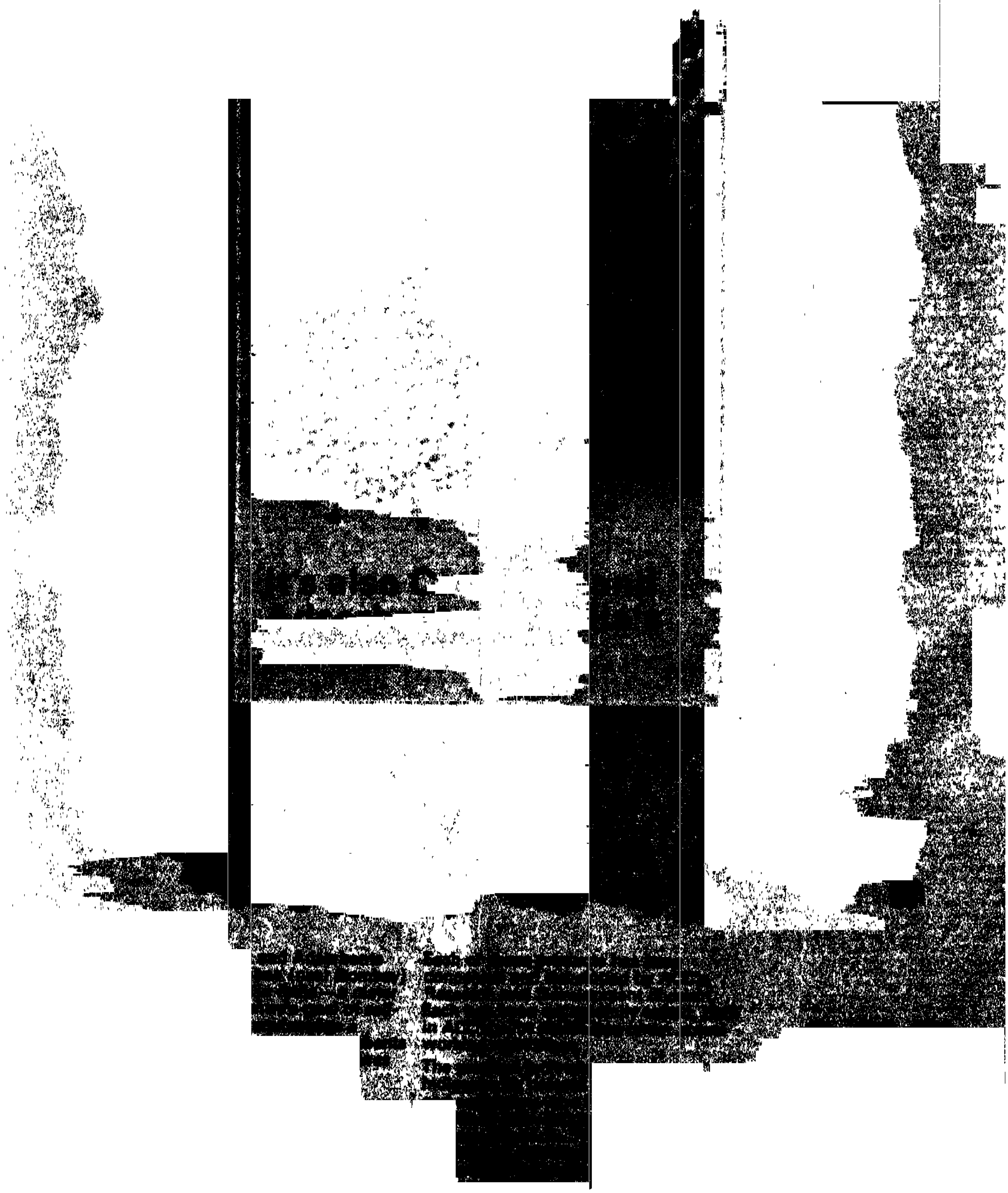
BONDED LABOUR ASTIR IN BIHAR

SOUTH KOREA: THE ENTREPRENEURIAL STATE

TRIBAL PEASANTS IN TRANSITION

INDO-USSR RELATIONS

-ABOUR ABSORPTION IN PUNJAB AGRICULTURE



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THE Jekyll and Hyde act of the IMF has now become a permanent feature. Actually as far as the poor countries are concerned, there is little to choose between the two faces of the Fund. If the Interim Committee's main purpose is to foster and promote the existing perverse pattern of things, the Development Committee merely serves to put a facade of good intentions of rectifying the perversities. But, every one knows by now, it is no more than a facade.

Again the two committees have met. The most important outcome of the meetings has been the agreement in the Interim Committee to give the green signal for the establishment of the Substitution Account. The Fund's Board of executive directors has been authorised to work out the details of such an Account.

The Committee of 20 had also spoken of the need, under a reformed world monetary system, to establish appropriate arrangements to ensure sufficient control over the aggregate volume of official currency holdings. In this context the Committee noted the possible existence of an overhang of certain currency balances "at the restoration of general convertibility" and the need for the establishment of a Substitution Account through which SDRs may be issued in exchange for certain reserve currencies. This would, it was felt, reduce the general role of the reserve currencies and strengthen the position of SDRs.

Under the illustrative scheme drawn up by the Committee of 20, the official holders of foreign exchange are entitled to buy SDRs in return for the foreign exchange they surrender to the Account. Even issuers of the reserve currencies, for which the Account is established, can buy SDRs in exchange for such currencies to the extent of the decrease in their official liabilities below a maximum level to be agreed, "which would be the level existing at the time that the Account is established". While the scheme did not envisage any sale of currencies out of the Account, it was to have provision for the reserve issuers to amortise the balances of their currencies held in the Account.

Though the Substitution Account was thus mooted in 1974, the US was not very enthusiastic about it. To agree to the establishment of a Substitution Account would have meant acceptance of defeat for the dollar. It would have meant acceptance of the notion that the dollar was no longer good enough to be acceptable as a reserve currency. At the practical level, it would have meant surrendering the right to borrow in future on the basis its *short-term obligations*, a right it has exercised in abundant measure since the early 1950s. The increase in US liquid liabilities abroad over the past 28 years, since 1951 that is, has amounted to some \$ 200 billion. In addition, Eurodollar obligations had been incurred through the overseas branches and subsidiaries of US commercial banks and these obligations now amount to something like \$ 350 billion.

The fact that the US is now agreeable to the establishment of a Substitution Account may be taken by some as signalling the end of the suzerainty or supremacy of the dollar. After all, it may be argued, the dollar has had to suffer some very ignominous declines in its exchange rates with several other currencies, particularly in the past 12 months or so.

Or does it represent a mere change of stance by the US? Firstly, it is not clear whether by agreeing to the establishment of the Substitution Account, the US is at the same time accepting the obligations (a) not to allow its short-term obligations abroad to cross the point it has now reached; and (b) to gradually reduce these obligations hereafter. Secondly, it is not sufficiently realised that the major factor which enabled the US to borrow abroad in such abundant measure was the continuing willingness, indeed anxiety, on the part of the reserve accumulating countries to hold dollar balances. If this tendency persists what is there to prevent the US, in collusion with the reserve accumulating countries, to find other ways and means of creating dollar balances? In any case, increasing resort to Eurodollar deposits is always possible. Thirdly, it is not sufficiently recognised that SDRs do not offer a particularly more attractive form of investment than dollars. The SDRs' value has been virtually tied to the dollar through the basket-formula. The SDR value of the dollar declined by only 2.6 per cent between end-1973 and June-end 1978, whereas in the same period the gold value of the dollar declined by 75 per cent (representing a four-fold rise in the dollar value of gold). Never was a greater farce invented, to put it dramatically. Moreover, the SDR carries an interest which is always less than the short-term rates on major currency obligations. In any case,

... issue hereafter ... dollars and other potential reserve currencies.

So the establishment of the Substitution Account may well be meant as another sop. But in the process one aspect of the present goings on in the monetary arena will have been revealed, namely that anything that suits the rich countries is acceptable, notwithstanding its blatant regressive character. After all, allowing $ 200 billion to be converted into SDRs would amount to extending multilateral credit to the richest country of the world. The link is there for any but the blind to see. And the other link which the poor countries spoke about has been buried deep.

Credit Policy

Writing on Sand

TOWARDS the end of November last year the Reserve Bank called in commercial bankers and told them to confine additional credit between December 1, 1978, and March 31, 1979, to "well within" 40 per cent of the growth in their deposits during the period. The Reserve Bank had taken alarm at the rapid increase in bank credit during the eight weeks preceding mid-November. To underscore its seriousness, it raised the statutory liquidity ratio from 33 to 34 per cent. According to the rules of the game, when the Reserve Bank sneezes the commercial banks should catch pneumonia. However, during the quarter after the November meeting, the banks have not pretended to even a modest cold. The pace of credit expansion has matched expansion of deposits, including demand deposits. To save face, the Reserve Bank has now explained that its stipulation that incremental credit-deposit ratio should be less than 40 per cent was not meant to be taken too rigidly. Further, it has even gone on to make excuses on behalf of banks by pointing out that "banks require a better monitoring system...".

So the Reserve Bank's revised prescription of March 15, which leaves ambiguous the question of any particular credit-deposit ratio to be aimed at, is that "internal machinery of data collecting and monitoring in banks must be strengthened to keep a close watch over credit expansion week by week". There is also the mandatory reference to 'greater' scrutiny of accounts with credit limits of Rs 50 lakhs and above so that, wherever utilisation has reached 60/65 per cent, "further" credit ... production or ... commitment. For good measure, it is also stipulated that defaults in statutory liquidity ratio would bar access to refinance and defaulters who, as on March 30, have drawn on refinance would have to pay penal interest of an additional three per cent on refinance equivalent to the shortfall in the statutory ratio. But what passes comprehension is how the Reserve Bank can formalise defaults in the *statutory* liquidity ratio. That apart, the emphasis of credit policy is clearly on monitoring credit above a certain ratio and not on "greater scrutiny". The cut-off point of "60/65 per cent" is also not exactly low, considering that the average utilisation ratio is around 60 per cent.

A key portion of the credit policy statement of March 15 suggests reallocation of credit: "There would be additional sizeable seasonal requirements of credit in respect of commodities like foodgrain, sugar, cotton, tobacco and tea in the next few months. These needs will have to be met. Hence it is all the more necessary that credit to other borrowers who had already drawn heavily on the banking system should be carefully regulated to meet only the most essential requirements." While credit regulation has been suggested with respect to heavy drawings, banks have been cautioned that such regulation should be effected "carefully". What if the regulation does not yield enough for significant reallocation of credit to meet seasonal requirements? Besides additional deposits — triggered by sizeable deficit financing by the government — there would always be 'discretionary' refinance, the only bar to its availability presumably being fulfilment of the statutory liquidity ratio.

Including additional food credit of Rs 365 crores, bank credit to the commercial sector increased by Rs 3,548 crores, or 16.7 per cent, between the end of March 1978 and February 23, 1979, against Rs 1,920 crores (including food credit Rs 69 crores), or 10.2 per cent, in the corresponding period of 1977-78. Supporting the credit expansion during 1978-79 was a rise in demand and time deposits by Rs 4,399 crores. Incremental credit-deposit ratio during 1978-79 has thus been close to 80 per cent. This increase in the face of liquidity requirements which pre-empt about 40 per cent of additional deposits has been something of a feat. It has taken place with the connivance of the Reserve Bank which has allowed the banks to ... issue ... ces, banks have ... for bringing in funds from institutions like the LIC and others and thus boosted credit. Banks have also manipulated deposit growth through inter-bank arrangements. Had banks been denied such freedom, they would have had to approach the Reserve Bank for discretionary finance on a scale which, if met, would have been embarrassing for the central banking authority. By turning a blind eye to the banks' manoeuvres, the Reserve Bank has saved itself this embarrassment and kept up the pretence of tightly controlling banks' borrowings from it.

The Plan

Rhetoric Belied

THE total Plan outlay of the Centre, the states, and the union territories in 1979-80 has been fixed at Rs 12,511 crores, a modest increase of 7.4 per cent over the outlay of Rs 11,649 crores fixed for 1978-79. The outlay provided in the first two years of the Sixth Plan is thus about 35 per cent of the total public sector outlay of Rs 69,380 crores fixed for the five-year period. Thus, as with earlier Five-Year Plans, the five-year target of financial outlay may be fulfilled. However, what is known about the progress of different Plan projects and programmes in real terms in 1978-79 is a clear warning that, once again as in the past, large shortfalls are inevitable in the achievement of the physical targets.

Of the total Plan outlay fixed for 1979-80, Rs 6,412 crores will be on the Centre Plan and Rs 6,099 on the Plans of the states (including the union territories). There will thus be a rise of 13.2 per cent in the size of the Central Plan, but of only 1.9 per cent in that of the state Plans. The decline in the relative size of the state Plans is one of the interesting features of the 1979-80 Plan. In the 1978-79 Plan, the states had accounted for more than half of the total outlay, 51.4 per cent to be precise. In 1979-80, the states' share of total Plan outlay will come down to 48.5 per cent.

Central assistance for the Plans of the states in 1979-80 has been fixed at Rs 2,300 crores, compared to the budget estimate of Rs 2,761 crores and the revised estimate of Rs 3,112 crores in 1978-79. The states will, therefore, have to finance 62.3 per cent of their Plan outlay in 1979-80 out of their own resources, compared to 53.9 per

cent in [illegible]

The cut in Central assistance for state Plans has presumably been made after taking account of the larger devolution of tax revenues from the Centre to the states, following the recommendations of the Seventh Finance Commission. On the whole, however, it is clear that the changes wrought by the Finance Commission have not made possible any worthwhile increase in the outlay on the states' Plans. This is because much of what the states have gained on the swings as a result of the Commission's award, they have lost on the roundabouts. Thus while states' share of taxes and duties is put at Rs 3,440 crores in the 1979-80 budget, compared to Rs 2,020 in 1978-79 according to the budget estimates and Rs 1,957 according to the revised estimates, total grants and loans from the Centre to the states have declined to Rs 4,361 crores compared to Rs 5,017 crores in 1978-79 according to the budget estimates and Rs 5,337 crores according to the revised estimates. Taking into account the benefit to the states of the debt relief recommended by the Finance Commission, the total net transfer of resources from the Centre to the states and union territories in 1979-80 has been estimated at Rs 6,938 crores, compared to Rs 6,007 crores in 1978-79 according to the budget estimates and Rs 6,532 crores according to the revised estimates.

A second interesting feature of the Plan for 1979-80 is that despite the alleged pro-agriculture bias of the Janata government and particularly of Charan Singh's Union budget for 1979-80, the Plan outlay on agriculture and allied programmes shows only a meagre rise of 3.2 per cent over 1978-79 (see accompanying Table). As a result, the share of agriculture and allied programmes in the total Plan outlay declines from 15.1 per cent in 1978-79 to 14.5 per cent in 1979-80. Taking agriculture and allied programmes and irrigation together, their share of total Plan outlay goes down from 24 per cent in 1978-79 to 23.6 per cent in 1979-80. In both years, their share was lower than the 24.2 per cent share assigned to them in Draft Sixth Plan. By contrast, the share of large and medium industry and mining and transport and communications — fixed around 34.5 per cent in the Draft Plan — comes to 36 per cent in 1978-79 and 37.5 per cent in 1979-80.

[illegible] Development [illegible]

		1979-80	1978-79	Change in 1979-80 over 1978-79
(1)	Agriculture and allied programmes	1811 (14.5)	1754 (15.1)	+ 3.2
(2)	Irrigation	1141 (9.1)	1039 (8.9)	+ 9.8
(3)	Flood control	117 (0.9)	127 (1.1)	− 7.9
(4)	Power	2440 (19.5)	2197 (18.9)	+11.1
(5)	Village and small industries	287 (2.3)	219 (1.9)	+31.1
(6)	Industry and mining	2551 (20.4)	2414 (20.7)	+ 5.7
(7)	Transport and communications	2137 (17.1)	1782 (15.3)	+19.9
(8)	Education	275 (2.2)	413 (3.5)	−33.4
(9)	Medical and public health	385 (3.1)	393 (3.4)	− 2.0
(10)	Water supply and sanitation	427 (3.4)	338 (2.9)	+26.3
(11)	Housing	205 (1.6)	206 (1.8)	− 0.5
(12)	Urban development	130 (1.0)	133 (1.1)	− 2.3
(13)	Backward class welfare	90 (0.7)	96 (0.8)	− 6.3
(14)	Social welfare	27 (0.2)	29 (0.2)	− 6.9
(15)	Other programmes and services	315 (2.5)	351 (3.0)	−10.3
(16)	Tribal sub-plan	70 (0.6)	70 (0.6)	—
(17)	Hill areas programmes	55 (0.4)	53 (0.5)	+ 3.8
(18)	North-Eastern Council	47 (0.4)	36 (0.3)	+30.6
	Total	12511	11649	+ 7.4

Note: Figures in brackets are percentages of total Plan outlay.

A third feature of the Plan for 1979-80 is the relative and absolute decline in the outlay on most of the major programmes in the sphere of social services. The outlay on education, medical and public health programmes, water supply and sanitation, housing, urban development, welfare of backward classes, and social welfare, taken together is fixed at Rs 1,539 crores in 1979-80, compared to Rs 1,608 crores in 1978-79. Their share of total Plan outlay goes down from 13.8 per cent in 1978-79 to 12.3 per cent in 1979-80. This is indeed a development of considerable significance since, according to the government's and the Planning Commission's own thinking, these are the programmes which have a direct bearing on the condition of the poor.

Revised estimates of the likely total Plan outlay in 1978-79 are not yet available, but such estimates for the Central Plan are. The revised estimates show the outlay on the Central Plan in 1978-79 to have been Rs 5,392 crores — a shortfall of Rs 272 crores compared to the original provision of Rs 5,664 crores. There was a shortfall of Rs 184 crores or 8.1 per cent in the outlay on large and medium industry and minerals. Excluding the food-for-work programme, the outlay on which is expected to rise by Rs 70 crores over the Budget estimate of Rs 30 crores, the revised estimate of outlay on agriculture and allied services in the Central Plan in 1978-79 shows a shortfall of Rs 116 crores or 14.9 per cent over the original estimate. There is also a shortfall of Rs 68 crores or 8.6 per cent in the outlay on social and community services.

Available details of the Central Plan outlay on industry and minerals indicate a marked loss in the momentum of development of the petroleum industry. Not only is the revised estimate of Plan outlay on petroleum in 1978-79 Rs 109 crores or 19 per cent lower than the original provision of Rs 573 crores, but even the provision of Rs 575 crores in the Plan for 1979-80 shows hardly any increase over the level of Rs 562 crores estimated to have been achieved in 1977-78, the last year of the Fifth Plan. Referring to the decline in the revised estimate of Plan outlay on petroleum in 1978-79 over the original provision, the Ex-

planatory Memorandum to the Budget for 1979-80 admits to "rephasing and postponement of certain offshore activities [of the ONGC] in exploration" as well as to delay in the commissioning of the crude distillation unit of the Bongaigaon refinery.

Another important industry where the development effort in the public sector appears to have flagged is fertilisers. This is a matter for some concern, considering that in the five years ending 1977-78, the value of fertiliser imports into the industry averaged over Rs 400 crores per annum. There was a shortfall of 10.9 per cent in the Plan outlay on the public sector fertiliser industry in 1978-79, according to the revised estimates. Further, the outlay of Rs 254 crores provided in the 1979-80 Plan is substantially lower than that in 1977-78, Rs 279 crores. The Explanatory Memorandum to the 1979-80 Budget points out that there was delay in the sanctioning of the gas-based plant in the west coast, that the progress of the Trombay V Project was slow, that there had been 'slippages' in the Cochin II project and the project of the Hindustan Fertiliser Corporation and that the commissioning of the Bhatinda, Panipat and Nangal expansion scheme had all been delayed.

The Explanatory Memorandum refers to shortfalls also in the progress of many other major industrial projects. Thus there have been "delays in delivery of equipment, awarding work contracts, etc" in respect of the Nowgong, Cachar and Nagaland projects of Hindustan Paper Corporation. The progress of civil, structural and electrical works of the Nuclear Fuel Complex has been slow and there has been delay in the procurement of equipment. There is a shortfall of Rs 20 crores in the outlay on the Kudremukh project which is attributed to "delay in placement of orders for certian electrical equipment and changes made in specifications". Under mines and minerals, there are significant shortfalls in respect of Neyveli Lignite Corporation (Rs 11.49 crores) due to delay in ordering equipment for any schemes, Mineral Exploration Corporation (Rs 3.5 crores), Bharat Aluminium (Rs 2 crores) due to lowering of production target for the current year and Bharat Gold Mines (Rs 1.3 crores).

The budget can, however, give only a [illegible] view of the progress of development programmes and projects, since even when actual expenditure equals or exceeds the budgetary estimate, there may be significant shortfalls in the progress in real terms due to rise in project costs. Such cases escape budgetary scrutiny which focuses only on the progress of financial outlays in comparison with budgetary provisions.

West Asia

Playing for High Stakes

THE 'peace treaty' that is to be signed between Egypt and Israel marks the logical culmination of a series of steps taken by Egypt in the past five years to arrive at a separate settlement with Israel. It is also a most notable instance of successful US diplomacy whose aim has been to somehow detach Egypt from the historic Arab position that there can be no settlement in West Asia without the recognition of the legitimate rights of the Palestinian people. Despite being constantly engaged in *mutual rivalries and conspiracies*, the Arab states had always been united on the question of Palestine; and it was most important that this unity had to be breached. The finesse and sophistication of US diplomacy can be seeen in the unrelenting pressure it brought upon Egypt to shift, step by step, from the historic position; and the impression it created successfully that even as Egypt was being subjected to these pressures, it was Israel (which had made few concessions) that was being pressured so resile from its rigid stand that there can be no negotiations unless its own legitimacy in the heart of Arab lands was recognised. In fact, it is doubtful whether as a consequence of this settlement even the limited gains that Egypt hopes to make can be realised; and the vacation of Sinai is to be spread over three years. As for West Bank and Jerusalem, the Israeli Prime Minister has announced that "there will be no border in the land of Israel" — which means that Israel does not in the least intend to relax its tight control on the West Bank and that the idea that the US has tried to sell to the Arabs that such an 'autonomous' and eventually 'independent' Palestinian state on the West Bank would emerge is so much prevarication. On Jerusalem, of course, the Israeli Prime Minister has emphatically maintained that the city would be the 'eternal capital' of the land of Israel.

There are of course many unresolved problems; the timetable for the 'self governing authority' that is supposed to emerge in the West Bank and Gaza remains as vague and riddled with contrary understandings as before; Israel has rejected the Egyptian demand that it should be allowed to station military liaison officers in Gaza; nor has [illegible] over whether the forthcoming Egypt-Israeli treaty should prevail over any other commitments Egypt might have to other Arab states. Israel insists that it should be so while Egypt would like to pretend to the world that it continues to attach greater importance to its commitment to other Arab states. And of course, the larger question of the Palestinians — surely the key to any viable settlement in West Asia — is left hanging in the air. All this is well known and yet Egypt has at every stage acquiesced in Israeli demands and plunged headlong into compromise after compromise.

But despite the notable success US diplomacy has achieved in finally getting Egypt and Israel to agree, under its aegis, to sign a separate peace treaty, it should be obvious that this is by no means the end of the story. For the reality of Palestinians and the strong feelings that their cause evokes among Arab masses including those in Egypt is something that no paperwork can wish away. Sadat's retreat from the Arab position has been of so dramatic and total a kind that even the most conservative Arab states have not dared to back him openly. Till now, it has only been Hassan of Morocco (who along with Sadat continues to be a loyal supporter of the deposed Shah of Iran) who has extended support to Sadat's moves. But Morocco is fairly peripheral to the actual situation on the ground in West Asia; what would have been more crucial was support from countries like Jordan, Lebanon and Saudi Arabia.

That the United States risked earning the displeasure of countries like Saudi Arabia but nevertheless gave its firm material and political support to Sadat shows what great importance the US attaches to securing a settlement of its choice in West Asia. The anxiety should have been heightened by other developments in the region — the fall of the Shah's regime in Iran, the intensifying of the struggle in the Yemens, the developments in Afghanistan, all in one way or the other marking a setback to the United States in the region. With Egypt now clearly, even if temporarily, detached from the histroic Arab position on Israel, and Israel itself relieved of pressures from the biggest and most powerful of its Arab neighbours, this run of setbacks might be said to have been stopped. Much will naturally depend on how US diplomacy would proceed further now and persuade countries like Jordan and Saudi Arabia to extend support — or at least refrain from openly opposing the settlement.

India-China Relations: Struggle between Two Lines

THE second conference of the India-China Friendship Association, Andhra Pradesh, held at Vijayawada recently brought to the surface the struggle between two lines and the attempts of the 'majority' group to reduce the association to a pocket organisation. The 'majority' group was subjected to merciless criticism on both policy and organisational planes. A section of the delegates, though in a minority, could, by their principled arguments, make the majority jittery. Fearing that the minority would drive a wedge into their handpicked ranks, the 'majority' resorted to undemocratic methods. They shortened the time for discussion on policy and created pandemonium through their hired goondas whenever a speaker from the minority group sought to explain the group's point of view.

The India-China Friendship Association in Andhra Pradesh came into being in 1974. The first conference was held in January 1974 at Ongole. A policy statement was adopted. In spite of many limitations in the way of creating a common basis for friendship between these two countries, it had certain references to the two superpowers, i.e, America and Soviet Union, that were coming in the way of friendship between India and China. There was anti-imperialist content in the policy statement. Apprehensions were voiced about the Indo-Soviet Treaty of 1971 and the Asian collective security proposal as they were directed against China. Most of the committee members, however, became inactive during the Emergency, including the president and the secretary. In the post-Emergency period a handful of state committee members, by co-opting their 'yes' men, styled themselves as the 'state committee' and hurriedly brought out a new policy statement, a much diluted one, to suit their political allies, the Janata party and the CPI (M).

Meanwhile the second conference of the East Godavari district unit held a week before the 'state committee' meeting, adopted a policy statement which sharply criticised the two superpowers and their hegemonistic machinations. It advocated firm friendship between the people of India and China to defeat imperialism and Soviet social imperialism. It demanded the abrogation of the Indo-Soviet military treaty of 1971. The conference of the Guntur district unit held shortly before the state conference brought forward another policy statement, more elaborate but very much similar to that of the East Godavari unit. There was widespread criticism against the policy of the 'state committee' throughout the state among the forces standing for India-China friendship.

Fearing that they would be defeated, the 'state committee' resorted to all conceivable undemocratic methods to restrict the number of delegates with an alternative policy. Membership books were distributed through their people only. The district committee of East Godavari was completely ignored. The last date for enrolment was fixed and membership books were issued to the dissenters only two days before the last date for enrolment. On one pretext or the other many delegates were allowed only as fraternal delegates and were not allowed to participate in the proceedings of the conference. By all such undemocratic methods the 'state committee' was able to manipulate the delegation in its favour.

Three alternative policy statements were presented before the conference — one by Ravibabu, a state committee member, and the other two from the Guntur and East Godavari district units The Guntur alternative was withdrawn in favour of Ravibabu's statement. A close study of the 'official' policy statement and the alternative statement and the discussions that followed revealed the hollowness of the friendship slogan raised by the 'majority'. The 'majority' tried to confuse normalisation of relations with friendship, while the minority argued that the two are not the same and that friendship presupposes a common interest. "In the present context the basis for friendship is anti-imperialist and anti-hegemonistic" the minority argued. The minority also argued that the friendship movement must recognise and declare that Soviet hegemonism is the greatest obstacle in the way of normalisation of relations between India and China and another obstacle is the Soviet lobby inside India. "The Indian government is bowing to the pressures of Soviet Union and Soviet lobby within and outside the ruling class", they argued. They accused the 'majority' of not making any reference to these facts in the policy statement. They further insisted that a demand for the abrogation of the Indo-Soviet Treaty should be made. A resolution to this effect was proposed, but the presidium refused to permit its introduction. The minority group also attacked the stand of the 'majority' that the friendship movement is not a forum to discuss the foreign policy of the Indian government, on the ground that friendship or rivalry between countries is certainly a product of their foreign policies.

The 'majority' sought to evade all the arguments raised by the minority by saying that there is a need for a broadbased organisation and hence controversial points should be avoided. The minority argued that the meaning of a broadbased organisation was definitely not what the majority were advocating. They charged that the majority were trying to accommodate certain political parties by diluting the scope of the movement. Hence there was every possibility of non-genuine and pro-imperialist forces joining the movement and rendering it ineffective. The 'majority' were also accused of confining the movement to the wishes of the Indian ruling classes.

As an alternative, the minority proposed that the movement for friendship between India and China should be directed against superpower hegemonism and particularly that of the Soviet Union which is the main source of danger of another world war and which has become the main stumbling block in the way of normalisation of relations and friendship between India and China. The friendship movement must draw its strength from genuine pro-friendship forces who are anti-imperialist and anti-hegemonistic.

The conference thus opened the two-line struggle in the organisation. The struggle between genuine forces for friendship and fake forces. The conference raised the hope that in spite of the initial defeat, the genuine forces will gain ground and a mighty mass movement for friendship between India and China will sweep the country in the near future, much to the chagrin of the 'majority'.

P JAMUNA

Vijayawada
January 21

Looking for Alternatives?

Romesh Thapar

EXHAUSTED by the endless power struggles in Uttar Pradesh and the confusions building over the repercussions of the Budget proposals, the Janata government is generally taking a low posture on as many problems as possible — indeed, even on Prime Minister Kosygin's visit following the Chinese adventure in Viet Nam. Despite the apparent political lull, it is possible within ruling circles to discern a visible concern about the viability of the Janata party.

The situation is strange, to say the least. Apart from Uttar Pradesh and Bihar, the states seem to be functioning with a fair degree of competence. Continentally, every political party is exercising power at some point or another. Yet, at the Centre, there is despair and disarray about the mechanics of operating as a coherent government. The usual explanations for this state of affairs can be trotted out — and are! — but it is no longer possible to dismiss with ease the charge that the system which underpins governance in India is showing serious cracks at a *time of* political incoherence.

Until now, we have spoken of tangles and tensions within the system, but this phase is passed. We are entering more unsettled times. There seems to be general acceptance of this assessment. If this is true, are we on the edge of rejecting the experiments of thirty years and beginning the hard work of evolving another democratic alternative more suited to the challenges which are crystallising? *Of* this, too, there is little evidence.

There is a certain amount of cogitation about a presidential system working through elected governors, and buttressed by specialised talents a form that might preserve legislatures as useful sounding boards. There is talk of smaller, more manageable states, based on socio-cultural divisions and with more simplified political superstructures. And arising from these debates, thoughts surface about panchayat and zilla based systems which will do away with a whole paraphernalia of what is seen as democratic disruption.

What Indira Gandhi's obsessive concern with her personal fortunes and the Janata party's intensely personal faction-fighting have done is to place a premium on political corruption and fiddling. The public was insulated to some extent from the developing political mess by the effort of the Congress party to keep the deadly play of politics secret. With the Janata party's open-house approach, the political chaos is receiving wide and daily publicity. This has brought the politician into total contempt. Significantly, all the discussion about alternative systems attempts very consciously to reduce drastically or to dissolve the role of the politician. I think this is real measure of the crisis.

In the absence of an elaborated or acceptable alternative — this is very much the position today! — the attention of all political parties is focused on the changing alignments in the Janata party at the Centre. The antagonisms around the Jan Sangh/RSS can destabilise the political arrangements of 1977 which were expected to last until the next general election in 1982. At the same time, it is not unlikely that a threatened break-up of the Janata party could compel it towards a more organised and disciplined coalition functioning.

A number of factors are pushing the Indian political situation in the direction of a frankly accepted coalition government at the Centre. If all our *major political parties have found* fairly durable bases for themselves in the states, two formations feel their alienation at the Centre. Indira Gandhi's party, increasingly directed by the Sanjay mafia, is unable to extricate itself *from the whirpools of the Emergency.* The Jan Sangh/RSS in the Janata party, widely suspect of attempting to "capture" the political organisation, is again under assault as a conspiratorial and communal body. In a sense, apart from these two, the rest are eyeing each other with the prospect of varying alignments in view.

However much the Indian mind distrusts coalitions, and longs for the stability of a single amorphous, continental party capable of absorbing confrontations and collisions through consensus techniques, the hard fact remains that the independent growth of of various parties regionally — the CPI (M) in East India, the CPI in Kerala, the DMK and AIDMK in Tamil Nadu, the Akalis in the Punjab, the Congress in some southern States, the BLD and Jan Sangh in the northern states — will have to find reflection at the Centre if a certain balance and stability is to be restored to the political system. And this will mean a more openly accepted coalition form of government.

An alternative of this kind, which does not demand a major restructuring of the system, has to be tackled by the ruling Janata party if it wishes to emerge from the confusion now engulting it. It is a matter of deep frustration that Prime Minister Morarji sees no need to stir. Nor does the party's President, Chandra Shekhar. The second level of leadership keeps looking for a captain in order to present itself as a team capable of replacing the "elders". If the paralysis persists, will Charan Singh or Jagjivan Ram take the plunge towards new alignments?

Someone has to take a risk. Politics in India has become a business without risk-taking. That's the trouble.

March 10.

Mixed Picture

[illegible]

ALKALI AND CHEMICAL CORPORATION OF INDIA has suffered a severe setback in its performance during 1977-78. There was a strike at Rishra works for over 70 days and expenses incurred in the initial period at the new Ennore works and higher interest charges following increased borrowings raised to finance the new projects. Total net sales have declined modestly from Rs 46.53 crores to Rs 45.24 crores; but gross profit has fallen steeply, from Rs 3.13 crores to Rs 1.52 crores. Although there is no tax liability on account of substantial reliefs being available from capitalisation of the new projects, net profit is almost halved at Rs 64 lakhs (Rs 124 lakhs). The directors skipped declaration of interim dividend and proposed a single dividend at 10 per cent which is covered 1.84 times by earnings. Production of polyethylene was lower early in the year, but was subsequently maintained at the rated capacity. The entire production was marketed in spite of large arrivals of imported material and the start-up of IPCL's new plant towards the end of the year. Looking to the rapidly developing competition, the management is taking steps to develop newer polymers and applications. The company has also made representations for reduction in the levies imposed on alcohol by the state government. Sales of rubber chemicals in the earlier part of the year were poor owing to disruption in production at Rishra, but subsequently both production and sales were maximised: Diphenylamine and rubber chemicals capacities were enhanced. The company is now able to meet total domestic requirements of of diphenylamine. Turnover of paints was maintained. The company established usage of new products by industrial customers by the electrostatic spray and electrodeposition processes. Production of caustic soda and chlorine was curtailed as the cell room could be only gradually put back into production after rebuilding a major number of cells. All pharmaceutical formulations in the current range were produced at the Ennore plant, which was commissioned towards the end of 1976-77. The bulk chemicals plant was also commissioned and a number of chemicals were manufactured there. Demand for BHC continued to be good, but production was affected, the management claims, because of the strike in the earlier part of the year and subsequently because of erratic supply of benzene. Sales of Gramoxone increased by over 30 per cent.

BOMBAY BURMAH TRADING CORPORATION has turned out poor results for the year ended September 1978 with lower sales and profits. Margins are also lower and dividend, lowered by two points to 18 per cent on the capital enlarged by a one-for-four bonus issue, is covered 1.47 times as against two times previously. Production of tea in the South Indian estates was higher at 59,79,515 kg as against 54,11,163 kgs; but unit cost rose to Rs 7.21 per kg. The coffee crop increas-

The Week's Companies (Rs Lakhs)

	Alkali & Chemical		Bombay Burmah		BASF		Indian Duplicator	
	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-10-78	Last Year 31-10-77
Paid-up Capital	512	512	553	442	87	87	129	52
Reserves	566	552	360	421	186	141	228	205
Borrowings	2154	1326	255	219	287	226	151	173
of which Term borrowings	938	296	—	—	3	—	—	—
Gross fixed assets	3114	2019	743	711	378	322	180	176
Net fixed assets	1619	608	420	395	232	167	86	88
Investments	10	10	483	434	—	—	—	—
Current liabilities	1568	1146	527	580	173	156	182	143
Current assets	[illegible]	2505	792	824	502	444	605	348
Stocks	1769	1457	125	126	208	167	285	172
Book debts	905	991	557	609	262	259	268	254
Net sales	4524	4653	1015	1057	1163	982	767	631
Other income	21	30	174	120	48	33	—	—
New material costs	2246	2422	128	117	512	412	263	201
Wages	718	670	400	359	127	102	136	123
Interest	196	174	35	33	29	26	18	23
Gross profit(+)/loss(−)	152	313	405	468	175	131	79	29
Depreciation provision	88	61	29	25	30	29	9	9
Tax provision	—	128	230	267	85	42	47	11
Net profit(+)/loss(−)	64	124	146	176	60	60	23	9
Development rebate provision	—	38	3	5	4	5	—	—
Transfer to reserves	14	15	47	88	40	39	5	6
Dividend								
Amount	P 2 E 48	2 69	P — E 99	88 88	P 2 E 14	2 14	P — E 18	— 3
Rate (per cent)	P 5.55 E 10	5.55 14.3	P — E 18	— 20	P 9.5 E 20	9.5 20	P — E 15	— 15
Cover (times)	1.84	1.22	1.47	2.00	3.86	3.80	1.28	3.00
Ratios (per cent)								
Gross profit/sales	3.36	6.72	39.90	44.27	15.50	13.34	10.30	5.29
Net profit/capital employed	4.96	11.65	16.00	20.39	22.00	26.31	6.44	[illegible]
Inventories/sales	38.44	31.31	12.31	11.92	17.71	17.00	37.16	[illegible]
Wages/sales	15.87	14.40	39.41	33.95	10.92	10.38	17.73	[illegible]

... is 751 tonnes to 1,149 tonnes and ... point valuation has been taken at Rs 6.50 per point. Cardamom crop also increased from 1,297 kg to 1,479 kg. The Tanzanian estates too yielded a higher crop of 6,33,563 kg of tea as against 5,52,629 kg in the previous year, but the estates earned a lower profit before tax of Rs 17 lakhs against Rs 66 lakhs because of a fall in tea prices. The company's electronics division is estimated to return only a small loss in the current year. The new factory buildings are not yet fully completed. Future prospects of this activity are being evaluated. Among the wholly-owned subsidiary companies, AFCO showed a loss of Rs 6 lakhs allegedly due to prolonged strike for 4 months by workmen in its electronics division. The order book of this division for the current year is satisfactory and volume of business of the marine consultancy division continues to be satisfactory. A consumer products division has been started for distribution of certain products of Whitco in the western region. Accounts of Chawla Chemical Industries for the year ended March 1976 and subsequent years have not yet been signed by the auditors and adopted by the shareholders, since there is a dispute with the previous management over certain irregularities pointed out by the auditors. The directors hope the position will be resolved soon and that this unit can be rehabilitated. Vitro Pharma Products was acquired by the company from AFCO at cost after the close of the former's accounting year.

BASF INDIA is expanding its activities. It has secured an industrial licence for substantial expansion of capacities for fatliquors and binders at its Thane plant. A 'letter of intent' has been received for production of a special resin for export. The company has also been issued another industrial licence for manufacture of leather tanning and finishing agents and speciality dyestuffs at Bokaro in Bihar. A plot of land has been allotted to the company in the newly developed BIADA area. Construction work will start there as soon as a motorable road up to the proposed factory is ready. Meanwhile, with the rising tempo of manufacturing activities various service facilities at the existing factory are being augmented. Order for a new boiler has been placed and it is intended to instal an 800 KVA diesel generator in the current year. A new finished goods warehouse has been completed. With all the divisions contributing to its revenues, the company has produced good results with higher sales and profits as well as margins.

INDIAN DUPLICATOR's performance during the year to October 31 last has been very good with gross profit expanding from Rs 29 lakhs to Rs 79 lakhs, following a 21 per cent rise in turnover from Rs 6.31 crores to Rs 7.67 crores. Although tax liability has taken away a much bigger slice, net profit is Rs 23 lakhs compared to the previous year's Rs 9 lakhs. Dividend is kept unchanged at 15 per cent, but is payable on enlarged capital and is still covered nearly 1.3 times. The company increased its export sales from Rs 46 to Rs 56 lakhs. It has represented to the government for substantial reduction in the export obligation of 75 per cent of production of the Nasik factory in view of the business conditions prevailing in the world markets. The company has issued and allotted shares to financial institutions and the Indian public in accordance with the approved scheme. It has applied, however, for a 'carry on business' licence in duplicating machines and stencil paper which items it has been manufacturing. The application has been necessitated because of a notification of the ministry of industry enlarging the list of items reserved for the small-scale sector by including therein "duplicating machines — other than special type" and "stencil paper".

SIEMENS INDIA is expanding its operations. It is setting up a new switchboard factory near Calcutta at a cost of Rs 2 crores. This unit is expected to go into production by June or July next. Another new factory is proposed to be established at Nasik in Maharashtra to manufacture power-engineering products. This is estimated to involve a capital outlay of about Rs 6 crores and is expected to go on stream sometime next year and should be in full swing in three years according to H Langer, the managing director. Both the projects, which are intended to be financed by internal resources and borrowings, are expected to contribute Rs 12 crores per annum to the company's turnover. Meanwhile, the company's factories in Bombay, which had experienced violent labour trouble last year, are working with the total strength of work force since November 11 last. The chairman, D M Khatau, is confident that all employees would work together to increase output and that the company would produce "very much better" results this year. During the first five months of the current year (October to February), orders booked have been 17 per cent ahead of the comparative figure of the previous year and turnover has been 8 per cent higher. The pending order position at the end of February last has been Rs 76.5 crores, about 27 per cent higher than the end-September 1978 figure.

INDO-USSR RELATIONS

Mission of Failure

THE Soviet Premier's visit to India no doubt imparted new content to bilateral relations but it failed in its other objectives.

For one thing, Kosygin could not hustle India into recognising the new regime in Kampuchea. So much so Kampuchea does not even find a mention in the joint communique, underlining the sharp difference in approach. This was among the objectives he had set for himself when he announced his visit to India early in February, on the eve of Atal Behari Vajpayee's visit to Peking and the Viet Nam flare-up.

For another, he could not get India to denounce China over the Viet Nam issue in terms acceptable to Soviet Union. Kosygin chose to hurl epithets like "criminal", "murderer" and "robber" at China in the course of his address to Members of Parliament though he knew that India was seeking normal relations with it. Vajpayee's visit to Moscow towards the end of 1978 (a couple of weeks before his projected mission to Beijing which however had to be postponed) was similarly misused by the Soviet leadership to assail China's "expansionist" designs and to call for an Asian collective security system to thwart them.

The joint communique calls for withdrawal of Chinese forces from Viet Nam; but this no great achievement for Kosygin because India has been demanding it already, besides calling for withdrawal of Vietnamese forces from Kampuchea. More significantly, while Kosygin consistently referred to Chinese "aggression" in the course of his pronouncements in India, the joint communique refrains from use of this term it refers only to the Chinese "attack" on Viet Nam.

The admitted setback to the Vajpayee mission as a result of the China-Viet Nam military conflict and the absence of any dramatic breakthrough in Sino-Indian relations had restored sunshine to the hearts of the Soviet lobyists trafficking in public credulity. Its morale boosted, the lobby stepped up a strident campaign for a hardline against China, on the eve of Kosygin's visit.

Kosygin himself was trying to probe New Delhi's mind on where it stood in the Sino-Soviet confrontation. He wanted to know if India viewed the issue of normal relations with China in a bilateral context or viewed China as a permanent long-term threat to India and other neighbours.

Morarji Desai seems to have made it known to the Soviet Prime Minister that India was not abandoning its efforts towards normal relations with China; it did not seek improved relations with China at the cost friendship with any third country; and while India was prepared to take the initiative for a non-aligned move over the Sino-Viet Nam issue there was no question leading an anti-China front (just as it would not be a party to an anti-Soviet front).

In sum, Kosygin must have gone back disappointed despite all the euphoric statements for public consumption. In the Soviet assessment, if India were to recognise the regime in Kampuchea, at least 16 other non-aligned countries would follow suit. This has not materialised. India's reservations about the Phnom Penh regime have strengthened the inhibitions of several other countries in the matter of recognition.

Significantly, there is no reference either in the joint communique to India's desire and efforts towards normalisation of relations with China. Like all other contentious issues, this was kept out of the communique and the obvious inference is that the Soviet Union does not favour this development.

As it became clear later, India is positively against the Soviet plan for collective security in Asia, which it thinks would divide the region instead of uniting it.

Though much is sought to be read into the joint call for early resumption of Soviet-United States talks on making the Indian Ocean a zone of peace, the call makes little sense. The talks broke down over Soviet involvement in Africa directly and through allies like Cuba. Moreover, neither Sri Lanka (which originally spearheaded the peace zone move) nor India has been very enthusiastic about pushing the plan. There has been a change in Sri Lanka's attitude after the change of regime there; it would rather have the countervailing presence of all big power navies in the Indian Ocean until the peace zone proposal becomes practicable. Indian initiative has slowed down mainly because the smaller littoral countries view Indian naval expansion plans with great apprehension. With Iran in turmoil and unlikely to push for a major Indian Ocean role India is the largest naval power among the littoral countries. Moreover, with the United States stepping up its naval presence in the Ocean Soviet Union can only be expected to match United States presence.

There was agreement between Soviet Union and India on the developments in non-Arab West Asia and this lends substance to the reference to South Asian stability in the joint communique. Kosygin tried to convince Morarji Desai that the Afghanistan regime was not under the Soviet thumb and maintained that Pakistan's assistance to Afghan rebels threatened stability in the region. Both sides feared that the break-up of the CENTO might be followed by an Islamic alliance which could have a destabilising effect on the Indian sub-continent.

This shared fear might prompt India to maintain stable relations with Soviet Union and profess strict neutrality in the Sino-Soviet conflict, while seeking improvement in relations with China. Until a new political option is gained, India will be obliged to depend on Soviet economic and military aid and the possibility of the West re-enlisting Pakistan as an ally provides the convenient alibi.

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CONGRESS PARTY

Point to Chavan

THE decision of the Congress Working Committee to call off unity efforts with the Congress (I) was the second of its kind; the first time such a decision was taken to break the 'working unity' with the Congress (I) was in August last when Y B Chavan was the acting president of the Congress (Swaran Singh was abroad). This was done after Chavan's protege, Sharad Pawar, leading a group of 40 Congress legislators, defected from the Congress, brought down the Congress-Congress (I) coalition in Maharashtra, and formed a coalition government with the Janata party and other political parties in the state.

Angered by Chavan's and Pawar's defection, Maharashtra leaders, notably the two former chief ministers, V P Naik and Vasantdada Patil, successfully persuaded the Congress Working Committee to reconsider its august decision and open negotiations with Indira Gandhi for reunification of the two Congress parties. This was in November last when Indira Gandhi had won the Chikmagalur Lok Sabha by-election and was riding high. The CWC's resolution calling for exploratory talks with Indira Gandhi had been opposed by Y B Chavan, Karan Singh, Chandrajit Yadav, Hitendra Desai, Priya Ranjan Das Munshi, Mohammed Ali and A K Anthony; but they were in a minority. Swaran Singh, with the support of Naik, Brahmananda Reddy, C Subramaniam and others (including some pro-unity leaders whom he had nominated to the CWC) formed the majority and the CWC resolution was approved.

With the CWC resolution in their pocket, the pro-unity faction in the Congress at the Centre and in the states took it for granted that the reunion of the two Congress parties was a foregone conclusion. This faction also spread the impression that Indira Gandhi was 'repentant' of her decision to split the Congress in January last year. In the first two meetings with Swaran Singh, Indira Gandhi did indicate that she was genuinely interested in the unity and 'small matters' like accommodating the leaders of the two parties in positions of 'honour' could be solved amicably. From the beginning she had been asking Swaran Singh to persuade Y B Chavan, who she considered the leader of the anti-unity faction, to join the unity negotiations. Chavan's refusal to join the negotiations made Indira Gandhi apprehensive of his intentions. Chavan and his followers kept their intentions to themselves except to note that the joint statement of Indira Gandhi and Swaran Singh was "a mere letter of intent".

The negotiations on the 'modalities' for the reunification were carried on by Naik and Patil, Brahmananda Reddy and C Subramaniam. Swaran Singh too held four meetings with Indira Gandhi. At the end of each encounter, Swaran Singh announced 'further progress' towards the unity. The negotiators even agreed to the Congress (I) stand that Indira Gandhi alone should head the reunited party. In return they asked her to concede the leadership of the opposition in the Lok Sabha and the Rajya Sabha to Y B Chavan and K C Pant respectively, which meant removing C M Stephen and Kamalapati Tripathi from their positions. On the question of reorganisation and integration of the state and district units of the united Congress, Swaran Singh suggested that he should head a three-member committee to decide the question. But Indira Gandhi saw the danger inherent in the suggestion; it meant in her eyes the handing over of the united party to Swaran Singh who with Chavan would ensure that forces opposed to her in the states would take control of the party, replacing her own supporters. Chavan of course had made it clear to Swaran Singh that he would agree to the reunification of the two Congress parties only if Indira Gandhi agreed to the appointment of the three-member panel (with the Congress having a majority on it) to decide the 'reorganisation' and 'integration' of the two parties. Chavan naturally spoke to Swaran Singh from a position of strength, enjoying as he did the solid support and loyalty of a group of 50-60 Congress MPS.

Meanwhile, when Indira Gandhi reported on her negotiations with Swaran Singh to her partymen, the anti-unity faction (owing allegiance to her son) opposed the Congress terms for unity and prevailed upon her to break the negotiations. Thus, when Naik and Patil went to see her, she told them that those who wanted unity and wished to exploit her charisma and her appeal with and leadership of the masses were welcome to join her party. "There is no question of one Indian National Congress but it is only the Congress (I)." Frustrated with the 'insult' Naik resigned from the CWC and returned to Bombay along with Patil.

Indira Gandhi had many other good reasons to terminate the negotiations. She was not able to get a firm assurance from the Swaran Singh group that it would participate in street demonstrations in the event of her and her son's arrest. Swaran Singh could give no such assurance because he was already threatened by the CWC member Priya Ranjan Das Munshi that there would be counter-demonstrations should the united Congress decide to go to the streets in the event of her and her son's arrest. Chavan too spared no efforts to torpedo the unity moves. On the Congress party's stand on the special courts bill, Chavan persuaded Swaran Singh to attend the meeting of the Congress Parliamentary Party and secured in his (Swaran Singh's) presence the approval of the party for a conscience vote. Chavan also persuaded the pro-unity leaders like Brahmananda Reddy and Subramaniam to remain absent from the Lok Sabha during the voting on the bill. Indira Gandhi had expected Swaran Singh to persuade the Congress Parliamentary Party (headed by Chavan) to oppose the special courts bill. Instead she found that the Congress had permitted the conscience vote not only with the support of Swaran Singh as the party's president but also of Naik, Brahmananda Reddy, Subramaniam and others who were all championing the unity between the two Congress parties. Evidently, Swaran Singh and others failed to see the

point of Chavan's subtle move on the special courts bill. Indira Gandhi who was already sore with Reddy and Subramaniam for their deposition before the Shah Commission, was even more sore when she found that on the special courts bill also both of them had not only agreed to the conscience vote but also remained absent from the House during voting on the bill.

It was this which ultimately led Indira Gandhi to inform Swaran Singh, Naik and Patil that she could not associate herself with Reddy and Subramaniam — and many others — in the united Congress. She also told them that Siddhartha Shankar Ray should have nothing to do with the united Congress unit in West Bengal until he apologised to her son. She wanted all positions in the Parliamentary Party and at the state levels to be be decided by elections.

Chavan for his part made it clear to Swaran Singh that Indira Gandhi had lost her 'charisma'. According to him, Indira Gandhi only wanted to use the united Congress as an instrument to 'fight the Janata government's moves to prosecute her and her son. If the Congress allowed itself to be used this way, it would become a laughing stock in the eyes of the people. The people would certainly not come on the streets in support of Indira Gandhi and the united Congress would become an object of ridicule if it were to justify the Emergency excesses.

Chavan thus succeeded in securing his own political future in the Congress. He has already secured a Congress-Janata coalition in Maharashtra, and has even succeeded, through his friends in the Janata party in the state (Rajaram Bapu Patil) in installing a former, extremely lightweight Congressman, Baban Dhakane, as President of the Maharashtra unit of the Janata party in place of S M Joshi. Chavan has kept intact his relations with Janata party leaders like Chandra Shekhar, Krishna Kant, Madhu Limaye, unlike him Swaran Singh, Subramaniam, Siddhartha Shankar Ray and others have nothing to back them in their states.

BIHAR

Bonded Labour Astir

ALONG with the armed political struggle of labour and peasantry, a powerful agitation on the legal, economic front has also been going on in the villages of Bihar. While the political battle began in the mid-sixties the struggle on the economic front belongs to the seventies. Although the various groups of the CPI(M-L) are now coming to organise the labourers and peasants for partial economic struggles in some villages, in the majority of villages such struggles have broken out spontaneously, under independent local leadership.

One of the most significant and extensive of such economic movements in rural Bihar relates to the payment of minimum agricultural wages. From a little over 1,500 in 1968, the number of complaints filed by the agricultural labourers rose to over 12,000 in 1975 and is now supposed to average around 25,000 a year. The phenomenal rise in the atrocities against harijans is directly springing from a situation in which the labourers are taking up courage to demand proper wages, and other rights.

The first feature noticeable in the minimum wages movement is the crumbling of the myth that only the free workers can start and carry on a struggle against the village ruling classes. This movement has been, out and out, an uprising of the bonded labourers, with the free workers rarely fighting shoulder-to-shoulder with them. This failure of the free workers (chhuta mazdoors) to show solidarity with the bonded labourers (halwahas and bandhua mazdoors) has been one of the reasons why very few total strikes could be organised on the wages issue in the villages. In fact, the pattern of the bonded labour movement has been more akin to that of the peasant tenants (bataidars).

Apart from many reports in newspapers of the minimum wage struggles, facts about the movement can also be found in the Bihar government labour department documents. Invariably, the complaints filed at the labour inspectorate are for 'arrears of wages'. The free workers, who are engaged on daily basis, collect their wages after the end of their work and go home, it is the bonded labourers whose wages are deferred for payment by the landlords. Even otherwise, since the bonded labourers are usually paid at ancient rates there are always complaints about the non-payment of the differential between the wages they get (which itself is often deferred) and the wages fixed by the state government. The latest revision of minimum agricultural wages was done in December 1974, so the arrears are claimed from this date.

There are many factors which have encouraged the bonded labourers, more than the free workers, to rebel. The first has been the linking of wage issue with debt redemption. In practice it so happened that when a bonded labourer filed a complaint for arrears of wages, the landlord invariably turned him out of employment the labourer then stood firm about not repaying the debts. Secondly, owing to use of modern inputs the income of the landlords has

NUMBER OF COMPLAINTS, CLAIMS AND PROSECUTIONS FOR ENFORCEMENT OF MINIMUM AGRICULTURAL WAGES IN BIHAR, 1968-75

Year	Complaints				Claims				Prosecutions			
	Filed	Pending from Previous Years	Total	Disposed	Filed	Pending from Previous Years	Total	Disposed	Filed	Pending from Previous Years	Total	Disposed
1968	1551	351	1902	1480	201	248	449	164	11	15	26	9
1969	2723	422	3145	2350	400	285	685	115	2	7	9	2
1970	3139	795	3934	3027	518	570	1088	195	10	7	17	Nil
1971	3285	905	4190	3101	524	885	1409	264	65	17	82	2
1972	2861	1089	3950	3220	296	1145	1441	186	90	80	170	14
1973	2245	730	2975	2293	338	1255	1593	258	65	156	221	18
1974	2242	682	2924	2167	127	1335	1462	198	17	203	220	21
1975	12,236	757	12,993	10,831	930	1264	2194	290	8	190	198	6

Source · Bihar Labour Year Book, 1976, Department of Labour and Employment, Government of Bihar.

considerably increased especially in the canal areas. Again it is the bonded labourers, more than the free workers who are usually engaged in peak seasons, who have felt the impact of a rising income for their masters and a stagnant remuneration for themselves. This is brought out in the fact that complaints about non-payment of minimum wages are most common in Patna, Purnea and the other (very few) canal-irrigated districts.

An interesting feature of the minimum wages movement has been that while thousands of labourers have been able to receive arrears of wages the general level of wages has hardly gone up in any area. There have been total strikes in many villages, with both the bonded and free labourers combining, but few of them have been successful in enforcing the new, revised wages which range between Rs 4 and Rs 5 plus a meal a day. In some areas, where the labourers of, say, a cluster of four villages have raised a demand for the new wages, a compromise of, say, three rupees, has been achieved. But this is much lower than what the government has fixed.

A direct result of the minimum wages movement has been the lesser incidence of bonded labour in the Bihar villages. Reports from different areas point to a general tendency among the landlords to do without bonded labour — that is, to get their cultivation done by the free workers on daily payment basis. Particularly the halwaha system, under which a landlord engaged a halwaha (ploughman) on a contract for a year or more, is slowly disappearing. The landlord derives other advantages too by doing away with engaging the halwaha in that he can cultivate for his own use the few kathas of land which he used to give to the halwaha for his use under the conditions of the contract.

Another effect has been the tendency among the smaller landlords to take to the plough themselves. This is particularly true of those belonging to the middle castes.

The government's policy regarding the minimum wages movement has been marked by many compromises. The labour inspectors are directed to try their best to 'settle' the wage complaints, with the labourers being induced to accept a much smaller amount of arrears than is legitimately due to them. The aim is to re-establish agrarian harmony. A majority of the wages complaints are thus disposed of by 'persuasive settlement'; for instance, in 1975, out of the total of 12,236 complaints filed, 10,831 were disposed of by 'persuasive settlement' and only 930 complaints went into claims. How government has been favouring the landlords can be seen in an instruction to the labour inspectors posted in the blocks, asking them not to proceed against any landlord possessing below 25 bighas or not having mechanised and organised farms. In order to avoid the ceiling laws the landlords have divided their holdings into small sizes so that they can always take advantage of this standing order. Under the section 20(2) of the Minimum Wages Act, if a landlord is prosecuted and found guilty of violation, he is liable to a punishment of six months' imprisonment or a fine of Rs 500 or both. There has been not a single case of a landlord booked under this provision anywhere in Bihar.

This Budget and Those

I S Gulati

THE 1979-80 Budget is the third presented by the Janata party government. It is thus the government's mid-term budget. How does this mid-term budget compare with the earlier two? What sort of things is the government seeking to continue? Where, if at all, is the government seeking to alter course?

Earlier Two Budgets

The 1977-78 Budget proposed an overall deficit of Rs 1,202 crores, which was artificially reduced by Rs 800 crores shown as borrowing against foreign exchange reserves. This enabled the Finance Minister to set himself a modest target of revenue to be raised through additional taxation. The budget proposed additional taxation of only Rs 130 crores. If that budget is remembered for anything, it is for the major concessions it allowed to trade and industry. These were: (a) the scope of the investment allowance was considerably widened, (b) closely held industrial companies were freed of the obligation to distribute excessive accumulation, (c) capital gains tax was abolished except in name, (d) amalgamation of sick with healthy industrial units declared as in public interest. The major item of additional indirect taxation was the raising of the rate of general excise duty from 1 to 2 per cent

The 1978-79 budget had projected an overall deficit of Rs 1,396 crores. This time no credit was taken for special borrowings against foreign exchange reserves. Additional resource mobilisation to the tune of Rs 55[illegible] crores was proposed. Of this, direct tax measures were to contribute only Rs 26 crores, from a graded disallowance of advertisement spending and another Rs 25 crores were to come from enhanced rates of compulsory deposits. The proposal for disallowing advertisement expenditure had to be considerably diluted by the time the budget was passed by Parliament. At the same time, however, interest tax payable by banks was withdrawn with a view explicitly "to stimulate productive investment". So there was in fact a net decline in direct taxation. The major effort was directed at indirect taxes which included (a) enhancement of the rate of general excise duty from 2 to 5 per cent, (b) enhancement of basic excises by 5 per cent, and (c) imposition of an electricity levy.

Thus it will not be unfair to say that the first two budgets of the present government added up to a distinct effort at creating as favourable a tax climate as possible for trade and industry. If additional tax revenue had to be raised, indirect taxes were tapped for the purpose, but the effort was largely to spread it thinly over the whole range of commodities rather to single out a particular set of commodities.

1979-80 Gap

The 1979-80 Budget, the present government's third budget, projects a deficit of Rs 1,975 crores, which it proposes to narrow down to Rs 1,390 crores with the help of additional tax effort and extension of the scheme of compulsory deposit by income-tax payers. So the third budget proposes to leave uncovered a much larger gap than the earlier two budgets, not only in absolute terms but also in relative terms, that is, when related to the gross national product at current prices for the year immediately preceding. However, when one compares the gap proposed to be left uncovered next year with the gap likely to occur in the current year on the basis of the revised estimates, *viz*, Rs 1,590 crores, the former is clearly smaller. But how does one vouchsafe that the estimated gap next year will not be exceeded as has happened in the current year? The fact remains that all the three budgets of the present government have opted to leave sizeable gaps uncovered.

The justification or permissibility of a budgetary gap derives from the macro situation that is likely to obtain in a particular year. In spite of a budgetary gap only three-fifths the size of that in 1978-79, the price rise in 1977-78 was of the order of 5 per cent compared to the price rise of 1 per cent in the following year. Clearly, there are several other components of the macro situation which one must take into account before one can say to what extent a budgetary gap can be accommodated.

A budgetary gap of given dimensions will, for instance, be easier to absorb for the economy when it is experiencing a larger, rather than a smaller, deficit in the balance of trade. The Indian balance of trade showed a deficit of Rs 692 crores in the whole of 1977-78; as against that, the deficit in just the first half of 1978-79 was as high as Rs 598 crores. Given the size of India's reserves held in the form of foreign exchange, there is no reason why it cannot budget for even larger deficits in its balance of trade. Evidently, the Finance Minister had some such thing in mind when he expressed confidence that, in spite of a gap of the size he was proposing, "we shall be able to maintain reasonable price stability in the coming year".

The much more significant aspect of the mid-term budgetary exercise, however, is really that, given the overall economic situation, a much larger gap was not left uncovered or, to put it somewhat differently, that it was considered politic to make the revenue-raising effort of the proposed level and in the directions indicated.

States' Share

It is necessary to underline one aspect of the revenue effort proposed for the next fiscal year, namely, the implications of the decision to accept the recommendations of the Seventh Finance Commission to raise the states' share of excise revenue from 20 to 40 per cent. Since excises have turned out to be the principal source of additional taxation, it means that for every hundred rupees required to cover the Central budgetary gap through additional excise taxation, the Finance Minister must hereafter propose to raise not Rs 125 but Rs 167. Thus of the Rs 455 crores to be raised from additional excise taxation, only Rs 262 crores would remain with the Centre to cover the budgetary gap. In an earlier budget, the Finance Minister could have appropriated for the Centre Rs 364 crores. Thus while out of the total additional tax revenue proposed in 1977-78, 23 per cent was expected to accrue to the state, the corresponding proportion for 1979-80 is estimated at 31 per cent. This latter proportion would have been a little higher if the Finance Minister had chosen to raise additional revenue from personal income taxation through the enhancement of basic rates instead of the surcharge. We have now reached a stage when the Centre's stake in personal income taxation has been reduced to such a dangerously low level, thanks to the successive Finance Commissions' refusal to see the point, that the Centre adopts other devious methods (surcharge is not the only such method;



the compulsory deposit is applied very remunerative method (which has been tapped already) to raise whatever additional revenues it wishes to raise, whereas it can strike generous postures in giving concessions the cost of which will be borne almost entirely by the state exchequers.

Higher Gross Tax Effort

Another aspect of the proposed revenue effort for 1979-80 is that the overall figure of net additional revenue raised conceals far more than ever before the revenue being foregone as a result of various concessions. The tax concessions quantified in the budget speech add up to Rs 130 crores. Thus additional tax effort, in gross terms, is of the order of not Rs 635 crores (after allowing for the taxes or enhancements which the Finance Minister has on second thoughts chosen to rescind) but Rs 765 crores and this figure does not include the Rs 160 crores on account of the extension of the scheme of compulsory deposits for income-tax payers.

The concessions offered in the 1979-80 Budget are interesting in themselves and bear some comparison to concessions offered in the first two budgets of the present government. As has been stated above, major concessions made in the first two budgets were clearly directed at trade and industry. Not that this time the concessions have been withdrawn from trade and industry. These concessions have been very largely retained intact, except for the withdrawal of the tax holiday for firms engaged in non-priority industries. But that this is a nominal action is demonstrated by the fact that no estimate is attempted of the gain to revenue from withdrawal of this concession. As regards withdrawal of exemption on capital gains, it is doubtful, going by the figures of assets which have changed hands in the past two years and gains which have been deposited in the exempt forms, that much remains now to capitalise. It may well turn out to be a paper withdrawal.

This time, the beneficiary of the concessions is unashamedly identified and he is the farmer. Even the major procedural reform, and certainly one of far-reaching significance as the Finance Minister claims, is directed at the farmer. This refers to the transfer completely of the formal burden of taxation from unmanufactured to manufactured tobacco, thereby relieving "at one stroke nearly a million tobacco growers, curers, small dealers and warehouse licensees from excise control".

Which Farmers?

The farmer has been a beneficiary already of Central and state largesse in the form of subsidies on food, fertilisers, power and irrigation water. The subsidies on food and fertilisers alone add upto Rs 1,010 crores in the 1979-80 budget. So far fertilisers subsidies were meant to cover the higher cost of imports; now even domestic fertilisers will cost less.

But the objectionable aspect of the proposed tax concessions is that, as for subsidies so far, no distinction is sought to be attempted between small and big farmers though it is well known that the former though very large in number (52 per cent) account for a very small fraction (8 per cent) of the total acreage. Even if some evidence has been unearthed to show that, in the case of some crops in some states, the small farmer has started using the same amount of fertiliser per acre as his larger counterpart, the major objection about the strongly regressive character of a blanket tax concession on fertilisers remains valid.

Though the concession on light diesel stands withdrawn, the fact that it was considered and included for the benefit of farmers with pumpsets driven by diesel engines should give a clear idea of the constituency being especially addressed. Last year, power-driven pumps were exempted completely from excise. To confirm one's suspicion, one has only to read the first part of the budget speech which singles out, among other things, a provision of Rs 10 crores for a scheme "for extending the subsidy on minor irrigation, given at present only to small and marginal farmers, to farmers whose holding is between 2 and 4 hectares, but at a reduced rate". The beneficiaries of the proposed subsidised storage facilities in rural areas will probably be even bigger farmers.

It is interesting that while the increases in duties on petroleum products were justified on the grounds of conserving foreign exchange, and quite understandably so, this consideration could be brushed aside in the case of light diesel but not kerosene which is possibly still the main source of lighting in the vast majority of rural hamlets, all the crores spent on rural electrification notwithstanding.

With all the subsidies the medium and large farmers were already enjoying, that the government should have considered it desirable to extend them further concessions invoking the cause of agriculture and rural development unmistakably points to its bias, which is certainly not in favour of the vast multitude of marginal and small farmers, leave aside the usually forgotten landless, whatever their caste or community.

I should not close without referring to a few specific proposals in the budget package, which, though not particularly significant from the point of revenue, seem to me to deserve attention. I have in mind here (1) the liberalisation of the export market development allowance and (2) restricting the income tax concession available on long-term savings. In regard to both of these, in 1979-80 budget attempts to reverse the 1978-79 proposals.

The 1978-79 proposal was to discontinue the weighted deduction with respect to export market development expenditure. This year, not only is the weighted deduction being restored but also the privilege is being extended to all tax-payers, corporate or non-corporate. The justification offered is that this will enable exporters to develop export markets on a long-term basis.

In other words, the government is clearly not only in favour of continuing the existing massive subsidies on exports (the revised estimates for 1978-79 place them at Rs 380 crores) but also of liberalising them further, all in the name of developing exports on a long term basis, in addition to the policy of continuing devaluation of the rupee that the confidential basket method of fixing the exchange rate has entailed. Apart from the consideration that subsidisation can never be considered a permanent feature of a fiscal system, this also raises serious questions about the policy of the country that seeks to secure larger and larger export earnings only to pile up foreign reserves.

Even those, including myself, who have for long pointed out the regressive, non-rural bias of the income-tax concession on long-term savings cannot quite understand why even the restricted concession cannot be so restructured that the marginal rate of tax benefit, to the extent it is available even to a high income saver, cannot be made to rise *pari passu* with increase in long-term savings. While one may, therefore, be in sympathy with the spirit behind what has been attempted, the procedure adopted is difficult to accept.

AVANTI
Leathers Limited

HISTORY AND BUSINESS

AVANTI Leathers Limited was incorporated on 17th March, 1976 and obtained the Certificate of Commencement of Business on 5th May, 1976. The Company has an Industrial Licence for the manufacture of 1,50,000 pieces of finished leather from hides, 18,00,000 pieces of finished leather from skins and 1,20,000 pieces of chrome splits for lining counters.

PROJECT

Location

The Company is setting up a new project for manufacture of finished leather from hides and skins and chrome splits for lining counters at Kambakkam Reserve Forest, near Varadayyapalam Village in Satyavedu Taluk, District Chitoor, an industrially backward area in Andhra Pradesh. It is however only about 80 kms away from Madras and is linked by road and rail. The Company will be able to utilise the benefits of market proximity to Periampet in Madras, which is the principal leather market in India.

Cost and means of financing

The total cost of the project is estimated at Rs. 240 lakhs as under:

Items of Expenditure	Amount (Rs. in lakhs)
1. Land and site development	5.30
2. Buildings	43.26
3. Plant and Machinery (including installation charges)	*89.00
4. Miscellaneous Fixed Assets	33.66
5. Preliminary Expenses	3.48
6. Pre-operative and start up expenses	24.70
7. Provision for contingencies	9.86
8. Margin money for working capital	30.74
	240.00

* Includes Rs. 46.30 lakh rupee equivalent of foreign exchange

Sources of Finance

The cost of the project is being financed as follows:

Sources of Funds		Amount (Rs. in lakhs)
1. Equity Share Capital		75.00
2. State Subsidy		10.00
3. Term Loans from:		
IDBI	75.00	
ICICI	40.00	
IFCI	40.00	155.00
		240.00

Present Status

The Project is in advanced stages. Civil construction has almost been completed. Plant and machinery, both imported and indigenous have already arrived at the site and are being commissioned. The trial production is expected to commence by April 1979, barring unforeseen circumstances.

PROMOTERS

AVANTI Leathers Ltd. has been promoted by Sarvashri K. Ranga Rao, A. Venkateswara Rao and Nava Bharat Enterprises Private Ltd. (NBE) along with its associate concern, Nava Bharat Ferro Alloys Ltd. (NBF) and persons connected with Popular Shoe Mart.

NBE is a fairly large export house with a network of branches all over India, dealing in leather goods, ready-made garments, spices, tobacco, cigarettes, etc.

BUSINESS PROSPECTS AND PROFITABILITY

The prospects for finished leather industry of India are good. In view of the good demand for finished leather both within the country and outside the country, the Directors are of the opinion that barring unforeseen adverse circumstances, the Company would earn such profit as would enable it to declare reasonable dividend within reasonable period after the plant goes into commercial production.

BOARD OF DIRECTORS

SHRI R. NATHAMUNI REDDY
Narasingapuram Post
Chandragiri Taluk
Chitoor District (A.P.)
(Agriculturist)
Chairman

SHRI K. RANGA RAO
Dilkush Bagh, Sarrornagar,
Hyderabad 500036 (A.P.)
(Industrialist)
Managing Director

SHRI CH PITCHAIAH
Gandhi Nagar, Vijaywada (A.P.)
(Businessman)

SHRI C. S. VIDYASANKAR
163-S, Royapettah High Road,
Mylapore, Madras 600 004
(Advocate)

SHRI B. NAGESWARA RAO
3-6-186/2, Himayatnagar
Hyderabad 500 029 (A.P.)
(Business Executive)

DR. M. SANTAPPA
72-III, Main Road, Kasturba Nagar
Adayar, Madras 600 020
(Vice-Chancellor of
Sri Venkateswara University)

DR. A. SEETHARAMAIAH
115, Lakshmi Nivas
VII Block, 28th Cross, Jayanagar
Bangalore 560 011
(Company Director)

SECRETARY-CUM-CHIEF ACCOUNTANT

Shri S. Sambasiva Rao,
B.Com., A.C.A.
10, K.P. Puram, Madras 600 028

SHARE CAPITAL

	Rs.
A. Authorised	
11,00,000 Equity Shares of Rs. 10/- each	1,10,00,000
10,000 11% Cumulative Redeemable Preference Shares of Rs. 100/- each	10,00,000
	1,20,00,000
B. Issued, Subscribed and Paid-up	
70 Equity Shares of Rs. 10/- each allotted to subscribers to the Memorandum and Articles of Association of the Company as fully paid-up for cash at par.	700
80,000 Equity Shares of Rs. 10/- each allotted to Nava Bharat Enterprises Private Ltd. (NBE) as fully paid-up for cash at par	8,00,000
29,000 Equity Shares of Rs. 10/- each allotted to Nava Bharat Ferro Alloys Ltd. (NBF) as fully paid-up for cash at par	2,90,000
1,53,930 Equity Shares of Rs. 10/- each allotted to Directors, their friends and associates as fully paid-up for cash at par	15,39,300
29,000 Equity Shares of Rs. 10/- each allotted to Leather Industries Development Corporation of Andhra Pradesh Ltd. (LIDCAP) as fully paid up for cash at par	2,90,000
	29,20,000
C. Present Issue	
4,58,000 Equity Shares of Rs. 10/- each for cash at par	45,80,000
D. Out of the Present Issue	
31,000 Equity Shares of Rs. 10/- each have been reserved for allotment to NBF for cash at par, the full value whereof has been received from them as interest-free share deposits	3,10,000
57,000 Equity Shares of Rs. 10/- each have been reserved for allotment to LIDCAP for cash at par, the full value whereof has been received from them as interest-free share deposits	5,70,000
E. Now offered to the public for subscription for cash at par in terms of the Prospectus	
3,70,000 Equity Shares of Rs. 10/- each for cash at par	37,0

UNDERWRITERS

Out of the present issue of 3,70 Equity Shares of Rs. 10/- each offered to the public for subscri in terms of the Prospectus, 3,30,000 Equity Shares of Rs. 1 each have been underwritten as follows:

Name	Amo Underw (Rs. in l
Industrial Development Bank of India (IDBI) Jolly Maker Chambers No. 1, 227, Backbay Reclamation Scheme, Bombay 400 021	17.(
Industrial Finance Corporation of India (IFCI) Bank of Baroda Building, 16, Parliament Street, New Delhi 110 001	8.0
The Industrial Credit & Investment Corporation of India Limited (ICICI) 163, Backbay Reclamation, Bombay 400 020	8.0
	33.0

In the opinion of the Directors, i resources of all the underwriters sufficient to discharge their respective underwriting obligatio

TERMS OF PAYMENT

Applications for shares must be a minimum of 50 shares or mul thereof and the amount payable per Equity Share will be as unde

On application	Rs. 2.50 per Equity Share
On allotment	Rs. 2.50 per Equity Share

The balance of Rs. 5/- per Equi Share is payable in one or more calls as may be determined by Board of Directors. There shall be an interval of not less than month between the allotment an the first call and also between c At least 21 days' notice will be given for payment of such calls.

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Soviet School System : Problems and Prospects

R G Gidadhubli

ON July 1, 1978, the All Union Congress of Teachers in the Soviet Union concluded its four day session in which 4,000 representatives of 4.5 million teachers from various parts of the country participated.[1] That this Congress, held after a decade, was not just an ordinary one was evident from the fact that it was inaugurated by Leonid Brezhnev himself and that the minister of education of USSR and of union republics, eminent professors, pedagogues and social scientists actively participated in the deliberations. The CPSU and the Soviet government reminded the teachers that "the major task of the schools in the present stage is the systematic realisation of the decisions of the XXV Congress of the CPSU about further development and perfection of people's education, increasing the effectiveness and quality of teaching, upbringing of pupils and preparing them for life and labour".[2]

On the academic front, Soviet achievements in education are remarkable — eradication of mass illiteracy in a short period, vocationalisation and polytechnisation of education and placing the country on the high road to scientific and technical progress. During the decade since the last Congress, the period of minimum compulsory education for every student in the country has been raised from eight years to ten years. During this period, seven million young workers who did not get complete secondary education were reported to have accomplished it through evening schools and correspondance courses. About 9,000 secondary schools were opened in rural areas during this period which works out to about three schools per day. All this confirms the fact that school education has received and continues to receive high priority in the Soviet Union. The Soviet Union has long realised that education has a direct bearing on economic development; labour productivity of a worker with complete secondary education is presently estimated to be 25 per cent higher than that of a worker without it.

Although the number of students in schools (primary, general secondary and professional) has remained more or less constant at 48-49 million since 1965-66,[3] the number of students in evening schools, correspondance courses, professional and specialised schools has registered marked increase while that in general secondary schools has showed some decline. New forms of specialised schools known as "Inter-school Production-Pedagogical Combines" have come up since 1975 whose aim is to enable more efficient and economical training of students for a wide variety of professions taking into account the requirements of large enterprises located in the area. The participation of representatives of industrial and agricultural enterprises in the deliberations of this Congress, therefore, was not without significance. They not only extend help to technical schools in the form of funds and supply of modern equipments for practical training, but also take active interest in bringing a close link between production and schooling.

Soviet schools are not without problems; the CPSU itself has given a call about the need to improve the quality of education to the teaching community as a whole. This might have been particularly addressed to those in charge of education in rural areas since the standard of education there is much lower than in urban centres. Studies conducted some years ago indicated that lack of good education facilities for the children was one of the reasons for large scale migration from rural to urban areas. The latest information that 9,000 secondary schools were opened in rural areas in the last decade and that school buildings to serve the needs of nine million pupils were built confirms that adequate education facilities were lacking in rural areas till recently. Leonid Brezhnev seems to have taken particular interest in providing good education facilities in villages.

Another problem facing education in the Soviet Union is that relating to specialisation in technical education. Students are trained in polytechnics for hundreds of specific jobs in the economy. In view of the fast progress in science and technology certain jobs may become redundant with changes in any particular production process. This requires retraining of such workers for other jobs involving loss of labour days, besides raising problems of their dislocation on a large scale. Soviet experts are considering the "possibility and even necessity" for launching the training of specialists of broad specialisation, capable of quickly switching over to new and improved lines of production".[4]

More than curricular aspects of education, the discussion in the Congress was concentrated on the problems of upbringing of children. Ideological orientation is specific to the Soviet system of education. The objectives of Soviet schools are not only the transferring of knowledge to students but the instilling in their minds of the high moral values and ideals of Communist philosophy. Hence Soviet teachers carry a great responsibility for ensuring the proper upbringing of children.

Since there is nothing new in such a perception of the role of Soviet teachers, why was this aspect emphasised so much in the Congress? Although the upbringing of new generations of students is a continuous process, one strong possibility is that the work carried out so far has not been satisfactory enough, in the opinion of the leaders, to be complacent about it. The process of social and cultural revolution which alone can bring about true socialist consciousness is still in progress. The period of six decades since the October Revolution is not perhaps long enough in the history of a country to enable the elimination of all elements of the pre-revolutionary society which are alien to a socialist society For instance, according to Soviet political scientist G Glezerman, personal subsidiary farming which is economically necessary affects the psychology of the collective farmer and may slow down the elimination of the survivals of private property mentality.[5] Similarly, individual nature of the labour of some categories of the intelligentsia belonging to liberal professions may also retard the elimination of remnants of individualism.

Soviet society has achieved considerable success in meeting the material needs of the people and in creating the objective conditions for their cultural and spiritual upliftment. This is evident in the desire of the people to take greater interest in fine arts, literature and sports. At the same time Soviet leaders and scientists are aware that anti-social traits such as drunkenness, petty hooliganism etc, have to be fought against on all fronts and they may not spontaneously get eliminated under socialism. Education can play a very important role in this regard.

Besides this, the impact of the capitalist world hinders the elimination of

capitalis[illegible] members [illegible] society. The Soviet people have been more exposed in the recent period than in the past to the influence of the developed Western societies and it is possible that the glitter of the West may dazzle those who are insufficiently staunch ideologically. Soviet leaders and social scientists are aware that it is not realistic to hope that the consciousness of people will be renewed of itself and that anti-socialist phenomena will wither away without rigorous struggle against them. Hence they are calling upon the schools to lay greater emphasis on moral and ideological upbringing of children in the spirit of collectivism, industry and humanism.

In this connection one point is worth noting. According to Soviet Educational Law, 1973, organisations such as Komsomol (Young Communist League), Pioneer and Trade Unions help teachers and families in the work of upbringing of children outside schools.[6] In last year's Congress, the role of these organisations did not seem to have been evaluated and discussed despite the fact that one of the major thrusts of the deliberations was on the task of upbringing children. It is not clear why teachers alone should have been singled out for any 'failures' in the task of upbringing of Soviet students.

Similarly, the question of socialist attitude to work is equally important and is an inseparable part of the overall process of upbringing. Considerable attention is given in the Soviet Union to create better environment for work, especially those kinds of work which are to be carried out under difficult conditions such as in mining, work in heavy industrial establishments, and so on Efforts are also made to mechanise many operations which involve hardships and physical risks. However, at the present stage of development, the level of mechanisation and automation is lower than in the developed capitalist countries. Soviet scholars, categorically refuting the Western criticism that under Socialism 'individuals live in order to work', contend that work and life are not opposites. According to socialist philosophy, work is an integral part of life of an individual and that it has social significance. What is more, work turns labour into creative endeavour whereby he can display his capabilities and talents.

However, the attitude to work is not entirely satisfactory. In fact, deep concern was expressed by speakers in the Congress about the need to improve the individual's attitude to work. "Serious shortcomings are there in the instruc[illegible]tion of labour and upbringing of school children. It is necessary that the subject of labour, greatness of people of labour resounds in all lessons and in upbringing activities."[7]

Therefore, the Soviet leaders are calling upon teachers to further improve teaching of labour, particularly in higher standards, in their own workshop hours, in their practical training at enterprises, in inter-school pedagogical production combines and in student agricultural brigades. The need for such efforts can be seen, for instance, in the case of agricultural training schools where, after completing training which the state farms and collective farms finance, there is a tendency on the part of some students to seek jobs in towns. Similarly, among those completing general secondary education, there is a strong desire to go for higher education, although hardly one among four students can get admission to higher educational institutions. This general tendency was corroborated by a study conducted by Novossiberian sociologists.[8] The youth revealed a high preference for jobs of engineer, physicist, pilot and a very low preference for the jobs of lathe-operator, tractorist and salesman.

Man's attitude to work is a very complex one. Bringing about a harmonious union between the interest of the individual and the interest of society is a very difficult task. Many measures have been undertaken by the Soviet Union to create objective conditions for achieving such a harmonious union. Efforts are still going on in that direction, especially in certain spheres of economy such as labour organisation, distribution and remuneration which may help in overcoming the temptations still not overcome by the Soviet worker — the satisfying of personal interests at the cost of social interest.

For improving education, it is not enough to improve the organisation of the system but to improve the teacher as well. Marx visualised the tremendous problem of creating and moulding a new man with Communist consciousness when he stressed that, first of all it was "essential to educate the educator himself". While complimenting the delegates at the Congress for their significant contribution, the Soviet minister for education observed that "Pedagogical institutes and universities often weakly prepare their students for upbringing tasks". It was observed that those in charge of individual pedagogical groups had not achieved active positions in life. It was also noted that among certain students, there were elements of social passiveness, demanding nature to life, and [illegible] which could be explained only by the problems of upbringing on the part of teachers.

Similarly, the director of a school from Riga urged for cohesion among the collective of teachers who should single-mindedly dedicate themselves to their task. According to her, to be a good pedagogue, what was more important was an amiable personality, wideness of intellectual horizon, depth of knowledge and high moral quality.

To conclude, Soviet school system is entering a crucial stage in the development of Soviet society. In the curricular field, the Soviet Union has launched a campaign for compulsory ten years schooling. While the number of students in general secondary education has declined marginally, the number of students in technical schools and evening schools has increased indicating the continuation of the process of vocationalisation and polytechnisation of education. Problems of qualitative improvement, particularly with respect to rural schools and the nature of specialisation of technical education, are being solved.

However, more than the curricular aspect, the ideological upbringing of pupils seems to be worrying the Soviet leaders today. There is a tendency among some students to choose careers which involve more of mental labour than physical labour. Besides promises of higher pay, such careers have also a certain 'prestige value'. The solution to all these problems lies in the proper upbringing of children in the spirit of communist philosophy. The Soviet leaders have called upon the teachers to make further efforts in achieving this task.

Notes

1. *Pravda* July 1, 1978, p 2.
2. *Pravda* June 29, 1978, p 3.
3. "National Economy of USSR in 1975", Statistical Year Book, Moscow, 1976 p 667.
4. Fyoder Breus, 'What do Soviet schools teach?' APN Commentary, June 30, 1978.
5. G Glazerman "Socialist Society: Scientific Principles of Development", Progress Publishers, Moscow, 1971, p 193.
6. *People's Education in the USSR*, Collection of Documents 1917-1973, Moscow, p 325.
7. *Pravda*, June 29, 1978, p 3.
8. R G Gidadhubli 'Some Aspects of Higher Education in the Soviet Union', *Journal of Higher Education*. Volume II, Number 2, 1976, p 163.

South Korea : The Entrepreneurial State

John Ashdown

SOUTH KOREA is a land of the economic spectacle: an annual ten per cent rate of growth since 1962 (and a breathtaking 40 per cent rate of growth of exports). In the miracle year of 1973, national product grew by nearly 17 per cent. Even in 1976, when the rest of the world was still groggy from the battering of 1974, Korea expanded its national product by 15.5 per cent, and its exports — expected to increase 22.5 per cent under the Third Plan – clocked a cool 45.9 per cent. Total value of exports crossed the symbolic frontier of US $10 billion in 1977 (all money figures are in US dollars), ahead of schedule for the target of $22.8 billion by 1981 The per capita income crossed the threshold of $1,000 last year (from a base of $87 in 1962, current prices), again ahead of the timetable. the 1981 target: $1,936.

If that is not enough to dazzle the most jaundiced banker, disaggregate the figures. Exports have been transformed so they are now overwhelmingly manufactured goods and not raw materials. The star performer in the 1960s, electronics, expanded its output between 1964 and 1970 by 51 per cent per year (and its exports by a staggering 102 per cent, three quarters of it from foreign owned or joint venture companies). The government may seem ambitious in plan targets, but the economy has consistently defied the conservatism of the planners; in 1976, the output of television sets exceeded the targets by three times over.

Heavy industry is now expanding very rapidly. About 43 per cent of exports are already in the heavy end of production (basic metals, shipbuilding, petrochemical products). The government aims to move out of mass produced light industry towards 'custom built' heavy machinery. Businessmen now boast of their exports, not of cheap shirts, but of textile machinery, of a zinc refinery to Thailand, a paper factory to Colombia, a soda ash plant to Peru, a pulp plant to New Zealand.

Korea Inc

How has it been done? Formally, by playing the film of Japan's economic history very fast. In practice, through a series of gambles, deliberately using the fierce winds of the upper atmosphere of world trade to drive the Korean kite higher and higher.

The tactics required tight central direction — an Entrepreneurial State, knocking everyone into one line. The planners instruct business on targets, type of output, markets, type and rate of expansion of capacity, and insist in inspecting the quality of output. Private companies are in effect subsidiaries of Korea Inc. Most companies depend very heavily on borrowing from the banks, and the government is the major shareholder in all the leading banks. The targets are thus 'indicative' only in the loosest sense. President Park meets the dozen or so *zaibatsu* of Korea, heads of the government-designated 'General Trading Companies' (and particularly the Big Three: Hyundai, Daewoo, Samsung) once a month to plan the next battles in the conquest of world markets. By a mixture of bribery and bullying, the army advances.

The bribery consists of export incentives adding, some said, ten per cent to the return to the exporter. It includes massive public finance to key sectors (70 per cent in heavy industry and shipbuilding?) and, if they flounder, a government financed safety net. While the rest of the world's shipbuilding industry is crumbling, little of Korean capacity has so far been closed. The government's direct expenditure backs up its targets — the building of roads, power stations, ports and the rest are ruthlessly subordinate to the export task. The land is now dotted with industrial colonies, islands of exceptionally high standards of industrial infrastructure, where business may thrive without the painful presence of the rest of the country. The government similarly holds at bay any who object — critics, students, workers — lest such objections disturb the tempo of expansion. It starves the domestic market so that more is available for the foreigner. And above all, it uses all means to drive up and sustain the profit rate. Korean companies tend to pay out a 40 per cent profit to lenders. US banks have just announced profit rates for their Korean operations between 1974 and 1977: 72 per cent; 114 per cent; 126 per cent; and 95 per cent (or about $200 million).

Spectacular Gambles

Under the Fourth Plan, the government aims to make Korea a major heavy industrial country. Steel output [illegible] ting from under 1 million [illegible] 1), most of it from one major State plant at Pohang — is to reach [illegible] million tonnes by 1981. The government has just announced that it will begin work on a gigantic new plant of 12 million tonnes. 100,000 tonnes of ethylene, the raw material of petrochemicals, is now streaming out of Korea's first naptha cracker; 350,000 tonnes comes from a second, and now there is talk of a third, each one the core of a giant petrochemical complex. Shipbuilding has come from nowhere in the 1960s (capacity: 20,000 gross tonnes) to 700,000 tonnes capacity in 1976. The government aims to raise its present 2-3 per cent of total world capacity to 10 per cent by 1981 (when it will be the second largest shipbuilder in the world after Japan) Vehicles – with a current capacity of 220,000 units per year — are ultimately projected to reach a capacity of 2 1 million units (with 900,000 exported).

This is heady stuff. It is a part of a series of spectacular gambles to ram South Korea into modern industrialisation. The heavy industry gamble is that, if Korea can expand fast enough, it will elbow aside existing producers without them counterattacking. A similar gamble came off in 1974-75 when the rest of the world economy tumbled in a heap. President Park calculated that if Korea kept up the pace, it could win a larger share of a declining market. And it did, thanks to the massive backing of international banks (fuelling Korean growth with a billion dollars a year), the restocking mini-boom of 1976 in the United States, and Korea's flair for switching the points on the oil price "shokku" of 1974 In West Asia Koreans went hunting for export orders and building contracts, and the efforts of the 60-70,000 Koreans currently in that region brought home some $4 billion in the first half of 1978

But heavy industry is a much more ambitious gamble than this. The whole world economy is overshadowed, according to business, by 'excess capacity' in shipbuilding, steel, ethylene and vehicles. Where the growth of the world market is small, South Korea's expansion can be wrecking. How long can the subsidies last without a real expansion in world demand? Korea plans on a giant scale to reap the benefits of economies of scale; but then the domestic market is far too small to take more than a trivial share of the minimum economic output; and dumping abroad is the only way to minimise losses. Just when everyone else is dump-

ing, the advanced [illegible] are [illegible] driven to cut to size any newcomers from the world economy.

In cars, it is said Korean production costs are, because of the still small scale of output, a third higher than the equivalent Japanese model, but their export price is lower. The domestic market is squeezed by heavy taxes (300 per cent on petrol, a stiff monthly road tax, a 40 per cent purchase tax on cars) to force exports. Yet even so, the industry utilises only about a third to a half of its existing capacity. In shipbuilding, reality forced a rapid scaling down of ambitions from the Third Plan's promised nine new shipyards (each with capacity to build giant tankers) to three. Even then, only a quarter of the capacity is being used, and the yards can only be kept open through public finance (in 1976-77, there was the first absolute drop in output, of six per cent).

Riding for a Fall

In the past, there was always a saviour. US aid, equivalent to a quarter of Korea's imports in the last half of the 1960s, fuelled the first burst of growth. The Viet Nam War gave another boost — $200 million for the use of Korean troops, big orders for ships from Hyundai and equipment and other supplies (since Japan's exports to Viet Nam were limited by US quotas, enterprising Japanese slipping into Korea to use the Korean quota). The State itself saved business in the recession of 1971 And in 1975-76 the US market and Korean enterprise in West Asia saved the day.

But Korea was *not* then biting into the markets of important industries in the industrialised countries. Textiles is one thing, steel, shipbuilding, cars and petrochemicals something different again Korea is very vulnerable since its target exports cover a range so narrow as to maximise potential instability. Now the combination of low wages (the lowest in East and Southeast Asia except for the Philippines and the People's Republic of China) and a depreciating currency (the Won is tied to the US dollar and has therefore lost a quarter of its value against the yen in the past year) continually hone the razor of exports. Without world expansion, excess capacity and a very top heavy debt structure could swamp Korea

Korea, from one viewpoint, is no more than an offshore exchange between Japan and the United States. Crudely, Korea imports raw materials (much of them from the US), uses Japanese machinery to work them up, and exports the results to the United States (and now Europe). The results are a large surplus on Korea's trade with the United States, and a giant deficit on trade with Japan. Looked at in another way, Korea's surplus on trade with the US should be included as part of Japan's enormous surplus on its US trade. Korea's exports may be dynamic, but they are matched by the dynamism of its imports from Japan (despite the rise of the Yen); imports from Japan increased 61 per cent in the first half of 1978, compared to the first half of 1977.

There are other sharks snapping at Korea's feet. Revenue from West Asia has pushed up domestic inflation (running at about 28 per cent on an annual basis at the moment). The government is temporarily liberalising some imports to try to mop up excess liquidity, and limiting new West Asian contracts. The emigration of skilled workers has pushed up skilled wages rapidly. If it continues, rising skilled wages could pull up unskilled wages and Korea could bang against the limits of its labour supply. That would make Korea less attractive for foreign capital (currently, foreigners have about a third of direct investment, 82 per cent of it American or Japanese, and foreign companies have a much larger share of key export sectors), and increase the tendency for foreign capital to go elsewhere. If China really does open its doors to 'export processing zones', that could provide all the advantages Korea offers and more.

Sometimes some businessmen grumble about Korea's 'premature' heavy industrialisation. With the domestic market so small (and kept deliberately small by the government), and the world overhung by such excess capacity, the wisdom of the government is not beyond dispute. Military imperatives — the need for military self-reliance in the face of the US evacuation of Korea — took priority over what might seem good business. If the world economy fails to expand, the alliance of State and business could come under stress. That could connect to the still continuing opposition to Park. No one knows how long Koreans will tolerate being obliged to meet Japanese standards of productivity at under a third of Japanese wages.

The Fortress State

The hard-faced robber barons of early Victorian capitalism might feel, if they came upon the world of 1978, that Korea's businessmen were their spiritual heirs. They would recognise the heady mixture of gamble, frenetic work, spectacular growth of output and profits.

But they would be wrong. The central drive behind Korea's growth is not the unrestricted pursuit of profit, but the State's obsession with 'defence against what President Park sees or chooses to see as the permanent threat of invasion from the North (North Korea's population is about half that of the South). The US decision to evacuate the South has given Park the entire justification for his policies.

South Korea has 595,000 men and women under arms (the fifth largest military force in the world, but with only 36 million people in the country). There are 1.2 million in the reserves, 2 7 million organised in paramilitary forces, backed up by universal conscription. Perhaps more than half the budget in fact (rather than in the published figures) goes to the defence sector, and much more if we include as part of defence the drive to heavy industrialisation to achieve military independence from imports. Without this appalling drain on resources and manpower, presumably the economic growth rate would be doubled!

It is defence — the 'threat of the North' — that is the justification for the State's ruthless dedication to the work ethic, policed by 20,000 agents of the notorious Korean CIA, backed by an alleged 50,000 informers. You can see the work ethic in the sweatshops of the back streets, workers groping to work in the dawn light, returning in the dark exhausted. You can see it in the tired faces of school students, stumbling home with heavy satchels at eight and nine in the evening. The ILO, in a survey of sixty countries, gives Korea the doubtful prize of the longest working week in the world: an *average* of 57.7 hours.

It is national security that supposedly justifies the heavy burdens imposed on the mass of taxpayers required to subsidise steel prices, to bribe exporters, to bail out sinking companies, as well as pay for the President and his armies. It is defence also which gives President Park his rationale for the political butchery of all opposition, the notorious hunting down of critics, the savage sentences on demonstrators (among those arrested in the opposition to Park's new constitution in 1973-74, 14 received death sentences, 15 received *life imprisonments*, 26 were sentenced

in jail for 15-20 years), and the well documented accounts of torture by the KCIA. North Korea is the apparent reason for creating a tame assembly, for the rule that criticism of the President or his constitution is liable to fifteen years imprisonment, for the reduction of the press to remasticating government handouts. Periodic scares are released to stiffen the backbone of terror, to encourage a paranoia that obsesses President Park — no one must take photos in the direction of his Blue House; no windows may face or overlook it; the President travels rarely, and then surrounded by an armoury.

It is similarly supposedly defence which vindicates the ruthless pursuit of low wages while profits soar. The government boasts that wages are low. But by 'low', the government means $120 per month. In fact, some sources claim that three quarters of the labour force received $60 or less per month, and for this they often work 18 hours in appalling conditions. There are stories of 12 and 13 year old girls, working endlessly in the dark of wet cellars. The opposition claims that 12 per cent of workers are on or below starvation wages, not difficult when the Bank of Korea calculates $170 per month as the minimum household subsistence income. The textile industry employing three quarters of a million people (mainly women receiving 44 per cent of the average male wage) pays about $80 per month.

But the picture is very mixed. The scarcity of skilled workers has widened the differential between skilled and unskilled, as well as between manual and white collar, workers. Permanent workers in large companies are much better off than those in small enterprises or subcontracted to big companies (and subcontracting is a major element in big company employment). In Hyundai shipbuilding, it is said that permanent workers get $ 380 monthly for a 48 hour week (and exceptionally good working conditions), and technicians a top rate of $680. That says nothing of managers and owners. Many of the peasants in the more fertile areas have benefited from a rice price support scheme that has narrowed the urban-rural income gap remarkably.

But the majority of Koreans are on low wages, the real value of which is continuously cut by inflation which is currently 28 per cent. There have been large money increases in recent years, but it is not clear they have made up the difference. In the 1970s, real wages in manufacturing are said to have increased 7-8 per cent; but the real wage index (1961:100), some sources allege, now stands at 83.

Suppressed, but Restive, Labour

West Asian employment for Koreans is theatening to wreck the wage system. The masses of workers who pack the thrice weekly flight to Bahrein earned $ 4 billion in the first half of 1978. But the resulting shortage of skilled labour in Korea has forced the government to allow substantial pay increases to try to nail down those still left. Pusan bus drivers recently received a 70 per cent pay increase. It did not work, and in May, Park was obliged to ban temporarily the recruitment of Koreans for work abroad. On the other hand, Korean agitation in Iran against low wages obliged Park to enforce a minimum pay level of $480 per month (of which workers are obliged to return 80 per cent to Korea). So a kind of auction is developing between the West Asia and home pay rates, the West Asian pay being influenced by the pay being received by Europeans and Americans. Still Koreans cost a third of what their competitors charge, and because they work 24 hours a day, they can complete contracts far faster. That was a factor in the gigantic contract for Jeddah airport which the Koreans won in the face of stiff competition from everyone else by promising to complete the project in four months.

Low wages or not, enough people have stable employment to transform Korea's lifestyle. Babies are plumper than ever before, and people are well dressed At twilight in Seoul's department stores, the air rings with the sound of tills and the clack of the abacus. Food is plentiful But still for the majority, life is austere. The government strives to keep it that way — by curbing pay increases for the unskilled, using all the force of the State to suppress strikes, by making no efforts to damp down the effects of inflation in key consumer prices.

The government also shows uncharacteristic inertia over questions of improving the social wage: There are no unemployment allowances, and very little medical or retirement benefits. In contrast to the heroic production targets of the Fourth Plan, the aims of social welfare are modest indeed: of Korea's labour force of 13.4 million, by 1981 2.5 million will be covered by voluntary medical insurance; 2.8 million will be getting old age pensions; and 2.8 million to compulsory accident cover. Safety standards in the factories are notoriously low, even in some of the most modern enterprises (last year, 11 men were killed in Hyundai's Ulsan shipyard, the most modern in the country). Nor are companies seriously obliged to protect Korea from pollution, although regulations and propaganda exist. A British observer noted that some of the tributaries of the Han river (which flows through Seoul) had levels of organic pollution double that in a London sewer; copper contamination was twenty times the permitted WHO level, and lead contamination, 80 times.

The same deficiencies are vividly apparent in housing. At least government has graduated from its first appalling response to slums when it just lifted thousands out of Seoul by force and dumped them miles from anywhere to fend for themselves. Riots ensued, and government ultimately developed a less disastrous approach. But even so the housing shortage is extreme (and price inflation spectacular), despite the serried ranks of 'battery hen' blocks south of Seoul. An estimated 49 per cent of Pusan and 47 per cent of Seoul families have no independent home of their own, and a fifth of Seoul's people are in 'illegal' housing. Under the Fourth Plan, efforts are being made to increase the housing output to a target of 1.3 million units; but since there is not much subsidy on housing the houses will not reach those in most need.

Koreans are no more passive in the face of these problems than other people. The students persistently voice their demand for a democratic constitution, despite an amazing scale of repression (the demonstration last October was preceded by mass arrests). Women textile workers in Inchon have been engaged in a longstanding battle to establish a better deal; they also go in and out of jail, bearing the marks of the regime's policy on their skin.

Not so long ago, the Shah of Iran could afford to be complacent, coasting along on high growth. Perhaps from the eyrie of the Blue House, President Park contemplates the sombre lessons of Iran's recent history. If he does not, if his obsession with military conflict with the North remains the single principle of Korean growth, he too may find himself experiencing the Shah's nightmare or meet the fate of another famous Emperor, Hailie Selassie.

Lewis Model on a World Scale

Ranjit Sau

The Evolution of the International Economic Order by W Arthur Lewis; Princeton University Press, 1978; pp 81.

REMEMBER that cute 1954-model of Arthur Lewis?[1] A dual economy with two sectors: one traditional, the other modern. The former produces food-grains, and it has a practically unlimited supply of labour at a constant wage rate determined by the average yield on agricultural land. The modern sector draws labour from that reservoir of cheap supply. The economy does not get into the path of rapid development until and unless the traditional sector empties its surplus labour or improves its productivity.

Blow it up on the world scale, with a few modifications. China and India, from where fifty million indentured labour emigrated in the first half of the nineteenth century, constituted the source of cheap labour for the advanced countries. What is known as the Third World today is thus historically the traditional sector of the Lewis world model. Wages are low here as the yield on land is scanty. And this has had far-reaching implications.

When in the nineteenth century the industrial revolution crossed into several countries in Europe and elsewhere, the Third World was bypassed. Agricultural productivity being low, the surplus was meagre, and hence there was no domestic market to support industrialisation. As Lewis puts it: "Agriculture has to be capable of producing the surplus food and raw materials consumed in the industrial sector, and it is the affluent state of the farmers that enables them to be a market for industrial products. If the domestic market is too small, it is still possible to support an industrial sector by exporting manufactures and importing food and raw materials. But it is hard to begin industrialisation by exporting manufactures. Usually one begins by selling in a familiar and protected home market and moves on to exporting only after one has learnt to make one's costs competitive" (pp 9-10).

What is more, in the Third World countries the political power in those days was wielded by the landed aristocracy who opposed industrialisation.

And so, in the first half of the nineteenth century, the world divided: countries that industrialised and exported manufactures, and other countries that exported agricultural products.

And so the Lewis world model unfolds. But does not Lewis contradict himself right from the beginning? If there were no adequate agricultural surplus to support its own domestic industrialisation where did the agricultural surplus for export of the Third World come from?

Second, consider the issue of home market. During 1876-80 the average annual world exports of manufactured articles was $ 2.29 billion, of which more than half was imported by the countries of Asia, Africa and Latin America (and Oceania), namely, $ 1.29 billion. The annual figures for 1896-1900, 1913, 1928 and 1937 respectively are as follows: world exports $ 3.23 billion, $ 6.93 billion, $ 12.91 billion, and $ 9.88 billion; imports of Asia, Africa, Latin America (and Oceania) $ 1.60 billion, $ 2.95 billion, $ 5.98 billion and $ 4.99 billion.[2] How can one say that the home market was too small to initiate the process of industrialisation in the Third World? Average farm productivity might be low, yet the total production could be sizeable, and so also the surplus. The distinction between average and total is quite clear.

Third, true that the landed interests were at the helm of political affairs. It is conceivable that they might not be too enthusiastic about industrial development. But Lewis does not explain why they did not care to improve agricultural productivity and surplus, either.

Comparative Costs

Lewis continues. Since the yield on land in the Third World is low, wages are low, and therefore so are the prices. He even cites it as the cause for the exploitation of American blacks. "American blacks earned so little because of the large amount of cotton that would have flowed out of Asia and Africa and Latin America at higher cotton prices" (p 17). The logic is getting curiouser and curiouser; isn't it?

Now the Lewis model of unlimited labour supply is grafted on to the Ricardian theory of comparative costs. The "stream of migrants from Asia [to work mainly as indentured labourers in the tropics on plantations, in mines, or in construction projects] was as large as the stream from Europe [into the new countries of temperate settlement: Canada, Argentina, Chile, Australia, New Zealand, and South Africa] and set the level of tropical prices. In the 1890s the wage of a plantation labourer was one shilling a day, but the wage of an unskilled construction worker in Australia was nine shillings a day. If tea had been a temperate instead of a tropical crop, its price would have been perhaps four times as high as it was. And if wool had been a tropical instead of a temperate crop, it could have been had for perhaps one-fourth of the ruling price".

This analysis, continues Lewis, clearly turns on the long-run infinite elasticity of the supply of labour to any one activity at prices determined by farm productivity in Europe and Asia, respectively. This is applied to a Ricardian-type comparative cost model with two countries and three goods. The fact that one of these goods, food, is produced by both countries determines the factoral terms of trade, in terms of food. As usual one can elaborate by increasing the number of goods or countries, but the essence remains if food production is common to all.

This is an ambitious hypothesis. Lewis wants to explain with it the pattern of world economic development. Given the difference in factoral terms of trade, he argues, the opportunity that international trade presented to the new temperate settlements was very different from the opportunity presented to the tropics. Trade offered the temperate settlements high income per head, from which would immediately ensue a large demand for manufactures, opportunities for import substitution, and rapid urbanisation. Domestic saving per head would be large. And so on. The factoral terms of trade available to the tropics, on the other hand, offered the opportunity to stay poor — at any rate until such times as labour reservoirs of India and China might be exhausted.

A farmer in Nigeria, observes Lewis, might tend his peanuts with as much diligence and skill as a farmer in Australia tended his sheep, but the return would be very different. The just price, to use the medieval term, would have rewarded equal competence with equal earnings. But the market price gave the Nigerian for his peanuts a 700-lbs-of-grain-per-acre level of living, and the Australian for his wool a 1600-lbs-per-acre level of living, not

because of [illegible] nor [illegible] productivities [illegible] but because there were the respective amounts of land that their [illegible] could produce on the family farm.

But isn't there a difference between the wage rate and the wage bill? Does the wage rate determine the price, as Lewis seems to claim? If the differences in wage rates are more pronounced than those in labour productivities, as Lewis assumes, one has to find the roots of the latter. Should their roots be attributed to the lack of industrialisation in the Third World and the vigourous process of industrialisation elsewhere, does not one commit the fallacy of circular reasoning and, worse, incorrect interpretation of the data of world history?

Contemporary Issues

Lewis takes his story right up to date, through the depressions of 1873, 1892, 1929, and 1974, and the accompanying vicissitudes of international economic relations. The exposition is characteristically lucid, sweeping and provocative. He sums up his views on the current situation with the following sentence: "It is in the interest of the poor countries that the rich grow as fast as possible" (p 68).

"The LDCs have within themselves all that is required for growth", says Lewis. "They have surpluses of fuel [illegible] surpluses, if they cultivate it properly. They are capable of learning the skills of manufacturing, and of saving the capital required for modernisation". This was no less true in the early nineteenth century. It would have been far more interesting if the author could shed light on why nonetheless history took the course that it did.

In this view the most important item on the agenda of development today is to transform the food sector, create agriculture surpluses to feed the urban population, and thereby create the domestic basis for industry and modern services. If we can make this domestic change we shall automatically have a new international economic order. He is correct in drawing our attention to the supreme importance of the agrarian question in the Third World. The real basis of the new international economic order will be laid out in the coming battles on the paddy fields, not so much in the diplomatic debates in New York, Geneva, Rome or Nairobi.

Notes

1 "Economic Development with Unlimited Supplies of Labour", *The Manchester School*, May 1954.

2 P L Yates, "Forty Years of Foreign Trade" George Allen and Unwin, London 1959, pp 228, 230.

Revival of the Asiatic Mode?

S S Sivakumar

Accumulation and Interchange of Labour: An Enquiry into the Non-Market Economy in a South Indian Village by Hisashi Nakamura, Institute of Developing Economies, Occasional Paper Series No 14, Tokyo 1976; pp 138, Price not mentioned.

NAKAMURA's work raises many interesting questions, but at the end one is left with a feeling that much is wanting. It is a Marxian attempt at a village study — in fact, it preceded the more popular work of Djurfeldt and Lindberg[1] — and witnessed the problems inherent in a Marxian village study much earlier.[2] The focus of the book is not on the basis of class structure as in other studies,[3] but on the "radical reconsideration of labour force and its accumulation in historical perspective", based on the *a priori* assertion that the allocation of labour force by the dominant castes is "efficient".

Theoretical arguments of Nakamura are summarised in Chapter 13 of the book entitled 'Extension of the Labour Ability'. First he distinguishes between labour "in the broad sense" (also called "non-labour") and labour in the narrow sense. The first amounts to a "spontaneous development of human ability through voluntary effort" and the second is "promoted and coerced by an external purpose alien to the person working". Following this is the definition of "the more fundamental" accumulation "of past objectified and dead labour" as "the improvement of conditions of productions".

Three such improvements are differentiated: (a) "extension of the hand", ie, tools, implements and machinery; (b) "extension of the land" ie, "expenditure of past labour to convert marsh into paddy field, removal of stones and stumps, levelling, construction of bunds for the field, facilities for irrigation and drainage", all of [illegible] result in [illegible] as a natural force with objective nature, and it appears as if fertility in land increased by itself, and (c) "extension of labour ability", which is "the alteration of the internal nature of the labouring subject", and which is "embodied not in the human body, but between men who work together (namely social production relations)".

These three forms of accumulation are not mutually exclusive, but actually tend to promote one another, thus making possible a number of permutations among the three. Nakamura confines himself to the third form of accumulation as he witnessed it in Abinnimangalam village of Trichy district which he studied during 1967. The essence of extension of labour ability is that it is an endosomatic process, involving mainly apprenticeship and attainment of perfection with crude implements over generations. Surprisingly enough, Nakamura feels compelled to illustrate this with the (by now) famous excerpt from Marx on the Dacca muslin weaver, and not with something out of Abinnimangalam. (However, more of this later.) Technological Progress is defined as a combination of such endosomatic processes with exosomatic processes which enhance the extension of the hand and of land. The degree of co-operation among participants in the social process of production is a key determinant of the contribution of labour ability, towards extension of labour ability, towards accumulation. In exploitative societies, such as "slave farms, plantation enterprises, capitalist factories and so on", labour is alienated and hence its ability is extended poorly. On the other hand, in societies characterised by less developed private property, reciprocal interchange of labour and its products occur on the basis of community cohesion.

These, according to Nakamura, are lessons to be learnt from Abinnimangalam. He identifies Abinnimangalam as a non-market economy, with an organically based village community and built in regulators of social division of labour; in short the Asiatic Mode of Production.

Asiatic Mode in Abinnimangalam

According to Marx, Asiatic Society consisted of the following features: (a) Production was based on a natural economy, oriented to subsistence cultivation. (b) The village community consisted of a blending of agriculture and handicrafts. (c) The village was "self-sufficient" *in most of its economic and* social requirements. It was also insulated to a considerable degree from the

State (d) The State, manifesting itself in the form of despotism, existed on the basis of a threefold appropriation of surplus: "plunder of the exterior", "plunder of the interior" and public works.

Nakamura is concerned only with the local, or the village aspect of the Asiatic Society. His village Abinnimangalam is shown to consist of the following salient features: (i) Private property did not exist prior to the British annexation of India. (ii) Village community was (and is) a relatively close-knit body, controlled by the upper caste dominated panchayat. (iii) The State was removed from the village community. (iv) Production was by and large not related to division of labour through any form of commodity exchange, but only through custom. (v) Social division of labour manifested itself through the caste organisations.

Thus, (barring the integration of handicrafts and agriculture locally), Nakamura's Abinnimangalam is portrayed as Asiatic Society at a micro-level. Even Nakamura's detailed emphasis on the positive role of caste within this community is not derived from Marx's awareness of caste. But Nakamura's contribution lies in expounding the thesis that within the village community the panchayat "will guarantee a high standard of local self-government with mutual co-operation and simultaneously maintain higher caste domination by enforcing obedience of low caste to the *hierarchical* frame work" (p 95, emphasis added).

What are the larger implications of such a viewpoint? First, Nakamura argues that economic policies must give precedence to decentralised, panchayat-based development and administration of society. In other words, the village community should become the nucleus and basis of social development. It is only then that labour based on the traditional system of reciprocal exchange will participate in production in a non-alienated and wholesome manner. Secondly (and this is more significant), economic development itself is a secondary issue: "... every effort has to be made to learn from the advantageous aspects of the village communities in South Asia, ie, a horizontal co-operation by villages rather than intrusion of economic development and modernisation" (p 112).

The first of our questions is why Nakamura should insist on calling Abinnimangalam a "Non-Market Economy'. His own data show this to be incorrect. From 1936-45 to [illegible], there were 48 instances of land purchase involving over 97 acres of land. The residents [illegible] 1966 alone [illegible] of livestock worth over Rs 29,000 and had sold 680 heads of livestock worth over Rs 32,300. Total sale of dry farming crops alone, was worth Rs [illegible] and from cash crop farming on wet lands the upper castes made Rs 3,000 to Rs 4,000 per acre (p 61, Table 14; p 59, Table 13; p 49, 35).

Further, labour exchange through customs of reciprocity is pointed out to be the dominant feature of the local economy. What is interesting (and contrary to Nakamura's assertion) is that there are 141 farm workers classified by Nakamura himself as the class of farm labourers (pp 38-40). Further, all categories of cultivators use hired labour extensively in all operations of cultivation (chapter 7-8). Barring sowing seeds in the nursery, in none of the other operations is the *Kaimat* (or reciprocal labour exchange) or family labour significant. The caste-wise specialisation — eg, *Man-Oddar* or Paraiyar for repair of irrigation channels — also makes one feel that perhaps Nakamura is romanticising the reciprocal labour exchange system.

The author's homework on history also appears patchy and inadequate. For instance, one of the central hypothesis is that private property in land did not exist before the British period. This is entirely incorrect and contrary to known facts.[4]

It is also odd that Nakamura's claim of the stability of village community led by dominant castes goes contrary to his own observation regarding episodes of oppression and growing contradiction between the Adi-Dravidas and Vellalas. It is also strange that episodes such as those of Kilavenmani in 1968 are described as "a menace to their (Adi Dravidas) progress and welfare in the society" (p 95).

This last point brings us to the final comment — that there is hardly anything analytically Marxian in the present work, barring a few cliches, a few quotes from Marx and some emotive expressions such as "private army of landlords". In the absence of a class analysis, proper historical background, it turns out to be methodologically a hotch-potch. His glorification of village communities, is also nothing Marxian.[5]

Nakamura's reconciliation of a repressive hierarchy with equalitarian principles, when he eulogises dominant caste authority as being "essential to the economic structure of the village community", is perplexing. Perhaps it can only be explained by the ethnocentricity of a Japanese mind which adapts itself to Marxist emotions. [illegible] a simple observer [illegible] Nakamura the Marxist. Perceptions of a sensitive observer are difficult to frame within a straightjacket, especially when the perceived reality is as diverse and complex as that of rural South India. In a sense, at this stage when Marxists are just beginning to experiment with village studies, such a dichotomy is unavoidable. Nakamura's difficulties are therefore not those of just a person, but those of a creed rediscovering itself.

Notes

1 Goran Djurfeldt and Stefan Lindberg, "Behind Poverty: The Social Formation of a Tamil Village", The Scandinavian Institute of Asian Studies, Curzen Press, London, 1975.

2 See S S Sivakumar, "Behind and Besides Poverty: Problems of Marxian Village Studies in India", (Forthcoming).

3 (a) Djurfeldt and Lindberg, *op cit*
(b) John Harriss, "Why Poor People Stay Poor in Rural South India", University of East Anglia, 1977 (mimeo).
(c) John Harriss, "Capitalism and Peasant Farming: A Study of Agricultural Change and Agrarian structure in North Tamilnadu", Ph D thesis submitted at the University of Cambridge, 1977.
(d) S S Sivakumar, 'Aspects of Agrarain Economy in Tamil Nadu A Study of Two Villages', *EPW*, May 6, 13, and 20, 1978.
(e) S S Sivakumar 'Agrarian Economy in Tondaimandalam: 1760-1900', *Social Scientist*, May 1978.

4 See for instance, Huddlestone and Bailey, "A Collection of Papers on Mirasi Rights", Madras, 1858 Tamilnadu Archives, Madras, for extensive evidence pertaining to this region. For instance of private property (although not in the modern sense) in land as well as labour, see S S Sivakumar, 'Agrarian Economy in Tondaimanadlam 1760-1900, *Social Scientist*, May 1978

5 Beginning with Tolstoy and Herzen in Russia of the 19th Century and District Collectors like Nicholson in India of the same period and culminating in the philosophies of Gandhi, President Cardenas of Mexico and Julius Nyerere of Tanzania, there is a vast body of non-marxist thought which epitomises the village community. See for instances of these:
(a) F Venturi, "Roots of Revolution" Wiedenfeld and Nicholson, London, 1960.
(b) A E van Nierkek, "Populism and Political Development in Latin America", Rotterdam University Press, Amsterdam, 1974.
(c) D. Mitrany, "Marx against the Peasant" University of North Carolina Press, Weidenfeld and Nicholson, London, 1951.

Population Pressure and Labour Absorbability in Agriculture and Related Activities

Analysis and Suggestions Based on Field Studies Conducted in Punjab

H K Manmohan Singh

A number of micro studies conducted by the Economics Department of the Punjabi University in that belt of northern India which is associated with the green revolution confirm the view that while conventional strategies of development which resist institutional changes are sure to bypass large groups of people who have neither land nor other capital assets, efforts to check the pressure of population exogenously can be equally counterproductive.

An attempt is made in this paper to present the main results of these investigations and to advance certain propositions by way of a development strategy in the face of the growing labour force explosion.

I

THERE has been an irreconcilable controversy over the reality and myth of surplus population. The debate is likely to continue endlessly because of its ideological overtones. At the same time the policy for reducing unemployment and poverty must derive its *raison d'etre* from the view the inhabitants of a country form of the interaction between man his environment and from the way they organise themselves to provide the material means of sustaining life.

A number of micro studies conducted by the Economics Department of the Punjabi University in that belt of northern India which is associated with the green revolution confirm the view that while conventional strategies of development which resist institutional changes are sure to bypass large groups of people who have neither land nor other capital assets, efforts to check the pressure of population exogenously can be equally counterproductive. An attempt is made in the following paragraphs to present the main results of these investigations and advance certain propositions by way of a development strategy in the face of the growing labour force explosion

II

Table 1 contains data for 6 villages of the Ludhiana district in Punjab. Assuming Rs 1500 as the annual per capita income of rural Punjab in March 1977 (a conservative estimate), 80.5 per cent households were found to be earning less than this average, of whom 66 per cent were earning less than Rs 750. An analysis of the data shows that 33.3 per cent households were below the poverty line according to the norm developed by V M Dandekar and N Rath.[1]

The data on unemployment and underemployment are not easy to interpret. In a predominantly agricultural economy, open unemployment is often negligible and underemployment is difficult to estimate. The large mass of unpaid family workers do not enter the labour market, and their work participation rates vary widely from season to season and with cropping intensity. In a sample of 311 households in 4 villages, only 8 persons were found who were seeking work but had no work (Table 2). Of these 8 persons, 7 were between 12 and 16 years, and the remaining 1 person, a matriculate, was of 20 years' age. All belonged to households which had neither land nor other productive means. Of the total number of households, 36 per cent belonged to this category.

It can be seen from Table 3 that while the percentage of self-employed workers on farm who worked less than 210 man-days in a year is 7.94, that of wage-paid workers is 25.1. At the other end, 83.48 per cent of self-employed workers on farm worked full-time (271 days or more), while only 59.8 per cent wage-paid workers were in this category.

A careful scrutiny of the data confirms an observation made by BN Ganguli that "diversification of occupations, however lowly some of them may seem according to modern standards, together with the widespread prevalence of mixed occupational status, is a characteristic pattern in a low-level economy experiencing high population pressure".[2]

The data on migration flows collected from villages both in the heart and on the periphery of the green revolution areas provide valuable information on the process of labour mobility. As is to be expected under conditions of rapid economic development, there is considerable in-migration as well as out-migration. However, in-migration is about twice as large as out-migration. An assessment of the data shows that while the poor migrate in and out in search of work, those in the middle and upper groups out-migrate to take advantage of better opportunities in such occupations as the army, public services, transport and communications, industry, education, medical services, and the like. Most of the in-migrants in the latter category are those who wish to resume farming in view of the phenomenal rise in the price of land and increased profitability of agriculture or are educated unemployed. An

TABLE 1 : HOUSEHOLDS BY PER CAPITA INCOME LEVEL

Per Capita Income Level (Rs)	Number of Households	Per Cent
Below 750	276	53.28
750-1500	141	27.22
1500 and above	101	19.50
Total	518	100.00

TABLE 2: DISPOSITION OF LABOUR FORCE BY SIZE OF OPERATIONAL HOLDINGS

Operational Holdings (Acres)	Employed	Unemployed*	Total	Self-employed Workers on Farm	Wage-Paid Workers**	Mixed Occupation
No land	157	8	165	—	157	—
Less than 1.0	—	—	—	—	—	—
1.0- 2.5	20	—	20	11	2	7
2.5- 5.0	47	—	47	35	8	4
5.0- 7.5	72	—	72	66	3	3
7.5-10.0	59	—	59	56	1	2
10.0-15.0	93	—	93	69	24	—
15.0-20.0	41	—	41	41	—	—
20.0-25.0	28	—	28	26	2	—
25.0-30.0	11	—	11	10	1	—
30.0-50.0	26	—	26	25	1	—
50.0 and above	—	—	—	—	—	—
Total	554	8	562	339	199	16

*Defined as persons without a job for 12 months preceding the date of survey and looking for work.

**This includes a very insignificant number of non-farm self-employed workers.

TABLE 3: LABOUR TIME DISPOSITION OF MANPOWER OF SELECTED HOUSEHOLDS

Man-days Worked	Self-employed Workers on Farm	Wage-paid Workers *	Mixed Occupation
Up to 30	—	4 (2.01)	—
31- 60	1 (0.29)	1 (0.50)	—
61- 90	2 (0.59)	2 (1.00)	—
91-120	3 (0.88)	7 (3.52)	—
121-150	7 (2.06)	3 (1.51)	1 (6.25)
151-180	9 (2.65)	10 (5.03)	—
181-210	5 (1.47)	23 (11.56)	—
211-240	7 (2.06)	12 (6.03)	1 (6.25)
241-270	22 (6.49)	19 (9.55)	4 (25.00)
271-300	88 (25.96)	46 (23.12)	1 (6.25)
301 and above	195 (57.52)	72 (36.18)	9 (56.25)
Total	339 (100)	199 (100)	9 (100)

* This includes a very insignificant number of non-farm self-employed workers.

Figures in brackets are percentages.

important segment of out-migrants is the artisan class that cannot find remunerative work because of disintegration of the household industry or lack of demand for their traditional skills. A case study of two villages in the Patiala district with different degrees of economic development shows that most of the artisans are joining the class of agricultural labourers as a result of mechanisation and introduction of new farm machinery in agriculture. A significant result obtained from the study of income distribution at the inter-caste level in the more developed of the two villages is that while 6.83 per cent households among the richest 20 per cent are from low-caste groups, not a single artisan household finds a place in this category. Taken with other data, it is quite obvious that the benefits of development have gone the least to this class, and it stands almost on the verge of extinction.

An examination of data on fertility (Table 4) collected through specially trained female investigators discloses that the main targets of coercive family planning during the Emergency were those who were either below or marginally above the poverty line. Of 79 operations performed among the sampled eligible women, 56 belonged to households which fall in this category. Since labour is the only resource that the poor can draw upon, destitution drives the poor towards larger families. From among those who reported an active propensity to have more children, there was preponderance of cases among those whose per capita income was below Rs 750. This confirms the belief that the poor are interested in maximising the output of the family and not in its main output per unit of labour. Hence th paradox of shortage of labour in labour surplus economy.

An analysis of the data on the for of family organisation shows its impo tant links with economic factors (Tab 5). It has been found that while there a strong tendency among the landle towards the nuclear family, the ex tended family system is the dominan form among those who own lan There can be three main explanatio for this. First, the extended famil system facilitates diffusion of lan ownership consequent upon enforce ment of land ceiling laws, but pre vents fragmentation of operation holdings. Secondly, it enables the join families to pool their resources to tak advantage of modern technology Thirdly, it enables such families to spare the more educated and resourceful among them for outside employment. Thus those who are better off have also a form of family organisation which is more functional and reinforces their position in society.

The data on technology reveal interesting contrasts. It can be seen in Table 6 that the larger the size of operational holding, the more sophisticated is the technology used. Holdings above 25 acres are all operated with T_3 level of technology, implying large-scale displacement of labour by capital. It can also be seen that the smaller the size of operational holding, the larger is the manpower used irrespective of the level of technology. Since technology carries uniform mechanical performance capacity at all levels, the larger input of man-days on smaller farms suggests that there is better use of equipment on smaller farms and that there exists considerable unutilised productive capacity with large farmers. The use of family labour as also the level of employment tend to increase as the level of technology improves, but reach their maximum at T_2 and not at T_3 level. The sharp decline in total man-days used between T_2 and T_3 levels suggests that mechanisation of agriculture, in particular the use of tractor, is impinging heavily on employment opportunities for human labour.

Table 7 brings out the effect of technology on production per cropped acre. The data show that technology is equally efficient on small and large farms and that there are no economies attached to the size of operational holdings. However, with a given size of the holding, production per cropped acre

Table 4: Eligible Women and Use of Family Planning Methods by Level of Income

Eligible Women	Level of Annual Per Capita Income			
	Below Rs 750	Rs 750-1500	Rs 1500 and above	Total
Non-users				
Operated	56	17	6	79
Non-operated	95	59	35	189
Users	60	44	24	128
Total	211	120	65	396

Table 5: Households by Type of Family and Operational Holdings

Operational Holdings (Acres)	Type of Family		Total Number of Families
	Extended	Nuclear	
No land	25 (21.01)	94 (78.99)	119 (100)
Less than 1.0	—	—	—
1.0- 2.5	1 (6.25)	15 (93.75)	16 (100)
2.5- 5.0	12 (40.00)	18 (60.00)	30 (100)
5.0- 7.5	17 (43.59)	22 (56.41)	39 (100)
7.5-10.0	12 (40.00)	18 (60.00)	30 (100)
10.0-15.0	22 (59.46)	15 (40.54)	37 (100)
15.0-20.0	11 (68.75)	5 (31.25)	16 (100)
20.0-25.0	9 (81.82)	2 (18.18)	11 (100)
25.0-30.0	5 (100.00)	—	5 (100)
30.0-50.0	6 (75.00)	2 (25.00)	8 (100)
50.0 and above	—	—	—
Total	120 (38.59)	191 (61.41)	311 (100)

Figures in brackets are percentages.

tends to increase with the level of technology, and is maximum at T_2 level. This introduces a two-dimensional conflict employment is maximised at T_2 level, output is maximised at T_3 level.

The data on investment (Table 8) show that the households operating 10-15 acres is the most dynamic category. More than half of investment on improvement of land (56.56 per cent) is made by this group. This group also makes the highest proportionate investment on purchase of land. The data further suggest that the households operating more than 10 acres account for 73.36 per cent of total investment on purchase of land, which is indicative of increasing concentration of land ownership with upper-middle and large farmers. Of total investment, 40 per cent is on implements. This confirms that farming in the region is getting mechanised by quick degrees. Disaggregation of data shows the tendency of investment to increase with the size of operational holding up to 25 acres. Thereafter it sharply declines, pointing to the possibility of increased consumption expenditures and undisclosed transfer of surpluses outside agriculture.

III

Such is the profile of rural economy in a state that has experienced a vigorous growth in the field of agriculture and is now the richest state in India. Empirical studies show that this characterisation is not an isolated phenomenon but is typical of development in the country as a whole. In a recent study of an agriculturally advanced area in Andhra Pradesh, B Sarveswara Rao has come to the conclusion that, despite the progress made in the technological and production base of agriculture, 'the rural area of the taluk is characterised by considerable poverty and underemployment'.[3] Rao attributes the situation to four factors: (a) highly unequal distribution of land, (b) large and growing labour force who do not cultivate land, (c) low rate of real wages, and (d) inadequate reinvestment of the economic surplus.

In countries where population pressure is very acute and agriculture is the mainstay of a very large number of working people, as is the case in India, there is no meaningful way in which this pressure can be quantified. Similarly, the plans for reducing unemployment and poverty in these countries cannot run in terms of "so many more man-days of work or so much more food intake for a certain percentage of the population".[4] Nevertheless, recent estimates place unemployment (including underemployment) at 18.4 million people of which the equivalent of 15.8 million is in rural areas. The labour force has been rising at the rate of 5 million per annum from 230.5 million in 1971. Taking the existing backlog of unemployment and underemployment, work has to be found for 70 million persons in 10 years. The problem of poverty is more refractory, as a large number of persons are employed in activities which are not very productive.

In view of our findings what ought to be the thrust of labour absorption policies in agriculture?

It appears that the most important single recommendation would be to go slow on mechanisation. It has been stated earlier that up to T_2 level of technology both employment and output rise, but beyond T_2 level the employment falls while the output rises. This appears to be the effect of increased capital intensity. With a suitable labour intensive technology it should be possible to substitute labour for capital and maintain high levels of production. Tagging a high degree of mechanisation to the improved seed-fertiliser technology can make sense in the context of a capital-abundant economy. But in a labour-surplus economy it works against maximum utilisation of its natural resource endowment and ought to be severely curtailed. In this context the need to develop technology appropriate for labour-surplus economies cannot be too strongly emphasised.

There is also a strong case for reorganisation of agriculture in a labour-surplus economy into small and medium-sized farms if optimum results are to be achieved. Although small farms offer maximum scope for labour absorption, followed by the medium-sized farms (7.5 to 15 acres), large farms are ruled out even on grounds of investment and output. Notwithstanding the fact that the output rises with the level of technology used, it is remarkable that the maximum output per cropped acre for any single size group was recorded on the farm size 7.5-10 acres under conditions of medium technology. The case against large farms is reinforced by the finding that they carry considerable unutilised capacity in terms of farm equipment.

In countries with a large population base there cannot be enough land for all landless to be provided. A long line of economists have therefore argued that land redistribution programmes should be utilised to strengthen the position of marginal and small farmers. Although from the point of view of economic viability, understood as a market process, there may be some justification for this, our analysis clearly shows that giving land to the totally landless so as to bring about more

TABLE 6: HUMAN LABOUR USED BY LEVEL OF TECHNOLOGY AND SIZE OF OPERATIONAL HOLDINGS
(Man-days per cropped acre)

Operational Holdings	Family Man-Days				Hired Man-Days				Total Man-Days			
	T_0	T_1	T_2	T_3	T_0	T_1	T_2	T_3	T_0	T_1	T_2	T_3
Less than 1.0	—	—	—	—	—	—	—	—	—	—	—	—
1.0- 2.5	40.00	79.17	104.47	93.20	—	3.67	3.13	11.30	40.00	82.84	107.60	104.50
2.5- 5.0	45.63	48.33	61.38	58.10	—	—	8.34	3.78	45.63	48.33	69.72	61.88
5.0- 7.5	—	26.34	57.09	45.63	—	5.80	3.90	10.60	—	32.14	60.99	56.23
7.5-10.0	—	85.00	58.77	29.65	—	1.75	4.58	12.97	—	86.75	63.35	42.62
10.0-15.0	—	21.88	25.80	33.79	—	20.00	16.81	8.69	—	41.88	42.61	42.48
15.0-20.0	—	—	28.83	28.31	—	—	16.53	12.62	—	—	45.36	40.93
20.0-25.0	—	—	19.84	23.52	—	—	15.19	21.26	—	—	35.03	44.78
25.0-30.0	—	—	—	16.63	—	—	—	12.17	—	—	—	28.80
30.0-50.0	—	—	—	17.99	—	—	—	14.79	—	—	—	32.78
50.0 and above	—	—	—	—	—	—	—	—	—	—	—	—
	44.50	34.16	46.53	30.24	—	6.71	9.35	12.48	44.50	40.87	55.91	42.72

T_0 indicates non-mechanised farms.
T_1 indicates use of power pump.
T_2 indicates use of power pump and mechanical thresher.
T_3 indicates use of power pump, mechanical thresher, and tractor.

TABLE 7: GROSS OUTPUT PER CROPPED ACRE BY LEVEL OF TECHNOLOGY AND SIZE OF OPERATIONAL HOLDINGS

(Rupees)

Operational Holdings (Acres)	T_0	T_1	T_2	T_3
Less than 1.0	—	—	—	—
1.0- 2.5	0	773.50	620.34	828.04
2.5- 5.0	433.25	126.67*	715.36	889.81
5.0- 7.5	—	624.87	751.20	944.46
7.5-10.0	—	751.31	1044.90	857.98
10.0-15.0	—	743.75	899.19	943.01
15.0-20.0	—	—	845.20	918.29
20.0-25.0	—	—	618.20	909.59
25.0-30.0	—	—	—	898.57
30.0-50.0		—	—	914.11
50.0 and above	—	—	—	—
Total	346.60	695.54	792.28	911.95

* Crops reported damaged.

TABLE 8: INVESTMENT BY SIZE OF OPERATIONAL HOLDINGS

Size of Operational Holdings (acres)	Purchase of Land	Improvement of Land	Implements	Non-Agricultural Assets	Investment per Household (Rs)
	(Per Cent)				
No land	6.57*	4.32	—	60.23	1050.07
Less than 1.0	—	—	—	—	—
1.0- 2.5	2.19	0.52	1.75	—	656.25
2.5- 5.0	6.57	1.38	3.39	—	1126.67
5.0- 7.5	—	0.35	4.25	—	1661.25
7.5-10.0	11.31	7.51	7.81	1.86	2925.80
10.0-15.0	39.78	56.56	24.76	0.74	6054.98
15.0-20.0	2.19	10.19	21.99	—	6844.38
20.0-25.0	1.49	10.35	31.39	37.17	12754.52
25.0-30.0	14.60	0.86	1 01	—	5300.00
30.0-50.0	15.83	7.95	3.65	—	5942.85
50.0 and above	—	—	—	—	—
Total	100	100	100	100	2788.73

* This is accounted for by one non-cultivating household out of 118.

small-sized holdings will yield better results in terms of maximum utilisation of manpower. Such a measure by itself will not produce significant results unless it is accompanied by a programme of providing complementary assets in a manner that small owners are enabled to use improved techniques of production. That is where the role of the state becomes more pronounced.

However, in poor countries there may not be enough resources to augment supplies of inputs to weaker farmers. Bringing them into farming co-operatives seems to be one answer for raising farm-productivity. The Indian experience strongly suggests that these co-operatives ought to be kept separate from those intended to serve the middle and upper farmers.

The pattern of farm economy that is being suggested will have two major consequences. First, it will draw out the productive powers of the farm economy and accelerate the process of overall development. Secondly, it will bring disguised unemployment into the open and facilitate its absorption in the more dynamic sectors of agriculture and related activities.

As the co-operative sector grows, the number of openly unemployed will increase. The two main activities which can take up this surplus are (i) non-crop husbandry sectors, such as dairying poultry, forest and fisheries, and (ii) rural and small-scale industries. It may be stated here that though the limitations of available resources and the compulsions of surplus labour favour agricultural investment and labour-intensive technology, one must guard against doing so at the sacrifice of output, especially of wage-goods, which will limit the employment potential of non-agricultural sectors. The process of economic growth entails more investment and increased output of wage-goods and raw materials from the agricultural sector. But this cannot be achieved without an adequate level of investment in basic and capital goods industries. In order to optimise both employment and the growth rate of the economy, simultaneous investments

have to be made in both agricultural and non-agricultural sectors, with a gradual progression in the level of technology from T_1 level in the farm economy to high capital intensity in capital goods industries where the choice of efficient technologies is limited.

So far we have looked at the problem from the side of demand. The problem is not as tractable on the side of supply. However, it comes out clearly from facts and observations in section II that the pressure of numbers cannot be brought down through exogenous programmes. There are two reasons for this first, with unequal distribution of land and other productive means, the poor have an economic compulsion to multiply; secondly, in societies where the forces of production have been in low-key for a long time, the poor do not feel the pressure of population. However, once the modernisation of society begins, this pressure becomes open and is a matter of concern to the people. It is at this stage that the state can step in as a good neighbour and provide the necessary medical infrastructure and facilities for regulating the size of families. Two important policy prescriptions follow from this. First, family planning programmes should be introduced only after a region has gone through a period of development. Secondly, these programmes ought to be voluntary and not compulsory.

These are some of the more significant propositions that emerge if one takes a long view of the process of labour absorption. Whether enough social and political energy would be available for their implementation is a different question.

Notes

1 "Povery in India", *Economic and Political Weekly*, Vol VI, No 1, January 1971, pp 30-31.

2 "Population and Development", S Chand and Co, New Delhi 1978, p 29.

3 "Employment and Poverty in Rural Areas", mimeographed.

4 K N Raj, "Unemployment and Structural Changes in Indian Rural Society", *Indian Journal of Labour Economics*, Volume XX, No 1-2, April-July 1977, p 2.

Tribal Peasants in Transition

Chittagong Hill Tracts

B K Jahangir

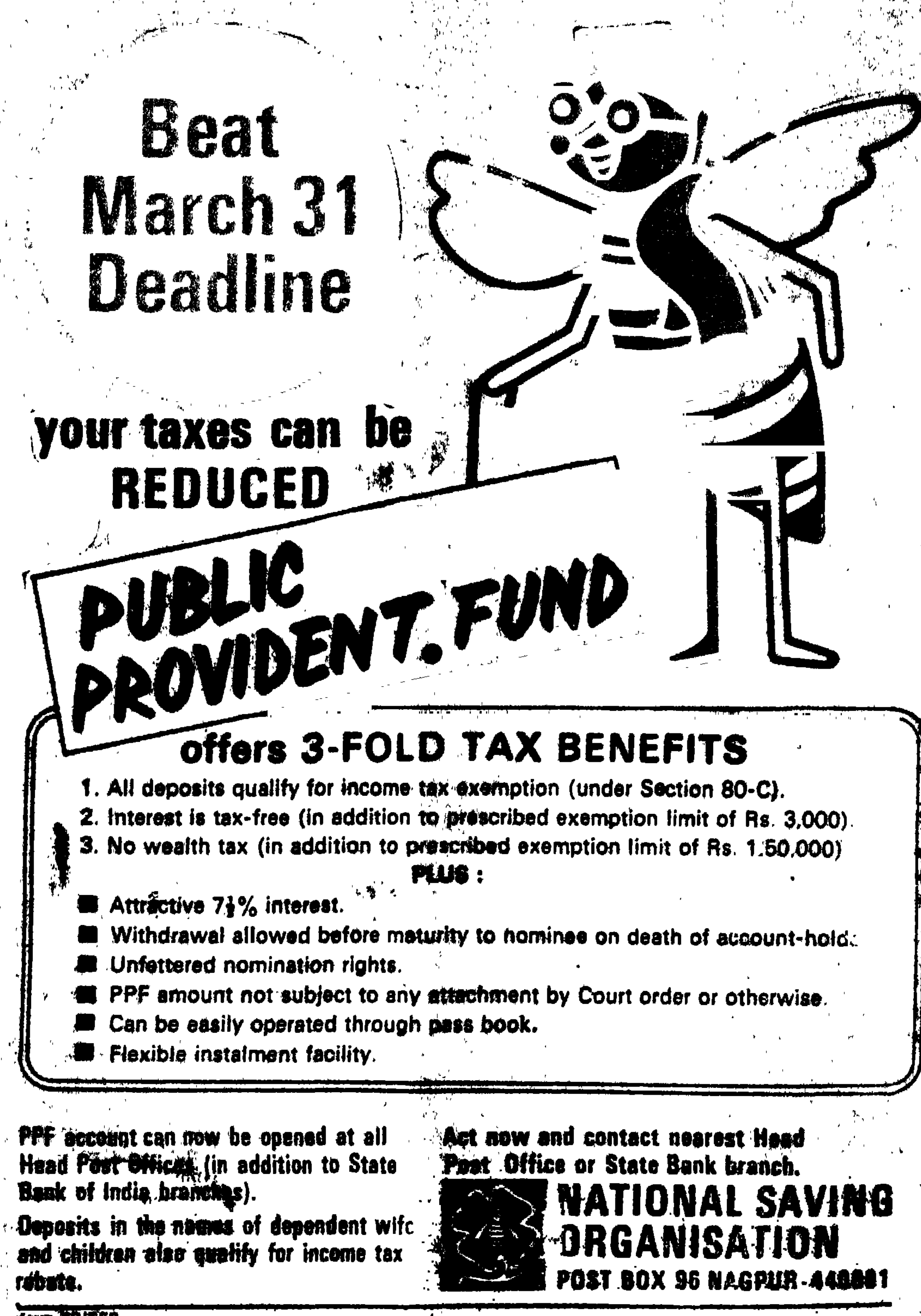
This article attempts to link the land use in the Chittagong Hill Tracts to changing political decisions from the British colonial period to that of independent Bangladesh. It traces the way in which the concrete and qualitative reciprocities that characterised the relationships of primitive peasant societies in the Hill Tracts have been replaced by the abstract and quantitative exchange relations of the market. This process of the disintegration of th e pre-colonial culture and economy of the Hill Tracts and its integration into the larger market of the S tate has brought along with it certain problems, including the highlighting of the internal divisions within the Hill Tracts society; these are briefly touched upon towards the end of the article.

GEOGRAPHICALLY, the Chittagong Hill Tracts can be divided into two broad ecological zones: (1) hill valleys, and (2) agricultural plains situated in the humid terrain. Within these distinct geographical zones both swidden cultivation as well as wet-rice cultivation evolved. These ecological environments simultaneously conditioned and were conditioned by the social formations that emerged in relation to them. The pre-colonial socio-economic system of the Hill Tracts was created by the specific historical experience of the people The system was gradually enlarged by additional concepts derived from Buddhism, Hinduism, the corpus of pre-religious customs and British and Pakistani Laws. Thus, a certain ideologico-legal system emerged as the superstructure of the Hill Tracts society Buddhism, Hinduism, Christianity and Animism as religious doctrines, and the British and Pakistani laws as legal systems constituted, *a posteriori*, the frame of reference of the ideologico-legal apparatus which rationalised the legitimacy of the power relationships institutionalised by the predominant classes. But the social norms and rules that emerged to channel the political and economic activities of pre-colonial Hill Tracts were geared to production for use, rather than for commodity exchange. This was evident in the rural communities, while in the few administrative centres, artisans and merchants were involved to a certain extent in the production of commodities for exchange.

The socio-economic and political organisation of pre-colonial and colonial hill tracts was articulated by segmentary structures. This organisation was founded upon a multiplicity of rural, tribal or lineage systems. At the central level, the power structure was hierarchical. At the village level, the exercise of political power depended on the consensual allegiance expressed by the inter-connected segmentary units.

The basic unit of this socio-political system was the tribe. This unit was sub-divided into several agnatic lineages, composed of inter-related nuclear or extended corporate families. The size of a tribe varied from a small cluster of hamlets dotting one or two hill slopes to a unit occupying a vast region. The corporate family was the group within which basic social interaction took place: sexual intercourse, child-rearing, socialisation, economic production and consumption. This corporate family consisted of households that were either organised into separate hearths or which lived together around a single hearth. The patterns of residence of corporate groupings varied. They either cohabited in a large house created around a courtyard and containing several rooms or they lived in separated dwellings.

These family units were integrated into multi-cross-cutting patrilineal descent groups that defined the social organisation of each village. The various lineages that made up the village community were incorporated into a tribe that governed the various segments. Although all segmentary societies contain inherent sources of friction that generates internal conflicts, their multiple cross-cutting kinship networks, through an ideology of descent, act as a unifying force when the society is



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faced [illegible] social life. That was dismantled several times during pre-colonial and colonial times. The British faced resistance and their encroachment upon the segmentary groups transformed them into cohesive, ramifying, voluntaristic and yet resistant structures.[1] In the face of a common enemy or hazards, the segmentary units act centripetally. Conversely when pressures cease, the societal levels and social segments are distributed as regional nuclei and these are reintegrated into the more or less centralised system.

Land is the basic factor of production. Economic production consists of four predominant subsistence activities: agriculture; animal husbandry; fruit free cultivation; and horticulture. Ecological conditions foster a broad regional specialisation of production.

The socio-economic life of the village is regulated by the producers, self-interests, as expressed in the belief systems, values and norms of behaviour that are more or less shared by certain predominant segments. These segments, superstructures of the rural communities, are of course moulded by historical experience and its underlying material base.

The hill tracts rural population is not, however, made up of socially homogenous small producers who own their means of production. It is, at present, devided into three classes: big landowners, peasant producers and impoverished and landless cultivators.

Process of Differentiation

The hill tracts people are in a transition from a swidden peasant economy to a wet-rice peasant economy. This transition has its impact on the balance of political power in the region.[2] A century ago, the distinguishing criterion could be stated simply: hillmen were exclusively swidden cultivators, locally known as *jhumiyas*.[3] At present plough agriculture is the dominant mode. Plough is used chiefly in wet-rice cultivation. Mustard, chilly, pepper, tobacco and winter vegetable are also produced in ploughed lands. Influx of plainsmen have also increased along with the increase of plough cultivation. The plainsmen control and dominate every walk of life; they are the traders, shopkeepers, unskilled and skilled labourers, boatmen, teachers, officials. They also cultivate the land of the affluent hillmen as share-croppers (as they used to do in earlier times) but in certain cases hold land themselves.

The dominant mode of production does not rule out the swidden mode of production. Among the transitional tribes only in the case of Riang, swidden is the dominant mode. There are some differences in the mode of swidden in the valley and mountain communities, though the techniques used by the two communities are nearly identical. Among the Mizo groups (Lushai, Panku, Benjugi) the decision-making process for cultivation of the village swidden land has a communal character, although the jhums are individual.[4]

Similar communal decision-making process is non-existent among the Chakma at present. Single-family unit is the decision-maker and jhum is done by family-labour. Jhum plots are usually smaller and more widely dispersed. Swidden cultivation is consequently less productive than it is among the Mizo and M'ro. Among the Mogh and Tipra the communal organisations are in decay and swidden operations are individualised.[5]

The most important factor in the evolution of the district's present ethnic geography was the elimination of tribal warfare. Before the last quarter of the nineteenth century Mizo and Khumia tribes living to the east and south of the Hill Tracts made raids for the purposes of taking heads, slaves and booty. These terrorising raids had repercussions on the expansion of the valley people. Lewin[6] in the nineteenth century observed that some of the valley lands were depopulated and deserted. These lands were maintained in the form of extensive reserve forests. The frequent raids by the Mizos and the political disturbances within the Burmese state during the seventeenth and the eighteenth century were an effective deterrent to the overall growth of the valley people. From the early nineteenth century onwards, the increased interaction between the valley people and the plainsmen had its impact on the course of events. Despite their common practice of swidden cultivation, the valley people and the mountain people have little interaction. Despite the problems they face in common with the mountain people, Chakma and Mogh consistently dislike the latter. These are all pointers to a lingering apprehensiveness about them.

By the early 1800s, swidden cultivation was almost non-existent in the hills of the regulation district of Chittagong.[7] This was obviously a result of rapidly expanding Bengali wet-rice cultivation on the adjoining flat land. This extended into Rangunia belt. In this belt the Chakma elite held wet-rice lands worked by Bengali share-croppers before 1860. The boundary between the regulation district and the Hills Tracts, drawn in 1860, was based on a demarcation of the eastward limit of wet-rice cultivation. In 1870 the practice of swidden was officially prohibited in Chittagong district. The swidden cultivators by that date were pushed into the Hill Tracts. The foregoing exposition points that there has been a sustained socio-cultural contact between plainsmen and valley hillmen.

State Policies

Here we make an attempt to link the land use in the Hill Tracts with political decisions from British colonial period to independant Bangladesh. Three successive types of land-use pattern and political decisions may be identified. In the first type, in the earlier British colonial period, the land use pattern was swidden. But this pattern was linked to the prevailing insecurity, associated with a power vacuum which inhibited the spread of permanent plough cultivation. In the second type, from the British colonial period to Pakistani colonial period when swidden and plough cultivation both flourished, the State authority was primarily concerned with policing and though outwardly impartial towards the two production modes, tended to discourage swidden. Sopher states: "While both swidden and plough cultivation have been excluded from the Reserve Forests, which cover about a fourth of the area of the Hill Tracts, the effect of this has been much more damaging to swidden because of the increasing pressure it has put on the available swidden land. The resources of the Reserve Forest have been exploited for the benefit of the state that has provided the police machinery'.[8] In the third type of relationship between political power and resources use, as pronounced after the establishment of Bangladesh, the tilt is definitely towards permanent agriculture disfavouring swidden.

Emergence of Market Economy

The rural people of the Hill Tracts are now involved in a market economy. This involvement has made plough cultivation the dominant mode with increasing dependence on the bazaar and the need to specialise in intensive agriculture in order to find a satisfactory place within an exchange economy.

This involvement with the State's legal, and fiscal apparatus and market economy has produced various dimensions: (a) the swidden cultivators

[illegible]-wet-rice peasants are placed subordinately within an exchange economy; (b) this awareness of 'inferiority' has increased the reluctance of remaining swidden cultivators to change their mode of life; (c) this has produced growing differentiation and estrangement between two classes within the same ethnic group, (d) though permanent agriculture and swidden cultivation exist simultaneously within the same ethnic group, swidden in such cases does not form a separate mode but becomes a marginal economic activity within a complex peasant society, undertaken on an individual basis and heavily circumscribed by state regulation; (e) in such a situation the swidden cultivator becomes a short-term tenant with little or no safeguards of his tenure; (f) only the mountain-folk practise swidden as separate mode; (g) the curtailment of swidden in the valley increase, alternative resource uses; (h) such alternative uses are managed either by private entrepreneurs or by the State; and (i) the main emphasis these days is on the cropping of bamboo, the logging of commercial species of timber, the establishment of tree plantations such as teak, the regrowth of mixed forest in the general interest of watershed management. The shrinking of swidden mode points to the relative ineffectiveness of swidden peasants in the political sphere and the increase of market economy points to the subordinate position occupied by the wet-rice peasants of the Hill Tracts in the national economy.

Change in the Ideological Sphere

The process of change generated in the politico-economic sphere has its impact on the ideological sphere.

Tribal leaders, at present, are rich landlords. Kin loyalty is weakened — for instance, the loosening of co-operative ties within the Chakma gozas. These were originally endogamous, territorially defined clans. Ties of this kind are supplanted by other kind of relations that transcend kin groupings and are enforced by institutional means (by Chief's agent, government officials, etc) other than the social pressure of the kin group. On the other hand, the search for identity has produced differentiation and estrangement between the tribes. For instance, the educated Tipras try to demarcate their cultural traits from the Chakmas and identify themselves with the greater Hindu culture which emanated from the Tripura state of India, since they believe their ancestors originated from that area. Again in certain Mro villages Buddhist shrines and limpo (sacrificial posts) exist side by side. M'ro headmen, though Buddhists, are reluctant to talk about the function of the Limpo. The Lushai and Panku who adopted Christianity as a result of Baptist Missionary activities have radically changed in many aspects of culture. They, unlike their pagan kins, do not keep gayal for sacrifice at feasts nor prepare and consume Zu or rice beer. Among them the institution of bachelor houses where sexual experimentation by adolescents were encouraged is forbidden. This symptom of current ideological expressions is also pronounced in other areas. The language of the Chakma and Tanchangya is an archaic dialect varient of Chittagonian Bengali. They are nominally Buddhists, adhere to the Theraveda form of Buddhism practised in Arakan and other parts of Burma and have Hindu and Buddhist personal names. The Tipras speak a Tibeto-Burman language, exhibit some traits of Bengali Hindu religion, claim caste Hindu status, and have personal names of Bengali Hindu origin. The Mogh hillmen use Burmese dialect like the plainsmen of Arakan and are close to the Mizos who are not socially different from the Mogh. The Riang and Murung in their religious and social life imitate the pattern set by the Tipras. The elites of the larger groups, particularly the chiefs, clan heads, the affluent, model their life-style on the Hindu or Buddhist or Muslim gentry of the plains. On the other hand, some educated youth talk the language of Maoism. Generally speaking, while the elites and the affluent practise the dominant ideology of the plains, some of the younger ones are searching for an alternative ideology.

Previously, the social, economic, religious, political and ideological functions were closely interrelated and often inseparable in society as well as in the mind of the individual. The concrete and qualitative reciprocities that characterised the relationships of primitive peasant societies in the Hill Tracts are replaced by the abstract and quantitative exchange relations of the market. In place of the real life-process characterised by reciprocity and equivalance, unilateral constraint and exploitation are emerging.

Conclusion

Thus the constraint and the exploitation are caused by two interconnected factors, one extrinsic, the other intrinsic. The extrinsic factor is the policy of successive governments from colonial to the post-colonial period. The intrinsic factor is the natural process of demographic growth within a hard pressed population, which further accelerated the deterioration of its social condition. Once the existing property relations were forcibly dissolved and restructured in favour of the settlers from outside and the affluent of the Hill Tracts, the dispossessed producers had no other feasible economic alternative, but to enter into the newly super-imposed relations in order to eke out their livelihood. This process disintegrated the pre-colonial culture and integrated the Hill Tracts economy into the larger market within the State. This process has also brought internal divisions within the Hill Tracts society: an affluent articulated class possessing the means of production, and a resourceless, disinherited, non-articulate class. Also, a lumpen-proletariat has been catapulted into existence. These features hamper the development of class consciousness and are conducive to the emergence of proto-nationalist and populist tendencies.

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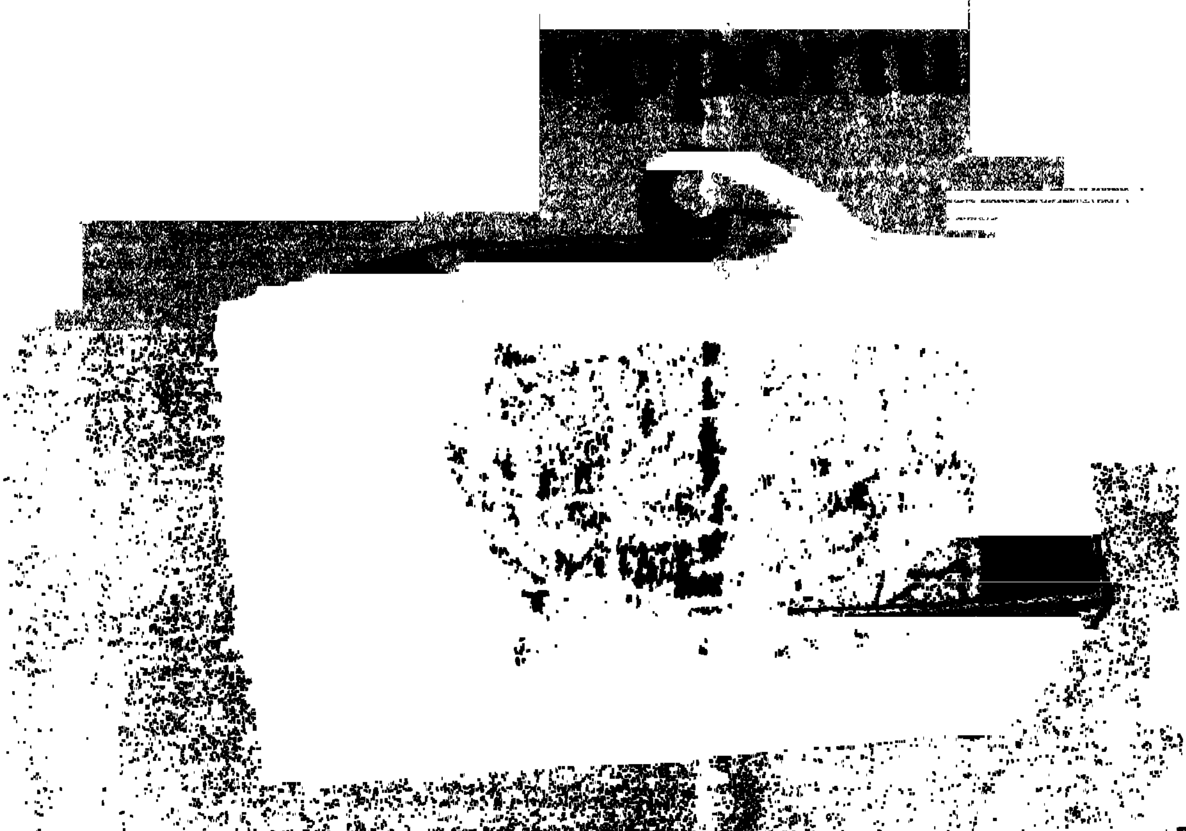
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ECONOMIC AND POLITICAL WEEKLY

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DOMINANT CASTES OR RICH PEASANTS?

R AND D PLANNING AND NATIONAL PLANS

WASTED TECHNICAL MANPOWER

JUTE WORKERS' EMPTY 'VICTORY'

TOWARDS A PREE PRESS

EVIEW OF AGRICULTUR

POLITICAL

WEEKLY

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AMONG the annual reports issued by different departments of the government of India, the most mechanically compiled is perhaps that of the Department of Company Affairs on what it calls "the working and administration of the Companies Act, 1956". The latest report, just released, relates to the year ended March 31, 1978. Two conspicuous aspects of the report which make it a largely wasted effort are the bland references to sections, sub-sections, and provisos of the Companies Act and the equally dead-pan enumeration of the number of cases or applications received, disposed of and pending under one section or the other of the Act. In most cases, these references to sections or to the number of cases convey no idea to the general reader of the nature of the cases reported or the quality of the decisions taken. On the whole, the report reflects the lackadaisical manner in which the whole system of checks and balances embodied in the instrument of the Companies Act, 1956, is operated. It does not come as a surprise, therefore, that during the five years from 1973-74 to 1977-78, the average fine imposed per case of prosecution ending in conviction ranged from Rs 181 in 1973-74 to Rs 485 in 1976-77 and in 1977-78 was Rs 262. The deterrent effect of such penalties can be imagined.

The only part of the report which is useful is the one which presents a "statistical position of companies and capital issues". This section contains useful data on registration of government and non-government companies, companies at work, capital issues, public response to capital issues, underwriting, and cost of raising capital.

Three notable features of the data on company registrations are: sharp rise in registration of non-government companies in the past few years, the tendency on the part of state governments to float a large number of companies, and a disproportionate growth of companies in the services sector.

The number of non-government company registrations, which was 1,487 in 1969-70, rose to a peak of 3,712 in 1973-74. Though the number of registrations thereafter was lower at 3,599, 2,913, 2,595 and 2,624 in the subsequent four years, the overall level of registrations has remained far above the annual average of about 1,000 during the 1960s. Considering that during this period there has not been any noteworthy expansion of private sector investment, industrial output or non-agricultural employment, the proliferation of companies in the private sector does raise doubts about the nature of activities of these companies.

Between 1970 and 1974, the government had, in the name of streamlining the system of industrial licensing, vastly liberalised the issue of licences. As a result, there was a spate of applications for industrial licences, the number rising from 1,420 in 1969 to 6,032 in 1974, reflecting primarily an attempt to pre-empt industrial capacity. The proliferation of company registrations was no doubt largely intended to take advantage of the liberal issue of latters of intent and licences. The number of public limited companies registered in the private sector increased from 188 (with an authorised capital of Rs 164.4 crores) in 1976-77 to 206 (with a capital of Rs 114.9 crores) in 1977-78. The number of private limited companies registered has been much larger, ranging from 3,346 in 1973-74 (with an authorised capital of Rs 238.7 crores) to 2,407 in 1976-77 (with a capital of Rs 129.5 crores); in 1977-78 it was 2,418 (with a capital of Rs 147.5 crores).

Taking a longer span of years, the number of non-government companies at work rose from 26,007 in March 1961 with a paid-up capital of Rs 12,715 crores to 28,666 in March 1970 with paid-up capital of Rs 1,964.1 crores, showing a rise of about 2,600 in the number of companies. By March 1978, however, the number of non-government companies at work had shot up to 48,434 with a paid-up capital of Rs 2,892 crores, a rise of nearly 20,000 in the number of companies in a period of eight years. The number of public limited companies had declined from 6,650 in 1961 to 6,091 in March 1970, but thereafter rose to 7,886 by March 1978. The number of private limited companies shot up from 22,575 in March 1970 to 40,548 in March 1978.

Equally striking has been the rise in the number of non-government companies belonging to the services sector, i e, construction and utilities, commerce (trade and finance), transport, communication and storage, community, and business services, and personal and other services. In 1977-78, the entire increase in the number of newly registered non-government companies was accounted for by these categories. About a decade ago in 1968-69, such new registrations in the services sector had totally 320, which rose to a peak of 1,458 in 1974-75. At the end of March 1978, out of a total

[illegible] 40,434 non-government companies at work, as many as 22,406 belonged to the services sector.

A third interesting disclosure is the tendency of state governments to set up public corporations for every conceivable type of activity, particularly activities of a 'service' nature. The number of government companies increased from 142 in March 1961 to 282 in March 1970, but by March 1978 it had shot up to 745. Uttar Pradesh which had 11 companies in March 1970 and 41 in March 1974, now has as many as 85 companies. The number of state government companies in the other states also showed sharp increases. From the bare information on the number of state government companies, it is difficult to pass judgment on their usefulness. There is a general impression, however, that a large number of public corporations have been set up by state governments to seek financial assistance from the public financial institutions and to substitute such assistance for budgetary finance.

Data on project costs compiled from the prospectuses of companies issuing capital during the year have been presented in the report for three types of companies: new public limited companies, private limited companies converted into public limited companies, and existing public limited companies. The aggregate project costs of the 80 companies issuing capital in 1977-78 was estimated at Rs 329.86 crores as against Rs 155.74 crores for 69 companies issuing capital during the previous year. For assessing investment trends in the private corporate sector, these data on project costs are somewhat suspect if only because in recent years a substantially higher proportion of project costs consists of requirements of working capital. Working capital as a proportion of total project costs earlier used to be around 10 to 12 per cent. However, in 1976-77 the proportion of working capital to total project costs shot up to 17.8 per cent and in 1977-78 to 26.9 per cent. In 1976-77, Rs 27.67 crores out of total project costs of Rs 155.74 crores and in 1977-78 as much as Rs 88.71 crores out of a total of Rs 329.86 crores were for working capital purposes. This is probably the result of an attempt to secure a larger part of working capital from term-financing institutions instead of commercial banks because the former charge 11 per cent or less as compared with the banks' rate of around 15 per cent prevailing in 1976-77 and 1977-78.

The composition of project cost shows a sharp decline in the share of plant and machinery in total cost. In 1969-70 plant and machinery accounted for as much as 64 per cent, but in 1977-78 its share was just 40 per cent. Even the proportion of cost of lands and buildings has tended to come down from 11 per cent in 1969-70 to 8.78 per cent in 1977-78. In other words, a large and rising proportion of the project costs of companies is getting absorbed by peripheral costs. Besides working capital, discussed above, these cover items like technical knowhow; issue expenses; pre-incorporation, pre-operational and preliminary expenses; and contingencies. Technical knowhow expenditure had absorbed just 0.4 per cent of total cost in 1969-70, but in 1977-78 it appropriated 2.23 per cent; the share of pre-incorporation, pre-operational and preliminary expenses rose from 0.6 per cent in 1969-70 to 7.01 per cent in 1978-79. In 1969-70, out of a total project cost of Rs 120.4 crores, pre-incorporation, etc, expenditure was Rs 0.66 crores. In 1977-78 out of a total project cost of Rs 329.86 crores, as much as Rs 23.14 crores were for such pre-incorporation, etc, expenditure.

To what extent these items of expenditure represent methods of siphoning off funds from the corporate sector by promoters of companies is a matter for detailed enquiry. But two observations can be made with confidence. First, the rise in costs of industrial projects, of which so much has been heard in recent years, is not the result only, or often even mainly, of increases in the cost of plant and machinery. The rising proportion of costs of peripherals has a great deal to do with it. Secondly, the data are based on the initial estimates as contained in the prospectuses of companies issuing capital. This picture of project costs generally undergoes drastic changes as a result of large cost overruns. If the cost patterns revealed in the companies' prospectuses contain items which strongly suggest siphoning away of funds by company promoters, these items should be expected to be even more conspicuous in the final picture of the actual costs of projects.

The changes that have taken place in the manner of financing of project costs are, it must be pointed out, wholly conducive to such draining away of funds. In 1969-70 companies depended on loans from different financial institutions [illegible] extent of 28.4 per [illegible] loans from public fi[illegible] banks, etc, together [illegible] 61.7 per cent of total [illegible]. The proportion of loans from public financial institutions, etc, was 54 per cent in 1973-74, 56.9 per cent in 1975-76, and 61 in 1976-77. Such [illegible] availability of borrowed funds has adversely affected cost-consciousness among promoters of companies. The public financial agencies, despite their neck-deep involvement in project financing, have by and large failed to enforce adequate scrutiny of project expenditure incurred by company managements.

The suggestion of draining out of funds, or at any rate extravagant use of public funds, is also supported by the increasing cost of raising capital incurred by companies issuing capital. For a total amount of Rs 71.71 crores of share capital issued or Rs 57.15 crores offered to the public, the issue expenses came to Rs 4.90 crores, or *6.83 per cent of the amount issued* or 8.58 per cent of the amount offered to public. This, again, is a phenomenon of the 1970s, of the period when the financial institutions emerged as important purveyors of project finance.

Defence

At Home and Abroad

THE Annual Report of the Defence Ministry for 1978-79, apart from providing some carefully guarded details about the increasing size, strength and sophistication of India's war machine and apart from providing such interesting tidbits as that during the year, its directorate of public relations conducted "more than 150 press tours", also provides some interesting details about the conduct of India's armed forces in what one might call domestic and foreign affairs. These are detailed in the two chapters entitled 'co-operation between armed forces and civil authorities' and 'co-operation with foreign countries'.

One constant feature of the 'co-operation' between the armed forces and the civil authorities in India has been the use of the former as virtual strike-breakers in cases of industrial disputes. The use of the army for breaking a strike is not new, and though its most notorious instance was the deployment of troops to break the railway strike in 1974, such use considerably predates the railway strike. Consistent with this

[illegible] were deployed in [illegible] in June 1978 following a [illegible] by the electricity workers and in December 1978 in the whole of Uttar Pradesh during the strike by UP powermen. The Report also enumerates the many instances when the armed forces helped the civil authorities during natural calamities such as floods, cyclones, snow storms, etc; what is however more interesting than these detailed enumerations is that the Report is absolutely silent about the role of the Indian armed forces in what the Annual Reports in earlier years used to describe as 'maintenance of law and order' and 'counter-insurgency operations', particularly in the north-eastern region. It cannot be that such 'co-operation between civil authorities and the armed forces' has stopped, or that the armed forces have ceased to engage in 'counter-insurgency' operations in regions where the Armed Forces (Special Powers) Act, 1958 (or similar legislation) is proclaimed to be in force. But there is not a word about this aspect of the acivities of the armed forces in the latest (or even in last year's) Report of the Defence Ministry.

Ever since a separate chapter enumerating 'co-operation with foreign countries' began to appear in the Annual Reports, not a year seems to have gone by without the visits of a military team from Iran and the United Kingdom. This apparently close link between the military establishments in Iran and India is really curious, for till very recently Iran was part of a military alliance which was widely disapproved of by the ruling circles in India; and yet, every year a delegation each from the Imperial Iranian National Defence University and the Royal College of Defence Studies, UK, has undertaken an extensive tour of defence establishments in this country. No dobut such visits were returned and military teams at fairly senior levels also undertook extensive tours of defence establishments in such friendly countries like Iran; but the Report lists only visits by Indian service chiefs abroad (which could not anyway be normally kept concealed) but has nothing to say of visits by Indian military delegations to foreign countries.

The problem faced by such publications as the Annual Report of the Defence Ministry is one faced by all military establishments. On the one hand, these establishments have to play down the obvious fact that they are all designed for the express purpose of waging war since, by definition, [illegible] country goes to war on its own, but is always forced into it as a 'defensive' measure. Nowadays no government, not even in Britain which till recently had a war office and a secretary of state of war, has a war minister; they all have only defence ministers. At the same time, the directorates of public relations of these vast and growing establishments have to reassure the public by providing them enough factual details about the fine fettle of the war machine they preside over, while clouding these revelations in sufficiently convincing euphemisms. The Annual Report of the Defence Ministry performs this task with middling success.

Industrial Finance

Untapped Experience

A Correspondent writes:

ABOUT the relationship between the level of operations of the country's industrial term-financing institutions and the level of investment activity in the industrial sector of the economy, the only thing that can be said with any certitude is that very little can be said. According to the government's latest Economic Survey, the total assistance sanctioned by the three all-India term-financing institutions — the IDBI, the IFC and the ICICI — shot up from Rs 149 crores in 1970-71 to Rs 882 crores in 1977-78, a rise of nearly 500 per cent in a span of seven years. The rise in industrial investment was, however, considerably more modest. So when the ICICI informs us in its annual report for 1978, released this week, that its net sanctions went up by nearly a-third from Rs 104 crores in 1977 to Rs 138 crores in 1978 and that its disbursements, profits, earnings per share, etc, all showed varying degrees of improvement, we may readily commend it for satisfactory corporate performance. But beyond that it is not clear what wider satisfaction may be derived from these statistics.

In this respect, the ICICI's annual report is singularly unhelpful. Which were the companies to which it sanctioned and disbursed assistance during the year? How many of them were new ones and how many established ones? How many belonged to large business houses or had significant foreign capital and control and how many represented the endeavours of relatively new entrepreneurs? What was the total investment envisaged in the projects which received ICICI assistance? How was this investment distributed among different industries? Where were the projects proposed to be located? What was the break-up of the investment as between plant and machinery and other heads? What was the import component of the investment? What sort of foreign collaboration arrangements, if any, did the projects involve? And so on and so forth. The wider interest in the activities of a term-financing organisation, such as the ICICI, is because of their impact on the pace and pattern of industrial growth. Yet, incredible as it may seem, in a report which runs to over 75 pages, there is no information on any of the above aspects of the ICICI's operations. All we have are two very small tables on the very last page, purpoting to give the industry-wise and state-wise distribution of the ICICI's total assistance till now. The industry-wise classification is unilluminating because the industry categories used are too broad and the information pertains to a single point of time and so gives no idea of changes, if any, in the industry-pattern of the ICICI's assistance.

The state-wise classification lends substance to the criticism that industrialists and industrial projects in western India have received a disproportionate share of the ICICI's favours. Almost one-third of the ICICI's total assistance to-date has gone to Maharashtra alone and Maharashtra and Gujarat together have accounted for nearly 45 per cent. Questioned about this at a press conference on Monday the ICICI's chairman, according to newspaper reports, attributed it to the alleged tendency on the part of financial institutions to concentrate on lending in the vicinity of their headquarters and so suggested, as an answer to the problem, the setting up of separate financial institutions for each region with headquarters in that region. This seems to be altogether too simple a view of the factors responsible for industry getting concentrated in particular parts of the country. All the states now have state financial corporations and many have state industrial development corporations as well. The performance of these corporations, no less than that of the all-India term-financing institutions, should act as a damper on excessive optimism about the capabilities of financial institutions to spark industrial development in hitherto industrially backward states.

This kind of naivety is all the more puzzling, coming from an organisation which, because of the very nature of its activities, should be expected to

have the most intimate contact with the process of industrial development at the grassroots level, all the way from the conception and formulation of industrial projects through the various stages of their implementation to their eventual commercial operation in virtually the entire range of large-scale industries. What is more, it is evident from its annual report that the ICICI has the high-paid manpower resources to subject all this experience to careful analysis and to derive general propositions about the tempo and pattern of capitalist industrial development in the country and the prospects of such development in the future. Unfortunately, if such efforts are in fact undertaken within the ICICI, not much trace of them is discernible in the annual statement of the corporation's chairman. The statement consists essentially of a series of demands addressed to the government, such as that price and distribution controls on industry be further relaxed, that credit restraint not be allowed to hamper production, that the tax structure be 'rationalised', that steps be taken to foster the growth of the capital market, and so on. In this respect the speech is remarkably akin to what we are used to hearing from the spokesmen of private industry.

And that is a great pity, because it is time that those who seriously believe that efficient capitalist development is both possible and capable of providing solutions to the country's economic problems get out of the sterile groove of blaming the government's economic policies for everything and begin to examine objectively the obstacles to this process created by structural or systematic factors such as, for example, the monopolistic and near-monopolistic conditions which have come to prevail in many major industries and which suppress the competitive market mechanism, the stifling of the growth of the entrepreneurial base as a result of the dominant position acquired by a small number of Indian business houses and multinational corporations, and the restriction of the domestic market because of the unchanging or too-slow-changing production relations in the agricultural sector.

To rail against the government, in season and out of season, may indeed succeed in securing certain limited political gains for industrialists without, however, loosening the basic constraints on capitalist industrial growth, which is what an organisation like the ICICI, even in terms of its own values, should be concerned about. To take an example, the ICICI chairman argues how "excessive taxation of some items of consumer goods which are treated as 'luxury'" has limited the demand for these goods and, therefore, adversely affected the growth of the industries producing them. In fact, a glance at the details of industrial production in the last few years will show that some of the most impressive growth performances have been by luxury goods industries, despite the allegedly heavy burden of taxation on them. The problem here is quite a different one: it is that most of these industries have such limited backward and forward linkages that even their very rapid growth can have little impact on overall industrial investment or output or employment.

Western Europe

EMS Under Way

A Correspondent writes:

THE European Monetary System has at last got under way, after a two-and-a-half month delay. Even though the launching of the system coincided with the six-monthly EEC summit, this time in Paris, there were no ceremonies to usher in the EMS. The reason: France had snatched away the initiative from the other eight heads of governments by giving, a week earlier, a green signal to the EMS.

The establishment of the new monetary system, scheduled initially for January 1, had been stalled by the sudden French refusal to join. This was all the more surprising as the French President Giscard D'Estaing and the West German Chancellor Helmut Schmidt had been the two most active initiators and canvassors of the system. Whatever the real reasons, Paris seemed to have recognised almost overnight the need to alter the Community's system of financing farm trade before the EMS could take off.

Financial mechanism of the EEC operates through levies or subsidies — known as Monetary Compensatory Amounts (MCAs) — on farm trade between the member states. The purpose is to avoid price cuts in strong currency countries or corresponding increases in weak currency countries. France insisted on an agreement to eliminate existing MCAs and to limit the creation of new ones, largely because they act as a tax on its own farm exports and keep the incomes of its agricultural producers below the level in West Germany. For German farmers, by contrast, MCAs provide a subsidy enabling them to sell their produce competitively on EEC markets. Bonn's agriculture minister Josef Ertl was prepared to discuss the phasing out of 'green' currencies only if guarantees were given that any resulting loss of income for West German farmer should be compensated by an increase in the Community's farm price level.

While the Bonn-Paris dispute continued, Britain stepped into the row asking for an overall reform of the whole Common Agricultural Policy (CAP). At the same time London made it clear that it did not plan to enter the full EMS immediately. Britain evidently keen to prolong the delay. Observers in Brussels suggested that while the EMS remained in the air, Britain expected to have more leverage for extracting concessions from the other eight on some of its longer term demands. These included the redistribution of the EEC resources in a way more beneficial to Britain.

Even as the agriculture ministers met early March in Brussels, the British agriculture minister John Silkin rejected the compromise formula proposed by the Commission to resolve the Bonn-Paris dispute. The loosely worded compromise set out a framework for getting rid of MCAs. Even though designed as a facesaver for the French, Paris found the formula satisfactory. West Germany also had no objection as it does not seek to curb the growth of MCAs Bonn pays to the farmers at home.

Whereas the settlement of the Franco-German farm price dispute has paved the way for the EMS to come into effect, Britain continues to fight shy of going the whole hog. It participates in the new currency settlement without formally linking the sterling to the other EEC currencies. In fact, for several months now, the sterling, the lira and the franc have been adjusted against the market rates of DM, on the last trading day of 1978, which was expected to be the base day for EMS to take effect. On the other hand, the movements of Dutch guilder, Belgian franc and Danish crown have been determined by the rates within 'the snake' of European currencies. These rates were fixed in the wake of DM revaluation last October.

This close interrelationship between the western European currencies has prompted the President of the Bundesbank (West German federal

banks [illegible] to talk of a de facto EMS being in operation. The only difference is that the central banks of the Nine have not been intervening as the EMS would oblige them to. Currencies, particularly in the EMS, can move 2.25 per cent on either side of the central pivotal rate, fixed in terms of the European Currency Unit which is a floating basket of EEC currencies. The Italian lira can move 6 per cent either side.

The fact that EMS rules require a central bank of a country to intervene, in case its currency diverges more than £7 per cent, could lead to changes in domestic economic and monetary policies of participating countries. Whether this really happens remains to be seen.

LETTERS TO EDITOR

New Exercise in Lawlessness

IT is precisely the institutionalised forces of 'law and order' which take the lead in trampling all elementary decencies under their heels, ironically in the name of 'law and order'.

The government of Andhra Pradesh, with its record of lordly misrule, is giving the people a fresh taste of Emergency zoolum. M Chenna Reddy has unleashed terror in its ugliest form in Adilabad and Karimnagar districts after notifying them as 'disturbed areas'. Now comes the news of Koteswara Rao's apprehension by the police. Koteswara Rao is a leader of the CPI(ML) in Karimnagar district. Till now his whereabouts have not been revealed. It is feared that he has been either liquidated (if so, in a supposed 'encounter') or subjected to third-degree methods of torture in some dark police hell-hole.

Then there is the sorry plight of about 100 villagers of Panditapuram in Khammam district where the police had opened fire sometime back on a peaceful procession, killing two. They are now in Warangal jail. They are all from the poorest sections and they include both men and women. They had earlier been very severely tortured in the panchayat office of the village where they had been kept in illegal custody for about a week.

Lastly, two members of the Revolutionary Writers' Association, P Vara Rao, Editor of *Srijana*, and A Ranga Rao, were arrested on March 6, along with some members of the Radical Students' Union, just on the basis of a flimsy allegation by a CPI(M) MLA, Omkar, that he suspected them in connection with the bomb-outrage against him in Hyderabad. Neither Omkar nor his Congress (I) protectors and the police are sure of their facts. It is a pity that the CPI(M) is bent upon discrediting its political opponents and, in the process, invoking the aid of the government with all its repressive machinery.

This is a splendid opportunity for the police to flex its beastly muscles once again in a new bout of repression. It is a warning of what is impending — a fresh orgy of lawlessness by the government and a return to the fascism of Indira Gandhi and Jalagam Vengal Rao.

K V Ramana Reddy
Secretary
Revolutionary Writers' Association

Kavali
March 21

Time to Make Choices

THE further letter published in your issue of March 3, 1979 from the anonymous reader is an example of the pistachio of misrepresentation and invective-mongering which, at least in some circles, passes for scholarship. But since you have chosen to print it, it is my social obligation to mention a couple of points. First, since what he says I have said is not what I have said, the conclusions that he contortedly derives from my alleged statements are figments of his prejudiced imagination. Second, the letter-writer complains that the CPI(M) is "never known to have raised" the issue of the link between Centre-States relations and class relations in the manner I have raised; neither the CPI(M) nor the Left Front Government of West Bengal can assume any responsibility for the limits of his knowledge.

Let me also add that in the various representations made by the state government, whether before the National Development Council or the Seventh Finance Commission, there has been absolutely no special pleading ever on behalf of West Bengal; our demands have been raised on behalf of *all of the federating states* of India considered together. The kind of parochialism and sectarianism which your reader — who continues to lack the courage of his identity — would like to foist on it is anathema to the Left Front Government of West Bengal.

Ashok Mitra

Calcutta
March 21

China, Vietnam and Kampuchea

BIJOY KUMAR BASU, veteran of the Indian Medical Mission to China (1938-1943) and President of the All-India Dr Dwarkanath S Kotnis Memorial Committee, and Danial Latifi, General Secretary of the Committee, have issued the following statement:

We welcome the withdrawal of Chinese forces from Viet Nam in conformity with the Draft Resolution proposed by the five ASEAN countries, which won the support of no less than 13 members of the UN Security Council, with only the Soviet veto and Czechoslovakia's vote opposing it. We are distressed to find that large contingents of Vietnamese and other forces are still illegally occupying Kampuchea (Cambodia) despite overwhelming world opinion, reflected in the Security Council, as well as overwhelming Indian opinion, voiced also by the Government of India, demanding their withdrawal.

We disapprobate the attempt made by the Soviet representative at the recent Security Council meeting to misuse the joint communique issued by the Indian and Soviet Prime Ministers, at the end of Kosygin's visit to India, and to misconstrue and misrepresent it as condemnation of China. No such condemnation is to be found in the said statement and communique as officially issued from New Delhi on March 15, 1979.

In view of the continuing defiance by Viet Nam and her supporters of overwhelming world opinion (reflected in repeated Security Council sessions) and also of Indian opinion, demanding withdrawal of foreign armies from Kampuchea (Cambodia), we wholeheartedly support the just struggle of the Kampuchean nation and the Government of Democratic Kampuchea and their armed forces heroically fighting for national independence and sovereignty and we call upon all Indians, all Asians and all humanity to support their sacred cause which is of the same nature as that for which Kotnis laid down his life.

Danial Latifi

New Delhi
March 20

The External Dialogue

Romesh Thapar

SOBER or otherwise, there is a dreary heaviness about Soviet diplomacy — and this is without aspersions about the end results which are very often pleasant and unexpected. Even Prime Minister Kosygin's sojourn in India, programmed with perfection by the Chinese punitive attack on Viet Nam, was not able to shed the familiar touch. The obsession with getting India to align against China, and to disrupt attempts to normalise relations, was so marked that the last day of discussions on a joint communique took on the colouring of high drama.

The question about declaring China an aggressor and the related matter about the timing of the recognition of the Kampuchean government installed by Viet Nam are valid matters for internal debate (and even with lobbies nurtured by the USSR), but it passes comprehension why Moscow with all its interest in India should not be able to see Delhi's need to detach China from a number of its unthinking adventures along a very extended common border. The Pakistan position is of particular significance, what with the renewed US interest in this area, and the Chinese tendency these days to think in terms of US scenarios.

Indian Position

That the Soviet delegation had to rest content with a simple and straightforward call for the evacuation of Vietnamese territory (without any reference to Kampuchea) was the result of solid argumentation by Prime Minister Desai and Foreign Minister Atal Behari Vajpayee (who, contrary to inspired rumours, was very much a part of the Indian batting!). The Janata government is convinced that only a cautious and intelligent handling of the tensions in the former "Indo-Chinese" region, and the inevitable tangles between Viet Nam and China, can serve the interests of Southern Asia and the non-aligned world. The internal pressure to draw distinctions between regional and continental collision is also rejected for the same reasons.

May be, the Indian position will emerge with greater clarity when policy perspectives are sketched for the subcontinents' involvement with the ASEAN group of nations — Thailand, Malaysia, Singapore, Indonesia and the Philippines. This new development involves Vietnam's participation and will have wide repercussions on the Asian situation. But surely the Soviet Union understands the nature of these alignments and how they balance power in the region. Denunciations of the kind attempted to be projected by Moscow through India would damage this effort.

West-Oriented Too Long

Admittedly, India is moving in an unprepared way to cope with a situation which has seen startling changes. We still have little or no presence in South-East Asia, a decision of several years which we seemed to have enjoyed in a Foreign Office oriented to the West. As for the Islamic world, all we can do is to push a hastily-gathered delegation of Shias headed by Ashoka Mehta. We are drifting, catching at bits of analysis thrown at us by wandering "experts" from the West, when we should be leading thinking on the future of the Islamic lands stretching from our borders to the shores of the Mediterranean.

What else does a lively interest in non-aligned action mean? Yes, there is political uncertainty internally and it is bound to confuse or weaken our external dialogues — one has only to sample the rather obvious lobbying in the Capital to appreciate this — but, whatever the odds, Prime Minister Desai has to follow-up his discussions with Prime Minister Kosygin by initiating intensive discussions with the political leadership of all parties to break the lobbying and to evolve a new consensus around India's external role. It will take a lot of effort to get him moving but the sooner the Janata party activists get to work the better.

May be, some unilateral moves would help. The upgrading of diplomatic missions in Southern Asia, and their reorganisation and expansion for new tasks, would certainly stir the corridors of the Foreign Office and cause healthy vibrations in the region. The abolition of entry visas for Pakistani citizens, an idea mooted some time ago by the Foreign Minister, needs pursuing despite the fatuous warnings about spies and what not (yes, it is incredible how many otherwise intelligent people subscribe to these fantasies). And, at a wider level, some encouragement should be given to Indians to travel eastward, a movement which would sensitise us to what goes on in the region. We were once worried about being misunderstood. Those days are gone.

Complex Situation

When one realises how much energy will have to be expended to achieve even these rather minor improvements in our approach to our neighbours, then the scale of the effort required to mobilise the non-aligned at this moment of disarray and disunity can be appreciated. When Jawaharlal Nehru and Krishna Menon set out in the fifties to organise the non-aligned nations in a world divided into two hostile blocs the task was simpler. Today's complexities are forbidding — and, often, demoralising. But India cannot remain moralistic and passive, aloof from rough contests on the ground.

Of course, the problems of political management at home impinge on coherent action externally. If we jog along with a patch-work government, deluding ourselves that all is well so long as Indira Gandhi and her son are kept on the run, we will end up doing acrobatics like the Arabs who threaten to cut the oil to Egypt, but pump it to the USA which arranges Egypt's compact with Israeli. A sad fate for South Asia.

March 17

Sales Effort Pays

Hansavivek

MADRAS RUBBER FACTORY has achieved a complete turnaround in 1977-78, with sales shooting up from Rs 45.44 crores to Rs 53.36 crores and yielding a gross profit of Rs 314 lakhs compared to a trading deficit of Rs 93 lakhs of the previous year. After depreciation, there is a net profit of Rs 119 lakhs against a net loss of Rs 183 lakhs. This pleasing outcome has enabled the company to return to the dividend list. The 10 per cent payment is covered 3.22 times by earnings. Contributing to the company's success in pulling itself out of the low ebb it had hit in the preceding two years has been the all-out effort to improve product quality and widen distribution network. Today MRF has 2,750 dealers and 29 depots covering 1,800 cities and towns. In addition, it entered into an exclusive arrangement with Hindustan Petroleum whereby all HP filling stations stock only MRF tyres. This has given the company 3,000 ready-made retail outlets all over the country. After analysing regional preferences patterns, the company launched its new truck tyre which is fast becoming popular with traders and customers. The company exported Rs 220 lakhs worth of tyres during 1977-78. It achieved a major breakthrough with Piggyback tyres for trailers in the US market as original equipment. The future looks even more promising, since the transport industry has greatly improved and the market potential for the tyre industry has increased. The company has now set before itself an ambitious sales target of Rs 100 crores for the current year. The first quarter sales of Rs 23.32 crores provide confidence to the management that the target will be achieved. The company is working hard on the radial tyre project. Car radials are already on its production lines and these will be followed by radial tyres for trucks.

PRESSURE COOKERS, which made a public issue of shares in July last, has extended the accounting year by four months to September 30. The accounts for the latest 16-month period, though not strictly comparable with those of the previous year, are very poor. Gross profit for 16 months is a shade lower than the previous 12 months' despite 50 per cent higher sales. Net profit is Rs 29 lakhs (Rs 26 lakhs). As indicated in the prospectus, the directors have not recommended any final dividend. The 20 per cent interim dividend declared before making the public issue is covered 2.23 times. The directors' report does not give any indication as to what has caused such a sharp deterioration of margins. About the current year's prospects, however, the directors say that performance so far has been good and that they expect the company will be able to maintain 20 per cent dividend on the enhanced capital. The company had offered 1,80,000 new equity shares of Rs 10 each and the then existing shareholders 2,02,600 equity shares, both at a premium of Rs 2.50 per share, to the public for subscription under a

The Week's Companies (Rs Lakhs)

	Madras Rubber		Pressure Cookers		Steel & Allied	
	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-9-78	Last Year 30-9-77
Paid-up Capital	366	366	82	40	122	122
Reserves	426	307	55	58	496	58
Borrowings	2244	2176	50	21	755	600
of which Term borrowings	394	425	2	1	186	154
Gross fixed assets	1880	1799	123	110	812	373
Net fixed assets	1090	1192	87	76	632	199
Investments	5	5	1	—	14	14
Current liabilities	904	602	127	138	103	79
Current assets	2844	2255	228	182	431	429
Stocks	1168	1172	92	74	307	336
Book debts	1532	983	113	69	111	87
Net sales	5336	4544	670	445	328	285
Other income	74	125	14	7	—	—
New material costs	3739	3428	256	162	123	95
Wages	337	309	92	62	143	131
Interest	337	309	8	3	69	78
Gross profit(+)/loss(—)	312	299	103	105	—142	—150
Depreciation provision	314	—93	12	11	16	16
Tax provision	195	90	62	68	—	—
Net profit(+)/loss(—)	119	—183	29	26	—158	—166
Development rebate provision	—	—	—	1	—	—
Transfer to reserves	82	—	16	17	—	—
Dividend						
Amount	P —	—	P —	—	P —	—
	E 37	—	E 13	8	E —	—
Rate (per cent)	P —	—	P —	—	P —	—
	E 10	—	E 20	20	E —	—
Cover (times)	3.22	—	2.23	3.12	—	—
Ratios (per cent)						
Gross profit/sales	5.88	—	15.36	23.60	—	—
Net profit/capital employed	15.02	—	21.17	26.53	—	—
Inventories/sales	21.88	25.79	13.73	16.63	93.60	117.90
Wages/sales	6.31	6.80	13.73	14.00	43.60	25.96

prospects. The issue was subscribed 12.0 times. The holding of the founder Vasudeva family consequently came down from 97 per cent to 51 per cent.

STEEL AND ALLIED PRODUCTS, which has sunk deep into the red, is being rescued by banks and financial institutions. It is proposed to draw up a scheme of reconstruction covering rationalisation, modernisation and diversification as also capital restructuring. Meanwhile, they have agreed to provide incremental working capital of Rs 1.22 crores including margin money for sustaining the plan of operation of the company for the current year. In addition, they have agreed to give concessions by way of converting the advance relating to non-circulating assets to a term loan, extending moratorium on payment of interest on the inoperative accounts and funding of the interest during the current year. The fixed assets of the company have been revalued and the difference between the book balance and the present value, aggregating Rs 4.38 crores, has been taken into capital reserve. During 1977-78, the company incurred a fresh loss of Rs 1.58 crores which after certain adjustments increased to Rs 1.82 crores. With this, the accumulated loss has mounted up to Rs 4.09 crores. In addition, there are arrears of preference dividends amounting to Rs 24 lakhs. The company's share capital is Rs 1.22 crores and reserves (excluding the addition made on revaluation of assets) are Rs 57 lakhs. The company has identified obsolete, a slow and non-moving finished goods, stores and spares, raw materials and receivables estimated at Rs 1.81 crores. These assets are being physically segregated and steps have been taken to dispose them of soon.

TATA CHEMICALS' operating results for the half-year ended December 31, 1978, are poor. While sales are modestly lower at Rs 17.74 crores against Rs 18.48 crores of the same period last year, profit before tax has dropped from Rs 4.67 crores to Rs 4.04 crores, reflecting pressure on margins. With interest on borrowings requiring Rs 109 lakhs (Rs 72 lakhs), the gap has widened and gross profit is Rs 2.95 crores against Rs 3.95 crores. After providing Rs 2.06 crores (Rs 1.69 crores) for depreciation and Rs 22 lakhs (Rs 106 lakhs) for taxation, profit after tax has come down to Rs 67 lakhs from Rs 118 lakhs. This outcome, however, has not come as a complete surprise to the shareholders, since the management had forewarned them. Meanwhile, intensive efforts to overcome the problems and difficulties facing the company have begun to yield results According to D S Seth, Deputy Chairman and Managing Director, the performance of the second half-year should be much better and make up for the shortfall in the first six months. He also views the long term prospects with optimism.

JYOTI CONSULTANTS, Baroda, has been established for rendering consultancy services in an integrated form in various fields of business and socio-economic activities. It provides comprehensive service right from generation and testing of new ideas, feasibility studies, financial and organisational planning to project engineering and procurement, supply, erection and commissioning of plant on a turnkey basis. It also offers special services to public institutions and government development agencies in formulation, implementation and monitoring of programmes for sectoral and area development and in enhancing their organisational competence to manage such programmes satisfactorily

RALLIS INDIA, after staging a remarkable turnaround during the year ended August 1978, is now looking ahead to produce "substantially better, even record, results" this year. The company's sales for the first five months ended January 1979 at Rs 61.51 crores have been about 13 per cent ahead of the same period last year and profit-wise the company has "never done better during the first five months of any year than it has done this year", according to the chairman, D S Seth. Having cut the dead wood by closing down the bone mill at Magarwara and SIL processed food operation in Bombay, effective steps have been taken for the disposal of the company's interest in Hemalatha Textiles. Efforts are underway to overhaul, reorganise and expand the company's operations in permissible directions The subsidiary, Ralli Machines, which showed substantial losses, is now filling up spare capacity with contract work for third parties which will improve th company's profitability As known, the company is paying a dividend of 15 per cent on equity capital expanded by a one-for-five rights issue and by a three-for-ten bonus issue. The company had skipped dividends for 1976-77.

TI CYCLES OF INDIA, has developed a few useful new devices. One of them is LPG scale-cum-stand which is very useful for a housewife using cooking gas in the kitchen. With this equipment she can mark the day when the gas cylinder is likely to be empty and order the next refill much in advance. She can also check up whether the cylinder, when it comes from the distributor, contains the specified weight of gas. This equipment won a National Award for 1978-79 from the Society of Industrial Designers of India for excellence in design. Another device is a pedal pump. The company has designed a pumping set as an accessory to the conventional bicycle which can be used to pump water from a well having water level upto 28 feet depth from the ground level. Also a plunger type lift pump has been designed for deeper wells. Pedal pump can also be used to spray pesticides on plants and paddy fields. A cycle exerciser has been designed by the company to suit professionals and other office workers who can undertake optimum physical fitness exercises in the privacy of their homes. It is also ideally suited for hospitals, health clubs, gymnasiums, sporting clubs, institutions, colleges and schools. Yet another device is TI-20, which is a departure from the conventional design of the large wheel bicycle. This will be particularly welcomed by women bicyclists of all ages. The frame is designed to accommodate the saree and other long apparel.

ADVANI-OERLIKON made a comprehensive presentation of welding consumables and outfits, heat treatment equipment, industrial electronic controls, wire-cutting machines, etc, at the IMTEX-79, the fourth All-India Machine Tool Exhibition in Bombay. Most of the equipment displayed at the exhibition have been developed by the company through intensive research and development activities. The company entered these equipments for Perfect Machine Tool Trust cash awards as some of the most innovative machine tool designs of the year.

NEW DELHI

Wasted Technical Manpower

B M

THE question of upgrading technology and R and D is an important one. It can also become an alibi for extending and enlarging collaboration arrangements for foreign technology transfer. Even as Bharat Electricals is in the final stages of entering into a 15-year deal with Siemens of West Germany and has been questioned in this light, the signing of a comprehensive 15-20 year agreement on economic and technical co-operation with the Soviet Union, at the time of Soviet Prime Minister Kosygin's visit, sanctifies similar arrangements in other areas — particularly in the ferrous and non-ferrous metal industries.

The merit or otherwise of these specific arrangements apart, any real long-term advantage from them crucially depends on the extent to which indigenous R and D is developed. This remains indeed the Achilles heel in this vital area of the process of modernisation of the Indian economy. The report of the first study of scientific and technical manpower engaged in R and D in the country should therefore be of considerable interest. The survey was conducted in 1975-76 by a special group headed by P R Sengupta of the Institute of Applied Manpower Research

While the overall science and technology manpower in the study-period was around 1.5 million, those employed for R and D were estimated at 60,000. Of these, about 32,000 were covered by the study, leaving out those working in the defence R and D establishments and others working in those that did not respond to the questionnaires sent by the team. The study covers, separately, R and D manpower in research institutions, R and D in the public and private industrial sector, and R and D in universities and academic establishments.

The institutional sector reviewed covers over 85 per cent of R and D establishments in the country — among them, BARC and those under the various national councils such as CSIR, ICAR, ICMR and others. These accounted for the bulk of the country's manpower employed in R and D — about 23,700. BARC alone accounted for over 7,000 persons out of these. However, not all of them do actual research or designing. In the study period, actual research personnel accounted for 51 per cent in BARC and 76 per cent in all other areas. The rest are listed as 'auxiliary personnel' who provided technical and workshop services. A low percentage of auxiliary S and T personnel is, according to the report, indicative of the fact that a good proportion of the professionals "may really be engaged in auxiliary functions and as such are underutilised". Moreover, "design and development oriented programmes generally consume more technical services than do basic research programmes".

One of the more serious faults pointed out by the study is that, in most areas, expenditure on administration and clerical staff is more than what is spent on technical services. The only exception is BARC where expenditure on equipment is the highest (33 5 per cent) and that on administrative personnel is the lowest (4.5 per cent) The average figures for all the other establishments are: salaries of R and D personnel 29.5 per cent; salaries of personnel providing technical services 8.1 per cent, salaries of administrative personnel 10.7 per cent; equipment 22.9 per cent, and others 28.8 per cent.

The survey also shows that "more than 10 per cent of the doctorate degree-holders are occupying positions usually held by undergraduate diploma-holders or semi-professionals As far as utilisation of the professionals in R and D personnel 29.5 per cent; salaries that as many as 59.1 per cent bachelor's degree-holders in agriculture and veterinary science, 52 9 per cent master's degree-holders in natural science, and 34.3 per cent bachelor's degree-holders in engineering and technology, are placed in the two lowest salary slabs meant generally for technicians and non-professionals "

The salary structure is found to be pyramidal with a few people on top (only 9 in 23,700 above Rs 2,500 and 108 in the salary scale Rs 2,250-2,500, almost all of them administrators). The apex for personnel engaged in full-time research lies below Rs 2,250. According to the report, "one of the major defects of the pyramidal pattern is that it limits the scope of both intellectual and career development for the young, promising scientists". This is one of the reasons why few professionally qualified people are drawn towards R and D.

Taking another recent survey among the alumni of IITs which were created primarily to cater to the need for R and D technologists, it is found that less than a third of their graduates and post-graduates go into R and D.

The study of R and D in the industrial sector covered 26 out of the 34 public sector enterprises of the time and 60 of the 179 private sector establishments having R and D divisions. In the establishments covered about 1,600 persons were employed in public sector R and D and about 2,300 in private R and D.

The report shows that research efforts in Indian industries — particularly in the private sector — are concentrated on business R and D, and that mainly quality control rather than technology development and innovation. Indeed, in a number of cases, routine testing, trouble-shooting (on the production line), and even blueprint copying (of imported shelf-technology), are included as R and D activities, particularly in the private sector.

Similarly, while the proportionate expenditure on R and D personnel is comparable in both sectors, that on equipment is considerably lower in all the research areas in the private sector. However, the private sector has a better ratio of technical service personnel to researchers than the public sector. As the report points out, this may be due to emphasis on business R and D which consumes more technical service.

The study shows that the correlation between the earning and the level of education is poor in private sector industries, where a considerable proportion of undergraduate diploma holders and bachelor's degree-holders are found employed in the highest salary slabs in preference to master's degree-holders. Also, it points out that only a small proportion of engineers and technologists have doctorate degrees and that there is hardly any difference between the earning patterns of master's and bachelor's degree-holders.

The estimated expenditure on R and D in 1974-75 in the public sector was Rs 11 crores (0.6 per cent of the total sales turnover for the year) and that in the private sector was Rs 26 crores

(less than 0.1 per cent of the total sales turnover). The report points out that the "average expenditure on R and D in the industrial sector in the developed countries is much higher, being around 1 per cent of the total output".

According to the report, the R and D efforts of industry hardly match the expenditure in research institutions (referred to earlier) on basic development of manufacturing processes, which is estimated at around Rs 95 crores. In the absence of a matching effort, innovations in the research institutions cannot make any appreciable impact on industrial growth or on development of indigenous technology.

The findings of the survey are unlikely to influence science and technology policy very much. A policy draft which was recently prepared and is in circulation seems more concerned with sterile arguments on priorities whether between agriculture and industry or small and big industries, or indigenous research and import of technology. The problem of mobilising and organising the vast resources of technical manpower which have been generated in the last two decades for development activity is one which can hardly be resolved in a piecemeal manner even as the market is left to determine its own preferences of products and technology.

LABOUR

Jute Workers' Empty 'Victory'

Timir Basu

THE 49-day old strike by some 2.20 lakh jute workers was called off following a tripartite settlement on February 22. The agreement has taken effect only from February 1, though the last tripartite agreement had expired on December 31, 1976. The workers have thus been deprived of the benefit of higher wages over a period of more than two years. This was clearly a victory for the Indian Jute Mills' Association (IJMA) and, what is more, a victory by default since neither the unions nor the government insisted on a discussion of this important question.

Even otherwise, the balance-sheet of the settlement is heavily biased in favour of the millowners. The victory celebrations by the CITU and its allies are thus one more example of self-deception. This time the AITUC, snapping its earlier ties with the alliance formed through the initiative of UTUC (Lenin Sarani) and the INTUC, joined the victory rally, perhaps under the compulsion to build up a joint political platform between the CPI and the CPI(M) against the backdrop of the Viet Nam crisis. All other central trade unions expressed their unhappiness over the 'agreed' points as well as the manner of conducting the conciliation proceedings. The agreement was signed only on February 22, but the CPI(M) labour minister of West Bengal allegedly gave the impression to certain sections of the mass media on the evening of February 21 that an agreement had been reached as per his formula. The reality is that the final round of talks started on February 21 noon and went on till mid-night without any understanding. The minister's action would suggest that the government had decided in advance to impose the package deal, leaving the parties concerned to duel for some time.

The nature of the settlement could not be different considering that both the state government and the CITU and its allies had, from the start of the crisis, tried to woo the IJMA, even as the labour directorate of the state government had sought to pressurise labour to reach an amicable settlement. The CITU in fact had not been in a mood to even go on strike. This was clear from its 40th annual conference. The present agreement has relieved the government of embarrassment for at least three years as it is agreed that the settlement shall be in force upto December 31, 1981 and continue to be effective even further till it is terminated by statutory notice.

As per the new agreement, the minimum wage inclusive of DA and basic pay will rise by Rs 47.50 and has been fixed at Rs 470.10 per month of 208 hours of work in 26 days. For calculation of DA, the average consumer price index for the working class, Calcutta, with 1960 as the base, has been pegged at 300 points, which will be considered as the floor level. Henceforth the rate of neutralisation will be Rs 1.30 instead of Rs 1.15 for a rise of 12 points at the end of each quarter, in February, May, August and November. Full neutralisation of rise in cost of living can be achieved only if the rate is raised to Rs 2, but even the unions had demanded only Rs 1.55 and, in the course of conciliation, they further scaled it down to Rs 1.50. Though the draft of the agreement was reportedly prepared under the active guidance of the CPI(M) labour minister, it did not perhaps dare to go beyond the Bhoothalingam panel's recommendations. Hence the award of Rs 1.30. But for a rise or fall between 300 and 335 points, the adjustment will continue to be at the rate of Rs 1.15 per point. From the DA point of view, the agreement is, therefore, far from satisfactory.

This is quite apart from the fact that every year workmen lose a substantial amount due to faulty computation of the price index. The 1960 price index series is full of defects, just like the earlier ones. It was introduced in 1968, four years after the family budget survey on the basis of which the series was compiled. The family budget survey was conducted in 1958-59, but the base year is 1960. Further, the budget enquiry was not at all representative. The weighting diagram too hardly reflects reality. The 1960 series has been serving as a factor depressing workers' wages ever since it came into existence. After a number of representations, an expert committee, popularly known as the Bhattacharjee commission, worked out a comprehensive formula correcting the defects to some extent, so that the DA paid to workers would reflect somewhat better the rise in cost of living. However, the then Ray ministry invoked the DIR to shelve the recommendations of the commission. What is more surprising is that the CPI(M)-led government has failed to revoke the Ray ministry's orders. Had the orders been revoked and the Bhattacharjee commission's recommendations enforced, the workers would have got a DA rise of Rs 65 p m — exactly the amount which the jute workmen will now get under different heads after the settlement.

After a long tug of war, the IJMA has conceded the demand that the House Rent Act be implemented, but not before it was agreed that rent equal to 50 per cent of the house rent allowance given to a worker would be recovered from the wages of a worker who lives in company quarters. (These so-called company quarters are mostly barracks.) Workers will thus get Rs 15 as house rent, while those living in company quarters will have to be satisfied with half the amount. The

house rent allowance is, of course, ridiculously small in comparison with prevailing market rents.

Regarding the workload, which had been tremendously increased during the Emergency, the *status quo* will be maintained as per clause 4 of the settlement till finalisation of the issues which are to be referred to an expert committee. The committee is supposed to submit a report within six months of its formation. But such committees generally take much longer that the stipulated time and even then if the recommendations go in favour of workmen, the treatment meted out to the Bhattacharjee commission might be repeated. The reference to the expert committee is thus just a way of evading the problem. Meanwhile, the reality is that the workers are being forced to continue with the Emergency workload.

The question of grades and scales of pay too has been hanging fire for quite some time. In every wage settlement this issue is simply overlooked. The same thing has happened this year too. Again a committee is to be formed to review the entire situation, taking "all relevant factors" into consideration. One may be certain that the committee's recommendations will not be finalised within the term of this agreement.

The most unsatisfactory aspect of the agreement is the complete negation of the Raghunath Reddy Award on badli workers. The jute industry cannot run without badli workers, as 10 to 30 per cent of workers who mainly hail from upcountry areas are always on leave. However, for the better part of the year the badli workers do not have any work nor are they eligible for any benefits during the period of unemployment. Uncertainty about release of vacancies is so great that they cannot leave the place for fear of losing the badli job. Under the Reddy award, badli workers would have been entitled to Rs 1.60 per day during the lean periods. Implementation of the Reddy award was one of the major demands of the jute workers, but the CITU and other unions have accepted the continuance of the existing system. Thus clause 18 of the settlement reads, "It is agreed that in respect of matters not covered by this settlement, the existing system, practices and privileges shall continue". This means that all the demands of workers not specifically referred to in the agreement have been rejected and the workers have been deprived of even the right to agitate over them. The workmen will also no longer be able to agitate over bonus for the accounting year 1974-75 which had been denied to them during the Emergency.

Another clause in the agreement which is likely to be equally detrimental to the interests of the workmen is clause 13. This clause relates to counter-demands placed by the management at some stage of the conciliation. It reads: "It is agreed that employers' proposals regarding introduction of 19-20 shifts and the abolition of unpaid holidays will be left to the good offices of the labour minister whose decision will be binding. Till settlement of the issues, 'status quo' will be maintained." Normally 18 shifts are possible in a 6-day week. So the management is left only with the unpaid holiday to implement its programme of additional shifts. Mills would not recruit extra hands nor will badli workers be invited. Then how will the additional shifts be worked? With rotational unpaid holiday, a sizeable portion of the workforce will be taken out to man the extra shifts and the reduction in the workforce will be done in such a way that the quantum of production of each shift remains unaffected. In short, a seven-day production schedule against payment of wages for six days is the net result of this arrangement.

Reinstatement of victimised workers has again been left to be settled through the good offices of the labour minister. "The labour minister's recommendation in this matter. which will be given within two months, will be final and accepted by the parties." But it has also been stipulated that the "number of such names [i e, the list of victimised workmen] will not exceed 55" — irrespective of the actual number of victimised workers which is very much larger. Even if the labour minister finds time to clinch the issue within the stipulated two months, a large number of workmen will stay victimised and will not be reinstated in their jobs.

The only benefit that the jute workers have gained through this settlement is the right to gratuity as per the *relevant Act, which has all along been* denied to them even though it is a statutory obligation on employers. Henceforth workers will be entitled to 15 days' gratuity in place of 13 days. This applies both to time-rated and piece-rated workmen. The *status quo* regarding the period of wage payment will yield some marginal benefits. But for gains are insignificant. Yet it has been all practical purposes the workers' hailed as a 'victory' for the workers.

CONGRESS PARTY

Reappointment of the Heir-Apparent

M H J

THE Congress(I) Working Committee decided last week to convene a meeting of its AICC on April 21 and 22, six days ahead of the AICC meeting of the rival Congress led by Swaran Singh. This decision to hold the first ever AICC(I) meeting is obviously intended to further legitimise the party's claim that it is the 'real' Congress.

The move follows the breakdown of the talks over the reunification of the two Congress parties. The unity efforts crashed on the rock of Indira Gandhi's insistence that her son, Sanjay Gandhi, should have a place in the united Congress and that the united Congress would have to launch immediately struggles against the Janata party and its government to defeat the designs to proceed against her and her son and jail them. Indira Gandhi had told Swaran Singh that her party was agitated over the special courts bills and over the rightful place for Sanjay Gandhi in a united Congress and that "these two national issues" would have to be the main part of the programme of a united Congress. Since Swaran Singh was reluctant to commit his party to such conditions for reunification, Indira Gandhi lost interest in the unity (which she always saw as the 'merger' of the Congress into her party). She also realised that even after unity, the 'other half' of the Congress would always remain opposed to her and her son and a situation might arise when she would have to once again walkout of the Congress and form her own party. Hence it was better to continue with the separate entity of the Congress(I). The objective of calling the AICC(I) is to provide a platform of the AICC to those desirous of joining her and attract as many Congressmen from the other side as possible, particularly in the states.

The Congress(I) Working Committee has also decided to revive the Youth Congress and restore to it the pre-eminence in Congress politics that it had acquired before and during Emergency. After the defeat of the Congress in the March 1977 Lok Sabha poll (the entire blame for which was heaped on Sanjay Gandhi) the Youth Congress was made the wing of the Congress and was prohibited from enrolling membership and collecting funds. That decision has now been reserved and the Youth Congress is to have a status independent of the AICC(I), free to collect funds and enrol members separately. According to A R Antulay, AICC(I) General Secretary, the 'unanimous' decision of the working committee was preceded by a discussion dominated by UP, Haryana and Punjab leaders who argued that "the Youth Congress should not be regarded as a limb of the Congress but a living body" and who carried the Working Committee with them. The Working Committee has appointed a five-member committee to recommend a 'role' for the Youth Congress; and except for Devraj Urs, the rest of four members — Chenna Reddy, Umashankar Dixit, V P Sathe and Ramachandra Rath (convenor of the Youth Congress) — are expected to do the bidding of Indira Gandhi.

Antulay also announced that none in the Working Committee suggested that Sanjay Gandhi should actually take over the leadership of the Youth Congress; it is precisely for this reaup before the Working Committee. But neither did anyone in the Working Committee say that Sanjay Gandhi should not take over the leadership of the Youth Congress. It is common knowledge that Sanjay Gandhi will take over leadership of the Youth Congress; it is precisely for this reason that Indira Gandhi made the Working Committee accept the 'independent' status for the Youth Congress which after all is the creation of Sanjay Gandhi. Indira Gandhi has been preparing ground since long. It was not for nothing a statement was recently issued by the AICC(I) office in the name of one Vats, head of the panel of doctors attached to AICC(I), that Sanjay Gandhi should be brought back in the Congress(I) and made the leader of the youth to fight the communal forces represented by the RSS. The statement which could not have been issued without the permission of Indira Gandhi came on the eve of the breakdown of the unity talks between the leaders of the two Congress parties. According to the decision of the Working Committee, the Youth Congress will be the vanguard, leading the Congress(I) in pursuing its policies of fighting the communal organisations like the RSS and implementing the programme of democracy, socialism and secularism.

Indira Gandhi's plan to reinstate her son in politics and restore him to pre-eminence in the Congress(I) via the Youth Congress is obviously not liked by her partymen; but they cannot — or do not want to — voice their resentments lest they lose their jobs. Through Antulay, Indira Gandhi has made it known that she does not wish to associate herself and her party with Raj Narain's 'crusade' against the former Jana Sangh and the RSS. Antulay also said that Indira Gandhi could not be expected to join hands with Raj Narain and others who earlier had in collusion with the Jana Sangh and RSS opposed her since it then politically suited them.

Evidently, Indira Gandhi is not in a hurry to forgive Charan Singh who, with certain well-publicised overtures to her, gained re-entry into the Union Cabinet. Indira Gandhi thought, wrongly, as it has turned out, that she could align with Charan Singh and his BLD group to unsettle the government at the Centre. The impression was created that she and Charan Singh were very close to forming an alliance against Morarji Desai. But Charan Singh, to the great embarrassment of leaders like Madhu Limaye and Raj Narain even more than of Indira Gandhi, made up with Morarji Desai. Perhaps for the first time in her political life, Indira Gandhi was outwitted and was used by someone else.

However, whatever public postures Indira Gandhi might have maintained *vis-a-vis* Raj Narain on the latter's campaign against the Jana Sangh and the RSS, the fact remains that she sent Sanjay Gandhi to meet Raj Narain on March 16. In Raj Narain's words, "Sanjay is a good man and came to meet me on his own". He met him to thank him for his campaign against the RSS.

Evidently, Indira Gandhi aims at fragmenting and weakening the Janata Party by fomenting troubles among and within the different constituents hoping that the shrill open quarrels in which these factions have been engaged will eventually discredit them in the eyes of the people. She also realises that the older generation of leaders in her party are incapable of any street agitation, and that only Sanjay Gandhi and his Youth Congress can launch struggles against the coming Special Court trials.

Centre's Inequities

WEST BENGAL'S Left Front government has not packed its second full-term budget with surprises. It makes a bold effort to raise additional resources, picking its targets with care and, by and large, with imagination. The budget does not also contain any sharp ideological sting and is generally content with spreading the tax net widely, *albeit* rather lightly. But it reserves some of its strongest expressions to criticise the attitude of the Union government towards West Bengal in particular and the states in general.

The budget provides for additional taxation of Rs 37 crores during 1979-80 of which about Rs 8 crores are to be collected from octroi and would have to be passed on to the Calcutta Metropolitan Development Authority (CMDA) under a standing arrangement. Together with a negative opening balance of Rs 55.82 crores, the coming year is projected to end with a deficit of Rs 84 crores. The figure can conceivably go up if the Centre backs out of what state government spokesmen describe as its "commitment" to meet the outgo of Rs 30 crores incurred on account of a hike in its employees' dearness allowance rates, now brought on par with the rates enjoyed by the Central staff.

The situation is not comforting. And this is but natural in a state ravaged by a disastrous flood in September-October last, a wobbly economy still fighting with the deadweight of stagnation, and an uncomfortable burden of a large and growing family of sick units and disintegrating industries. Understandably, the Finance Minister, Ashok Mitra, has been tempted to take credit for the fact that the growth rate achieved during 1977-78, the first year of the new government, has been remarkably high. During the year the state's aggregate income rose by 8.93 per cent — the highest since 1963-64 — and its per capita income spurted by 6.56 per cent, the highest since independence.

And all this has been achieved, as Ashok Mitra said, in the face of heavy odds. First, he cites the case of the state's Plan size. For 1978-79, the Plan was restricted to Rs 371 crores which, considering the state's resource mobilisation efforts and its developed industrial infrastructural backdrop, was itself on the low side *vis-a-vis* the figures decided for many other states. But worse is to come. For 1979-80, the state government has drawn up a plan of Rs 531 crores. But according to the Planning Commission, it should not exceed Rs 370 crores which would mean a fall from the preceding year's figure. In Ashok Mitra's words, the situation is "unprecedented", which indeed it is.

The Centre's stand apparently is that with a Plan size of this magnitude, West Bengal will be forced to fall back upon Central assistance on a much bigger scale than what is envisaged. The state had to take a Central loan of Rs 105 crores during the current year when it ran into a serious ways and means problem. New Delhi apparently is keen to see that such problems do not arise often.

But as Ashok Mitra says, this is highly discriminatory. Having ways and means problems is not something bily the state and its neighbours have not stood in the case of most other states from asking for ambitious annual plans and getting away with them. The Finance Minister told newsmen on budget day, striking a pose of characteristic militancy, that if it comes to that, the Left Front would tell the people of the state of the Plan incongruity, organise them to rise and fight against it and "if New Delhi must thrust it upon us, it will have to do so over our dead bodies".

The second major point he made out in his budget speech was how shabbily the state and its neighbours have been treated by the all-India financial bodies. During the seven-year period of 1969-76, the per capita bank credit advanced was only Rs 24 for Orissa, Rs 40 for Assam, Rs 19 for Tripura, Rs 38 for Bihar and Rs 146 for West Bengal. By contrast, the figure for Punjab was Rs 346, for Maharashtra Rs 308 and for Tamil Nad Rs 203.

Ashok Mitra rolled out more statistics to drive home the point. The Life Insurance Corporation's per capita investment during the same period was Rs 16 for Assam, Rs 23 for Orissa, Rs 5 for Tripura, Rs 14 for Bihar and Rs 17 for West Bengal; against these, the amount for Gujarat was Rs 52 and for Haryana Rs 55. The distribution of loans from term-lending institutions also conformed to the same pattern.

Such then is the anatomy of poverty of the eastern states. Ashok Mitra said: "An arrangement was thus set which was self-aggravating; the eastern region was denied any sizeable public sector outlay under the Plan and, at the same time, funds from banks and financial institutions were also made scarce, so that little possibility existed of any significant headway being made by any of these states in the industrial, commercial and agricultural sectors. And once their rate of growth was slowed down in this manner, this poor rate of growth could be, and in fact was, made the alibi for further lowering the share of Plan funds and institutional resources for the eastern states .... The feudal and monopoly elements which have dominated decision-making over the past thirty years had discovered to their own satisfaction a rationale for under-emphasising investments in the eastern region, probably based on the fact that this region, of which West Bengal has been the vanguard, has led the battle against the forces of reaction, including reaction in the economic sphere". It would be interesting to hear from the concerned authorities as to what they have to say on the points made out in the lengthy quotation.

Anyway, Ashok Mitra has already given advance notice that he for one is not willing to accept this state of affairs. He has accused vested interests, working in connivance with New Delhi, of keeping the revenue from additional excise duties on sugar, textile and tobacco to just about 6.8 per cent of the value of clearance in 1977-78 against the commitment of 10.8 per cent. Unless the situation is corrected, then from fiscal 1980-81, the additional excise duties would not be operative within West Bengal.

Coming to the more immediate problems of the state, the budget makes two major innovations. One is the introduction of a kind of state-level income tax (up to a maximum of Rs 250 per annum) from all those employed in trades, professions and services. Something like this is already in force in Tamil Nadu while a professional tax is in operation in Maharashtra, Orissa and Karnataka, among other states. The other new tax introduced in the budget is on turnover. Registered dealers under the sales tax acts will have to pay a turnover tax between 0.5 per cent (on a turnover of Rs 50 lakhs to Rs one crore) and 1 per cent on a turnover of over Rs 1 crore. The budget has also made education free up to the school leaving stage against up to class VIII as at present.

But a few other aspects of the budget need to be watched a little more carefully. One is the unemployment allowance scheme, introduced in the last budget, of paying Rs 50 monthly to the unemployed of over five years' standing; against this, they are expected to take part in some social or develop-

... About [illegible] young men and women have so far benefited from it and another 55,000 are likely to join in by next year. But the question that is being asked in some circles is, could not the sum of about Rs 8.4 crores to be spent on this account be put to more purposeful uses that could have added to the productive assets and also ensured steady income to the young people (like setting up small scale units, road transport co-operatives or selling and supplying agencies)? Would not injection of such an amount every year without any corresponding productive returns lead to inflation? What is more, how could the Left-Front to be so sure that the well-intended gesture would not boomerang on it?

The other issue concerns the rise in the DA rates for state government employees. As a result of the new party (the scales of basic pay of course still differ), the monthly salaries of the state government employees go up by a minimum of Rs 22 and a [illegible]. At the upper level, a [illegible] belonging to the state cadre will thus now be drawing just about Rs 100 less than the secretaries of departments who mostly come from the Central services. Some of the secretaries are known to have started wondering if it is worth taking all the trouble just for such a meagre differential. Some private sector employers are also having misgivings if their employees too would not take the cue from their 'sarkari bhais'.

WEST GERMANY

Fresh Strains in Relations with US

Ramesh Jaura

US-WEST GERMAN relations which only recently recovered from the strains caused by the controversy over the neutron bomb, are once again strained — this time over the placing of nuclear-tipped intermediate-range missiles on West German soil. These come under the 'gray zone' of weapons which are not the subject of negotiations between the Soviet Union and US.

Most active in the fray is Herbert Wehner, the parliamentary leader of the dominant coalition partner SPD. In a series of radio and newspaper interviews, Wehner has questioned the NATO view that Soviet arms bulid-up is offensive. He has blamed the West in general and Foreign Minister Genscher in particular of mishandling the protracted MBFR negotiations in Vienna. Short of asking for West German exit from the NATO, the SPD party stalwart has warned against the dangers of a Washington-Bonn axis. Such an axis, according to him, was detrimental to the interests of peace and the security of West Germany.

Such views have evoked strong protests from the conservative CDU-CSU opposition. Its spokesmen have branded Wehner's views as "scandalous" and "unrealistic" and CDU chairman Kohl has even gone to the extent of charging Wehner with "sabotage". The use of such strong language is quite normal among political opponents in the FRG and the government and opposition have in fact been branding each other as "Sicherheitsrisiko" (security risk).

But the current debate is of a more fundamental nature. The opposition wants Bonn to ditto NATO strategy and intensify arms build-up. That alone could ensure security and peace. The coalition view is that efforts towards detente must continue and an avoidable arms build-up must be halted.

Differences such as these between SPD and CDU are not new. The opposition has been right from the beginning sceptical about the policy of detente. It was even opposed to signing the declaration of the Helsinki conference on European Security. Earlier, it dubbed the peace treaties with the East European countries as a sell-out of German national interests and a betrayal of all that democracy stands for.

The reason why SPD emphasises continued efforts towards arms control is the fear of annoying the Soviet Union which is already jittery over West's enthusiastic support for China's development efforts. The stationing of Pershing II rockets with a capacity to strike targets in the Soviet Union, it is felt, would create unnecessary complications in Bonn's relations with Moscow. It might strengthen the hawks in the Soviet Union who are said to be waiting in the wings to swoop on Brezhnev who badly needs success for his policy of detente.

Though genuinely convinced of stepped up efforts towards detente, the SPD-led coalition is not paving the path for "Finnlandisation" of West Germany, as the US President's security adviser Brzezinski suspects and the CDU-CSU opposition accuses it of. Bundeswehr Generals continue to hold some key posts in the NATO; and, young men who want to evade conscription do not at all have it easy against the authorities.

But the dominant view in the SPD is to undertake all the necessary steps in order to avoid West Germany being forced into a probable Third World War. Historical and moral grounds apart, the sheer certainty that FRG would have to bear the brunt of such a war necessitates a determined pursuit of detente.

This is precisely what Herbert Wehner said in an interview to a West Berlin radio RIAS during his recent visit to Hungary. Even Schmidt is known to share Wehner's views in private, though, his public postures tend to give a different impression. In the midst of current controversy, after a special cabinet meeting and later during a Bundestag debate, the Chancellor has let it be known that: (a) West Germany cannot, under law, possess atomic weapons and the decision to produce intermediate-range rockets with nuclear warheads is upto the US. (b) Deployment of such weapons in Western Europe must be a joint NATO decision. (c) Other Alliance members should also provide bases for the missiles. (d) Arms control efforts must continue.

Observers recall that even during the controversy over the neutron bomb, Schmidt had taken a similar stand. The unwillingness of Belgium to have neutron weapons on its territory was an important factor in stalling the US plan. Even in the case of Pershing II rockets, it is said, Schmidt is counting with the opposition of some western European allies.

Even some of Wehner's detractors admit that a flexible approach on the part of the NATO is necessary for MBFR talks to succeed. Chancellor Schmidt, they say, had favoured a moratorium on 'gray zone' weapons. But Foreign Minister Genscher put his foot down. "If he had not done so, Genscher would not be complaining about the increasing Soviet arsenal of SS-20 rockets", wrote the liberal Hamburg weekly *Die Zeit*. "Schmidt wanted to drop the issue of 'parity', but Genscher pressed the brake, with the result that not a single Soviet soldier has been withdrawn", added the weekly.

To that extent, the current missiles debate has another angle: the difference between the coalition partners, social democrats and liberals. FDP Economic Affairs Minister Otto Graf Lambsdorff has removed whatever doubts existed. During the recent two-day defence debate, Lambsdorff favoured an unconditional stationing of intermediate-range missiles in West Germany. He is said to be Genscher's successor in case the present foreign minister should decide to resign due to reasons of his poor health.

While the domestic nuances of the debate are important, its essential significance lies in the deterioration in Bonn's relations with Washington. The West Germans increasingly complain about the anti-German attitude of advisers who have the ear of President Carter. Besides, it is felt, the Carter administration lacks an understanding for serious West German concerns. Then there was the controversy over sale of West German nuclear power plants to Brazil, which Washington wanted Bonn to withhold or at least introduce an inspection clause. Lack of strong economic leadership in the US has often been a subject of criticism in Bonn. Americans, on the other hand, have been expressing irritation at what they feel is German arrogance, especially in economic matters.

But the fact is that the economic giant West Germany is no longer a political dwarf and refuses to be bypassed on issues of crucial national interest. Americans still find it difficult to reconcile themselves to this changed reality.

Towards a Free Press

Pran Chopra

THE terms of reference of the Press Commission accord the topmost priority to issues concerning the ownership of the press, the financial control of newspapers, and their management structures. This is borne out by the fact that three-quarters of the terms relate to these issues. It is welcome that the terms of reference should be so drawn up. If public opinion is a major lever in a democratic system, it is necessary to ensure as far as may be possible that everyone has a fair access to the channels through which public opinion expresses itself and to the platforms which educate, guide and influence public opinion. In so far as the press is one of these channels and platforms, fair access to the press must be ensured; anything which undermines or restricts this access for any group or interest, or confers undue control of this access upon any group or interest deserves to be countered.

This is the argument which is often, and rightly, used against government control of or even influence upon the mass media, especially the press. But it is time to ask whether, apart from *the government of the day*, there are other forces also which may be exercising undue control over access to the press and denying other forces their share of this access and whether ways can be found of countering them by means which are themselves democratic, free of partisanship and above suspicion of being amenable to special interests especially governmental.

Urban Phenomenon

More than in most other democratic countries, *the mainstream of the press* in India does not touch the mainstream of the population. The press is very largely an urban phenomenon, the population is largely rural, and the twain meet only at the periphery. Illiteracy is one of the barriers between the two streams; poverty is another. Most rural people either cannot read or cannot afford to buy a newspaper; and even among those rural people who are literate and relatively well off, newspaper readership is relatively small because the press is largely an urban institution, especially the more influential newspapers, whose outlook is important in the context of this argument.

The press remains urban for the same reasons for which it became urban in the first place — that politics, influence, money, and the propensity to spend (which generates advertisement revenues and thus chalks out the territory to be serviced by the press) were all city-based. Even to the small extent that they originated in the village, they had an urban orientation. So deeply ingrained has this bias become that the press remains an urban phenomenon even though political levers have sprung up in the villages too and some prosperity as well.

If the base of political processes shifts increasingly to the village and the base of the press remains in the city, the press will not only be disproportionately accessible to one section of the population and inaccessible to another, it will also become less relevant to the democratic process. Furthermore, this looseness of linkage between the press and the future mainsprings of the Indian democratic processes will not be remedied simply by the leading press magnates (as we know them today) with their deeply urban outlook and interests, expanding their circulations in rural areas or even starting new editions there. On the contrary, while their own biases will remain urban, they will be able, as things are today, to choke any competition which a genuinely rural press may try to present to them.

Sensitive Juxtaposition

There is another reason why it is *important*, and more important in India than in most other democracies, to ask whether the press and the democratic process are mutually reinforcing each other, whether anything can or should be done about it and whether it can be done by purely democratic means. India has decided to place a high priority upon the development of the public sector of the economy. On the other hand the press is very largely owned by the organised *private* corporate sector, whose main capital base is in non-publishing business and commercial finance. Therefore the socio-economic outlook of the Indian democratic process and the outlook of the press come into a sensitive juxtaposition. It needs to be handled wisely by all those who have a responsibility towards ensuring that the press functions and is seen to function as a genuinely free and democratic institution. Otherwise the political forces which for their own reasons are interested in restricting the freedom of the press will try to do so in the name of the freedom of the democratic process. They will be able to give the press the bad name of being the platform of rich, 'private', minority interests which try to use it for manipulating the political choices of poor, 'public', and *majority* interests.

Hitherto this juxtaposition has not been handled well either by the proprietors and managers of the press or by the political parties in power, whether at the Centre or in the states. The press feels that most parties, when in power, try to curb the freedom of the press because they find it uncomfortable to live with a free press. Most of these political parties on the other hand suspect that press barons, all of whom are seen to be lacking the kind of *people's mandate that* democratically elected governments are able to claim, represent the interests of the private sector and for that reason are hostile to governments committed to the development of the public sector.

Some of this mutual suspicion might be unfounded. But enoough of it is warranted by facts to lend colour to all of it. Proprietors do use the newspapers they own to put pressure upon the government on behalf of their non-publishing business and commercial interests. And governments also use their regulatory economic powers to put pressure upon those commercial and business interests whose newspapers are seen to be generally hostile to the government. Journalists trying to do an honest job are often caught in this crossfire, whether they criticise the government (which they do very often) or private corporate interests (which they criticise very sparingly).

Triple Aggravation

All these problems are aggravated as (i) an increasing proportion of the total circulation of newspapers is accounted for by fewer and fewer newspapers; (ii) more and more of the high circulation newspapers come to be owned by a decreasing number of successful publishing houses; and (iii)

more of the successful publishing houses come to be owned more and more by urban-based business and commercial interests whose main financial stake is not in the newspapers owned by them but in other and generally more profitable enterprises whose interests are then sought to be projected through the newspapers owned by them.

As this triple aggravation occurs, the ownership of newspapers comes to be increasingly identified in the popular mind with that small class of people who have capital to spare for acquiring newspapers. Correspondingly it becomes dissociated in the public mind from the large mass of the poor people who are the main numerical power base of most parties which have formed governments in India. This makes the juxtaposition between the press and the government even more sensitive, weakens the press by weakening its identification with the people, and embolden governments, as it has emboldened them in the past and might embolden them still more in future, to curb the freedom of the press in the name of the people.

The best remedy for this situation would be that the press itself should wake up to this danger and discover and apply correctives. That way it would fortify its freedom by its own efforts, which is in any case the best way to fortify any freedom. But experience does not suggest that the necessary effort will be forthcoming from within the press. In India no less than in other countries, the philosophy of freedom of the press has assumed to include unconstrained competition between unequal competitors.

So great is the resistance offered in the name of the freedom of the press to any mitigation of this aggravation that in US where concentration of the press is beginning to cause grave anxiety, even a discussion of the problem, let alone its resolution, has been resisted by the newspaper publishers' association. The problem is not mitigated either by proliferation of struggling and short-lived publications, many of which die because the existing conditions do not give them a chance of fair competition, or by the increasing spread in the circulation of a few powerful and affluent newspapers which are generally owned by an economically powerful but numerically small and narow-based class or group. On the other hand the problem, unless answers are found for it, will be further aggravated by the current trends in the economics of newspaper production. They are tilting the balance still more heavily in favour of those who have sufficient capital to build up such decisive economies of scale, that by attaining large circulations through high-cost production they can sufficiently reduce the unit cost to knock out those publications which cannot match their staying power.

'Free' Competition No Remedy

Therefore there can be no remedy for this problem within the four corners of 'free' competition. If genuine freedom of the press is to be safeguarded, then the responsibility for safeguarding it cannot be left to the press as we know it today. The means must be found outside the present institutions of the press if access to the press as a platform and as a channel is not to be further distorted by unequal competition.

Obviously the broad approach should be to reduce the advantage which the possession of a large capital block confers upon those who possess it, and to reduce the disadvantage which lack of capital inflicts upon those who lack it. Within that broad approach, however, tactics can vary according to local circumstances at any given time. Emphasis can vary from reducing the advantages which go with the possession of capital to reducing the disadvantages which go with the lack of it. Similarly the emphasis can vary from reducing the distortions which exist already in the access to the press to reducing the danger of such distortions becoming further aggravated and to preventing the occurrence of such distortions in future.

Past efforts in India, to the extent that any have been made at all, have concentrated mainly on reducing the advantages which capital has already built up in the existing press. Much less thought has been given to reducing the disadvantages resulting from the lack of capital in the future development of the press. This was a tactical mistake, aggravated by an attempt at direct governmental intervention. The resistance which organised capital could offer, especially through the press owned by it, was underestimated. The resistance proved especially effective because it was offered in the name of maintaining the freedom of the press against governmental intervention.

Future efforts should concentrate upon reducing the future disadvantages of lack of capital, and that too through non-governmental agencies though governmental backing would be necessary. Efforts to reduce this disadvantage in the present should receive the second priority. Reducing the advantages presently resulting from the possession of a large capital block should take the third place.

Assistance, Yes; Control, No

Of course, none of these efforts can be made without some initial governmental intervention and without running into some legal snags. Helping those who do not possess capital to compete less unequally with those who have it will necessarily mean discriminating in their favour in some ways. It will also involve the use of funds which initially can only come out of the public exchequer. But the discrimination would be no more questionable, in law or in morality, than the one presently practised, and for the same reasons, in favour of industries which

agree to go to rural areas, and to small enterprises in industry or agriculture. And the funds drawn from the public exchequer can always be immunised against governmental influences in their uses.

If lack of capital is the initial handicap the first step should be to make it available at reasonable cost. And the first step for that should be to restore a facility which for some inexplicable reason was withdrawn from publishing about ten years ago. Until that time, both printing and publishing enterprises, if they were small enough to qualify, were entitled to receive concessional bank loans and co-operative credit. Subsequently, publishing enterprises were excluded from this concession. The facility should not only be restored, but the bye-laws and rules governing it should be so framed, after thorough scrutiny by small-scale publishing interests, that they forestall backdoor influence upon the publication by the official agencies which administer the facility. One way of ensuring this immunisation would be to entrust the administration of this facility to a public trustee of the kind which will be proposed in succeeding paragraphs for certain other facilities.

Loans and credit, however, are only a partial remedy. In fact, in certain circumstances they can aggravate the handicap faced by those who lack finance of their own. Therefore, supplementary help should be ensured in the form of printing and distribution services for those who cannot initially purchase them with their own finance.

Municipal printing and distribution services should be created out of governmental funds but under a non-governmental public trustee. These should be hired out at concessional rates to these, at least in the early stages, who are small enough to merit the assistance. Other forms of assistance and the mechanics of giving it, are familiar to the government already: they include preferential allotment of printing paper and advertisements. But these facilities should also be transferred from the government's umbrella to the public trustee's in order to eliminate the suspicion of government's influence on the assisted publications.

Stringent conditions will have to be laid down for judging who qualifies for these forms of assistance, and the conditions will have to take account of many questions. How small (or rural) should a small publication be to claim that it qualifies? How should fake claimants be identified and weeded out? How should the performance of the assisted publisher be monitored to ensure that he does not continue to pretend to that size after he has outgrown it and at the same time does not refuse to grow in order to continue to receive the assistance? It may be difficult to find answers to all these questions but it is not impossible. Some answers exist already in comparable governmental experience. These can be improved upon, and others found.

Problems of Public Trustee

A tougher problem relates to the public trustee. Governmental assistance to other forms of enterprises is not as sensitive to the suspicion of governmental influence as assistance to the publishing industry can be. Hence the need for entrusting all the instruments of this assistance to the custody of an agency which would be, and would be seen to be, free of influence of the government and political parties and capable of inspiring public trust. The role and functions of the public trustee should grow by stages, as it gains credibility and experience and refines its methods. But the thrust of its role should neither be to dispossess any present owners of their publications nor to penalise them for being part of industrial or commercial empires or of chains or groups except to the extent that they would not be entitled to the extra facilities and concessions which the trustee would extend (and in matters like the allotment of newsprint and advertisements the government might extend under the supervision of the trustee) to publications which are free of these attributes of concentration of ownership or of ownership of a publication business by non-publishing finance.

The thrust should be to encourage and assist others as well to become publishers of small-and medium-sized periodicals and newspapers so that new areas, new groups, classes and points of view which do not have sufficient capital of their own may also gain fair access to the press, and the press may become a more widebased institution with a more diffused ownership pattern. But obviously the assistance should be limited to those who qualify for it by being, and remaining, independent of groups and chains and non-publishing finance. The assistance should cease as soon as the qualification ceases or independent viability is attained. Initially the assistance should be extended only to new publications But there is no reason why it should not be extended gradually to existing publications which qualify and even to those which do not qualify at present but are willing to shed their disqualifications by delinking themselves from *groups, chains and non-publishing finance.*

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Last Priority for Growers

THE decision to export one lakh bales of raw jute of medium and low grades has been dictated not so much by a desire to help the domestic grower — anyway is unlikely since the grower has already sold his crop to the middlemen or, if he had been fortunate, directly to the JCI — but by a concern to reduce the mounting stock of jute. According to one estimate, out of a total production of about 81 lakh bales of jute and mesta in 1978-79, only about 65 lakh bales might be consumed by the mills; the offtake from the growers has only been around 57 lakh bales, because JCI is reported to have with it a stock of about 8 lakh bales. Also, the mills themselves claim to have substantial stocks lying with them following the strike in the jute industry. All in all, there is once again going to be a glut of jute and the proposal to export a lakh bales of jute is designed to marginally ease the situation.

The curious aspect of this decision to export raw jute is that it comes fairly close on the claim of the industry that the country actually needed to import raw jute. There were reports in December that pressures were being mounted upon government to go in for import of three lakh bales of raw jute. This again was entirely in character; as noted by the third report of the Committee on Public Undertakings of the Sixth Lok Sabha, on the eve of the raw jute marketing season, the industry regularly manages to bring about a closure of a number of mills on one pretext or the other for the express purpose of creating glut conditions in the raw jute market and depress raw jute prices; and such a situation had indeed been created towards the end of last year, with a strike being forced upon the workers.

Along with the decision to export raw jute, government has also decided upon the creation of a buffer stock of raw jute. But the tasks of laying down the modalities of formation and operation of the proposed buffer stock has been entrusted, strangely enough, to the Indian Jute Mills Association — an organisation which has a vested interest in ensuring the lowest possible prices for jute. The IJMA is supposed to administer the buffer stock jointly with the JCI. It is not certain if the proposal to have a buffer stock is not actually designed to defeat the move to export raw jute.

The crucial issue overlooked in all these plans for exports or creation of buffer stocks is how to ensure that these measures actually help the grower to realise better prices for his product. As noted by the report of the Committee on Public Undertakings referred to above, the JCI had generally been able to purchase only 9 to 11 per cent of the total raw jute production and even these purchases were made through middlemen from secondary markets and not from the growers. It is only in this season that the JCI has been allowed to go in for commercial purchase right from the beginning of the season, unlike in earlier years when it used to be asked to start its procurement operations only after many crucial months had passed and after the bulk of the raw jute had been already transferred from the growers to the middlemen and mills' agents.

Indeed, the decision to export one lakh bales of raw jute might not be even intended to help the grower, since he is anyway at the extreme end of the chain and the jute that is to be exported has long left his hands; but the proposal to build a buffer stock is of the most vital concern to the grower; and the task of determining the mode of procurement and the operation of the proposed buffer stock should be assigned to organisations which do not have a vested interest in keeping jute prices consistently low. Nothing that has been said on the subject till now suggests that the grower has been kept in mind; instead, the latest news from the government is that adequate bank finance might be advanced to the jute industry at concessional interest rates (of 8 to 10 per cent) to build the buffer stock; and even as these modalities of helping industry to stock its own requirements are being worked out, there has also been news that the raw jute market has started declining further for lack of buying support.

Producer Levy, Evasion and Income Loss

Empirical Evidence from Coastal Districts of Andhra Pradesh

K Subbarao

This paper seeks to assess the working of the producer levy scheme in Andhra Pradesh in the recent past, to examine the implications of converting this levy as a potential source of procurement in the state in the near future and to estimate the income loss, if any, sustained by farmers on account of the operation of the compulsory levies during the period 1973-74 to 1975-76.

DESPITE impressive growth of rice production in Andhra Pradesh since the introduction of the new technology, public procurement of rice as a per cent of output fluctuated significantly during the period 1966-67 to 1975-76. During the last three years of this period (1973-74 to 1975-76), however, procurement of rice was impressive owing primarily to the operation of the compulsory producer levy which accounted for 40-50 per cent of the total rice procurement in the said period (see Table 1). The object of this paper is to assess the working of the producer levy scheme in Andhra Pradesh in the recent past, to examine the implications of converting this levy as a potential source of procurement in the state in the near future and estimate the income loss, if any, sustained by farmers on account of the operation of the compulsory levies during the period 1973-74 to 1975-76.

I

Producer Levy and Actual and Realisable Procurement Potential in Good and Bad Years

The Andhra Pradesh government introduced a compulsory levy on producers for the first time in 1965-66, but the scheme was withdrawn totally after giving it a trial for barely four months. The levy was reintroduced in 1967-68 and was continued in the following year, but abandoned thereafter. A comprehensive scheme of producer levy was introduced again during the crop year 1973-74. The scheme has continued in a revised form since then.

The scheme, when originally introduced in 1965-66, was intended not as an alternative to levy on rice millers, but only as a supplementary measure aimed at preventing smuggling of paddy to adjoining districts. From the year 1973-74 onwards, the levy on producers came to be recognised as an important alternative method of procurement. Rice procured from the levy on producers, absolutely as well as a per cent of total procurement, increased during the period 1973-74 to 1975-76 (see Table 1).

We have estimated the procurable surplus of paddy for each district of Andhra Pradesh corresponding to the producer levy slabs announced for the year 1974-75, adopting the following method (see Table 2 for levy slabs). The Agricultural Census for Andhra Pradesh gives details of the size distribution of holdings according to cropping pattern. From this source, we have obtained the area irrigated by canals, and the area irrigated by other sources. We have obtained the Kharif and Rabi area devoted to paddy for different districts from the Civil Supplies Commissioner, Andhra Pradesh. Unfortunately, these data are not available according to size class of holdings. We have, therefore, assumed the proportion of paddy area devoted to Rabi to be invariant as between different size-class of holdings, *within* a district. Another limitation of *this method is that the data on area* devoted to paddy according to size-class of holdings relate to the year 1970-71, which we are using for estimating procurable surplus for 1974-75, in the absence of such data for later years. Having obtained the Kharif and Rabi area devoted to paddy according to size-class of holdings, and according to source of irrigation, we have used the slabs notified by the government to derive the procurable surplus for each district. The estimate for 1974-75 may be expected to hold good for 1975-76 as well as we find that there is only a marginal change in the levy slabs, at the lower end of the size-class of holdings, which may not affect the overall magnitude of the procurable quantum substantially.

Although farmers were expected to surrender levy paddy from the output of Kharif as well as Rabi seasons, we have estimated the procurable surplus on the basis of two assumptions:

Assumption I: Levy is imposed only during the Kharif season.

Assumption II: Levy is imposed during the Kharif season and also during the Rabi season only on the area irrigated through major sources.

These details are given in Table 3. For the state as a whole, procurable surplus as proportion of output works out to roughly 40 per cent.[1] The five coastal districts account for nearly 45 per cent of the state's total procurable surplus. Interestingly, even the chronic deficit districts such as Visakhapatnam and Srikakulam contribute approximately 1 lakh tonnes each, primarily because of the large number of medium-sized holdings in these districts. Fourteen districts comprising Rayalaseema and Telangana regions account for only 40-45 per cent of procurable surplus of the state. Despite these inter-regional differences in the relative share in the state's procurable surplus, there is no significant variation in the procurable surplus as a proportion of output, as between different regions or even districts (see columns 5 and 6, Table 3). The levy-wise break-up of the quantity actually procured is available for the state as a whole and also eight important districts. We have estimated the degree of evasion for these eight districts which account for 50 per cent of the state's procurable potential (through producer levy) and actual procurement through producer and miller levies. The degree of evasion of producer levy for the state as whole works out to 75 per cent, whereas for the two important coastal surplus districts, *viz,* East and West Godavari, about 60 per cent (see Table 4). The degree of evasion, in general, appears to be greater among Rayalaseema and Telangana districts than in coastal districts.[2] Further, while the procurable surplus through producer levy alone works out 40 per cent of output, the quantity actually procured through producer *and* miller levies together amounted only 22 per cent of output.

It would be interesting to conjecture on the probable quantum of procurement in a bad year. Analysis of the data on

TABLE 1: PRODUCTION AND PROCUREMENT OF RICE IN ANDHRA PRADESH

Year	Output	Procurement			Producer Levy as		Total Procurement (col 4) as Per Cent of Output (col 1)
		Levy on Rice Millers	Levy on Producers	Total	Per cent of Total Output	Per cent of Total Procurement	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1967-68	46.74	5.77	1.03	6.80	2.20	15.14	14.55
1968-69	[illegible]08	3.20	0.57	3.77	1.62	15.12	10.72
1969-70	43.30	1.69	—	1.69	—	—	3.90
1970-71	47.86	4.23	—	4.23	—	—	8.98
1971-72	47.17	2.61	—	2.61	—	—	5.53
1972-73	42.56	3.16	0.10	3.26	0.23	3.06	7.59
1973-74	55.83	4.63	2.50	7.13	4.47	35.06	12.75
1974-75	57.00	4.27	4.56	8.83	8.00	51.64	15.49
1975-76	62.00	7.90	5.72	13.62	9.23	42.00	21.94
Compound rate of Growth (per cent)	5.1			14.1			

Source: Records of the Civil Supplies Commissioner, Andhra Pradesh.

TABLE 2: LEVY SLABS FOR THE YEARS 1974-75 AND 1975-76

(In quintals per acre)

1974-75	Slabs	Under Major Irrigation Sources	Under Other Sources
(1)	Less than 2 1/2 acres	Nil	Nil
(2)	From 2 1/2 acres to 5 acres	3	1
(3)	Above 5 acres and upto 10 acres	4	3
(4)	Above 10 acres	5	4
1975-76			
(1)	One acre and below	Nil	Nil
(2)	Above 1 acre and less than 2 1/2 acres	2	Nil
(3)	2 1/2 acres and above and upto and inclusive of 5 acres	3	1
(4)	Above 5 acres and upto and inclusive of 10 acres	4	3
(5)	Above 10 acres	5	4

production and procurement of rice for Andhra Pradesh state as a whole for the period 1967-68 to 1975-76 reveals that a major shortfall in production of over 20 per cent occurred only once, i e, 1968-69 Kharif (see Table 1). Interestingly, even in that bad year, procurement as a proportion of output was 10 per cent, whereas this proportion was somewhat lower in better years Presumably this may be due to the fact that the demand for foodgrains from the public distribution system increases forcing the government to procure (irrationally) in bad years.[3] District-wise analysis of rice production further indicates that whenever minor shortfalls in state's production occurred, only 4-5 out of the 21 districts were affected. Moreover, of the coastal district which account for 60 per cent of state's rice production, not more than one district experienced a decline in production in any given year. Thus on the basis of past experience, it may be inferred that the procurement through producer levy may have to be abandoned in a bad year in one of the major rice-surplus coastal districts and in three or four of the remaining districts in the state. On this basis, the shortfall in procurement through producer levy (realisable potential) in a bad year may be about 4.5 lakh tonnes or about 20 per cent of the realisable potential in a normal year.[4]

As can be seen from Table 1, procurement through levies on both producers and rice millers together accounted for about 22 per cent of output during the year 1975-76. Experience with producer levy indicates that despite prevalence of widespred evasion, it has graduall become an important instrument in the state (see Table 1) owing to improvement in implementation of the scheme. Nevertheless, it appears desirable , to place reliance on levies on producers as well as rice millers until the former source becomes dependable when levies on rice millers can be dispensed with.[5]

II

Producer Levy and Income Loss

One of the issues discussed in the foodgrains price policy debate is whether government procurement at a price below the open market price would result in an income loss to the farmers, in which case levies may sap incentives to produce foodgrains. Whenever there is procurement by the government, open market price may be expected to go up.[6] As such, it is reasonable to believe that in the absence of levies, open market prices would have been lower than at present for two reasons. Firstly, the government is entering the market as a buyer, so that, there is a reduction in the quantity available in the market for other purchasers (millers, co-operatives, etc). Secondly, levy takes a certain portion of the supply, and gives it to the lower income consumers with the more price-elastic demand. The free market is then left to those persons with higher incomes with inelastic demand. The effect then is to concentrate the shortage among the consumers with the inelastic demand. The higher the allocation to the poor, the greater will be this effect.[7] Levy purchases could thus push up open market prices of paddy/rice. If the weighted average price for the total sales (to the government and in the open market) is not less than the price he would have realised in the absence of levies, the farmer would not incur any income loss.

We shall investigate whether procurement at a price lower than open market price did or did not result in income loss for the three recent years, i e, 1973-74 to 1975-76, for farmers in in the rice-surplus coastal districts of Andhra Pradesh where procurement through producer levy was intensified during these years. The behaviour of levy and open market prices of paddy and rice in rice-surplus (procurement) district of Andhra Pradesh are given in Table 5.

The marketed surplus as a proportion of output may be expected to differ significantly as between coastal districts and the remaining districts of the state. In a field investigation of the West Godavari district, the author found that the marketed surplus of holdings above 5 acres averaged 60 per cent of output during Kharif of 1968-69[8] Since virtually the whole of the Rabi output is marketed in these districts, the marketed surplus as a proportion of total output (Kharif + Rabi) may be expected to be even higher especially during the year 1970-75, when rabi paddy output grew rapidly in this region.[9]

We now need an estimate of the proportion of levy sales to total sales.

TABLE 3: PROCURABLE POTENTIAL AND PRODUCTION OF RICE IN ANDHRA PRADESH

(in lakh tonnes)

Districts	Procurable Potential on the Basis of		Production (in lakh tonnes)	Procurable Potential as Per Cent of Output	
	Assumption I	Assumption II		Assumption I	Assumption II
(1)	(2)	(3)	(4)	(5)	(6)
East Godavari	1.747	2.207	6.393	27.3	34.5
West Godavari	1.998	2.637	8.293	24.1	31.8
Krishna	2.186	2.640	6.419	34.1	41.3
Guntur	1.419	1.900	5.856	20.7	27.7
Nellore	0.827	1.115	2.557	32.4	43.6
Ongole (Prakasam)	0.419	0.464	1.219	34.4	38.1
Visakhapatnam	0.943	0.948	1.682	56.0	56.3
Srikakulam	1.406	1.415	3.160	44.5	44.8
Coastal Region	10.945	13.326	34.444	31.8	38.7
Coastal region as per cent to Andhra Pradesh (per cent)	55.44	57.48	60.42	—	—
Kurnool	0.574	0.635	1.449	39.6	43.8
Anantapur	0.530	0.579	1.763	30.1	32.9
Cuddapah	0.370	0.404	1.398	26.5	28.9
Chittor	0.739	0.753	2.289	32.3	32.9
Rayalaseema Region	2.213	2.371	6.899	32.1	34.4
Rayalaseema as percent to Andhra Pradesh (Per cent)	11.21	10.23	12.10		
Hyderabad	0.324	0.342	0.733	44.2	46.7
Nizamabad	0.818	0.918	2.095	39.1	43.8
Medak	0.634	0.662	1.718	36.9	38.5
Mahaboobanagar	0.837	0.920	1.617	51.8	56.9
Nalgonda	1.328	1.890	3.955	33.6	47.8
Warangal	0.811	0.832	1.371	59.2	60.7
Khamman	0.520	0.530	1.165	44.6	45.5
Karimnagar	0.857	0.915	2.453	34.9	37.3
Adilabad	0.454	0.476	0.553	82.1	86.1
Telangana Region	6.583	7.485	15.660	42.0	47.8
Telangana Region as per cent to Andhra Pradesh (per cent)	33.35	32.29	27.47	—	—
Andhra Pradesh	19.741	23.182	57.003	34.6	40.7

Producer levy averaged 5, 8, and 9.2 per cent of output (see column 6, Table 1) or 10, 16 and 18.4 per cent of marketed surplus, assuming the latter to be 50 per cent of output, for the three years 1973-74 to 1975-76 respectively. If the proportion of marketed surplus to output is greater than 50 per cent, as we suspect it to be, then the producer levy as a per cent of marketed surplus would be even lower than the above mentioned percentages. However, we computed the weighted average price PW, assuming levy sales to be 10, 20 and 25 per cent of marketed surplus, which could have been the maximum percentages for the year 1973-74, 1974-75 and 1975-76 respectively.[10] We hypothesise that

$$P0 \leq PW$$

where P0 is the open market price in the absence of levies, in which case farmers are compensated for lower procurement prices.

We shall examine whether the responsiveness of market price, $\frac{(P_2 - P_0)}{P_0}$ or $\frac{(P_2 - PW)}{PW}$ when $P0 = PW$, to the quantity cornered by the government levy quantity as a proportion of rice output in the districts is reasonable enough on *a priori* grounds, to conclude that farmers are compensated.[11]

We have two estimates of price flexibility co-efficients for rice in India. In a study on the determinants of rice prices, Thamarajakshi estimated the price flexibility co-efficient to be (—) 1.10.[12] The per cent change in price of rice as a result of a one per cent change in output of rice may be expected to be high because the price elasticity of demand for rice is much below unity in India. N S Iyengar and L R Jain estimated the income elasticity of demand for rice for rural and urban areas to be 0.54 and 0.13 respectively.[13] Ignoring the cross price elasticities of demand for rice with response to prices other than those of rice, the price elasticity of demand for rice can be expected to be of the same low magnitude (with a negative sign)[14] i e, about (—)0.5. This gives a price flexibility co-efficient of (—)2.0. Thus, from the available estimates, we may expect the price flexibility co-efficient for rice to lie in range of (—)1.10 to (—)2.0.

We have worked out the price flexibility co-efficients implied in the price rise needed to compensate for lower procurement (levy) prices during the year 1973-74 to 1975-76 (see Table 6). We have indicated in the Table the relevant weights, and the percentage change in quantity of output withdrawn through levies for different years.

Since, the range of the price flexibility co-efficient needed to compensate for low procurement price is between (—)0.13 and (—)0.31 during the years 1973-74 to 1975-76, which is considerably lower than the actual range of the price flexibility co-efficient mentioned above, i e, (—)1.10 to (—)2.0, it seems reasonable to conclude that farmers were compensated for the lower procurement price through a rise in the open market price.[15]

We now contrast the above situation with what would have been the impact on income if the procurable surplus estimated in section I were actually realised from farmers. In this case, the proportion of levy paddy surrendered by farmers would be considerably higher than at present. We assume the proportion of levy sales to approximate to 50 per cent of the marketed surplus (of both crops), which could be the maximum in any year. The government would then have produced an *additional* 20 per cent of output during 1973-74 and 1974-75 or 25 per cent of current non-levy output. In view of the already high level of procurement, the additional quantity procured would be smaller for 1975-76 (ie, 10 per cent of output, or 14.3 per cent of non-levy output). It is interesting to examine whether the open market price of rice would have been risen in this situation such that farmers are compensated for lower price.

Assuming that farmers are just compensated, we shall examine how much the free market would have to rise if procurable surplus according levy slabs were realised, i e, the farmers received the same weighted price as at present. In this situation, the weights for levy and non-levy sales would be equal (i e, 0.50 for each). Therefore, 0.50PL +

TABLE 4: PROCURABLE POTENTIAL, ACTUAL PROCUREMENT, AND DEGREE OF EVASION OF PRODUCER LEVY, 1975-76

(in lakh tonnes)

S. No.	District	Procurable Surplus through Producer Levy	Quantum Actually Procured through Producer Levy	Degree of Evasion $\frac{\text{Col 3} - \text{Col 4}}{\text{Col 3}} \times 100$	Quantum Actually Procured through PL + Miller Levy	Col 3 as a Per Cent of Output	Col 6 as a Per Cent of Output
(1)	(2)	(3)	(4)	(5) (per cent)	(6)	(7)	(8)
(1)	East Godavari	2.207	1.012	54.00	1.855	34.50	29.6
(2)	West Godavari	2.637	0.942	64.00	3.020	31.80	36.4
(3)	Nellore	1.115	0.178	84.00	0.447	43.60	17.5
(4)	Visakhapatnam	0.948	0.081	91.00	0.109	59.20	9.2
(5)	Kurnool	0.635	0.203	68.00	0.324	43.80	22.4
(6)	Anantpur	0.579	0.069	88.00	0.069	37.90	3.9
(7)	Warangal	0.832	0.068	92.00	0.699	60.70	51.0
(8)	Khammam	0.530	0.058	89.00	0.188	45.50	16.1
(9)	Karimnagar	0.915	0.038	96.00	0.177	37.30	7.2
	Andhra Pradesh	23.182	5.716	75.50	13.618	40.70	23.9

Source: Data for cols 4 and 6 compiled from records of the District Civil Supplies Offices.

TABLE : 5 OPEN MARKET, LEVY AND ISSUE PRICES OF PADDY AND RICE (ANDHRA PRADESH)

Year	Paddy Procurement Price	Paddy Market Price in the Surplus (Procurement) Districts	Rice Procurement	Rice Market Price in the Surplus (Procurement) Districts	Cost of Production of Paddy in the Surplus Districts
(1)	(2)	(3)	(4)	(5)	(6)
1967-68	46.00	55.00	72 69	82.00	—
1968-69	46.00	56 00	72.69	83.00	—
1969-70	46.00	58.00	72.69	82.00	57.00
1970-71	51.00	57.00	80.32	90.00	—
1971-72	51.00	60.00	80.32	86.00	51.53
1972-73	53.00	67.00	83.37	95.00	—
1973-74	70.00	94.11	109.31	160.00	—
1974-75	77.00	108.17	120.38	150 00	—
1975-76	77.00	86.00	125.00	170.00	70.00

Sources. For columns 2 to 5, State Civil Supplies Department.
For column 6, 1969-70 adapted from M Khan and Tripathy, Intensive Agriculture and Modern Inputs; 1971-72, A PC Report of Kharif Cereals; 1975-76, projected on the basis of increase in the purchased inputs.

0 50 PH = PW, where PL is the levy price, and PH is the open market price (hypothetical) which would compensate for lower levy price when producer levy is strictly implemented, and PW is the weighted price at present. The price flexibility co-efficients required to compensate for lower procurement price if the procurable surplus were realised in full, work out to (—)0.82, (—)0.69 and (—)0.37 respectively for the three years, 1973-74 to 1975-76. These are still much lower than estimated price flexibility co-efficients for rice in India mentioned earlier. If the farmers are already over-compensated, the implied price responsiveness would be even lower.[16]

The conclusion that emerges from the foregoing analysis is that there does not appear to be any income loss to the farmers in the coastal Andhra region on account of procurement at prices lower than the open market price during the three recent years (1973-74 to 1975-76) which witnessed increasing reliance on producer levies.[17]

III

Procurement Price and Cost of Production

For determining whether producer levy constituted a disincentive to the farmers, we have also to consider (i) whether the levy price, though lower than open market price, is at least high enough to cover the costs of production, and (ii) whether the weighted price received by farmers covered the cost of production leaving a reasonable profit margin.

We do not have estimates of cost of production of paddy for recent years. We made use of the available estimates of cost of production including that of Agricultural Prices Commission for the years 1969-70 and 1971-72. We projected the APC's 1971-72 estimate, on the basis of the increase in the prices of purchased inputs, for the year 1975-76. These along with levy price, open market prices, are given in Table 5. These data reveal that for rice, the procurement price and possibly even the weighted price, did not cover the cost of production for earlier years. This might have been the primary motivation for evasion in the earlier years and consequently for the total collapse of the producer levy scheme. However, the procurement price did cover the cost of production excluding the imputed value of human labour even for the earlier years. The gap between the two narrowed by 1975-76. The procurement price of paddy was considerably lower than the market price throughout the period, although the increase in the former was proportional to the increase in the latter. This is in sharp contrast with wheat for which the procurement price was nearly always as high as the open market price and covered the cost of production throughout the period (see Table 7).

IV

Conclusions and Policy Implications

The procurable potential of rice (through producer levy) works out to 40 per cent of output, whereas the actual procurement through levies on producers and rice millers together ranged between 15 and 20 per cent of output during 1973-74 to 1975-76 in Andhra Pradesh. The results show the degree of evasion of producer levy in the rice-surplus coastal districts to be about 60 per cent. Despite evasion, producer levy did become an important instrument of procurement in the state in recent years owing to general improvement in implementation as well as more realistic fixation of levy prices.

In the coastal districts of Andhra Pradesh where procurement through producer levy gained in importance, our results show that there does not appear to be any income loss to the farmer, on account of procurement at prices lower than the open market prices during the three recent years, 1973-74 to 1975-76. Our results further indicate that even if the levies were realised in full according to statutory slabs farmers would still not suffer any income loss on their total marketable surplus since free market prices may be expected to go up steeply. Besides, the producer levy may have some

TABLE 6: COMPUTED LEVELS OF PRICE FLEXIBILITY CO-EFFICIENTS IF FARMERS ARE TO BE COMPENSATED FOR LOW PROCUREMENT PRICES IN COASTAL ANDHRA PRADESH 1973-74—1975-76

(1) Ruling open market price (P1)	Rs 94.11	Rs 108.17	Rs 86.00
(2) Levy price (PL)	Rs 70.00	Rs 77.00	Rs 77.00
(3) Weighted price (PW)	0.10 PL + 0.90 P1 = Rs 91.70	0.20 PL + 0.80 P1 = Rs 101.94	0.25 PL + 0.75 P1 = Rs 83.75
(4) $\frac{(P_1) - (PW)}{(PW)} \times 100.0$	2.6 per cent	6.1 per cent	2 7 per cent
(5) Quantum withdrawn by government through levies as a per cent of output i e $\frac{(Q_0 - Q_1)}{Q_0} \times 100.0$	12.75 per cent 20 per cent	15.5 per cent 20 per cent	21.94 per cent 30 per cent
(6) Level of the price flexibility co-efficient implied if P were to be equal to PW (Row 4/5).	(–) 0.20 (–) 0.13	(–) 0.39 (–) 0.31	(–) 0.12 (–) 0.09

Notes · Figures in row (1) are obtained from table 5 col. 3. The starred figures in Row 5 relate to *actual* proportions of output withdrawn through levies (see Table 1). The underlined values of PFCs are computed with these starred figures in the numerator. However, we have also computed the PFCs assuming the proportions to be 20, 20 and 30 for the year 1973-74, 1974-75 and 1975-76 respectively, which could have been the maximum, given the prevailing reluctance of the levy enforcement machinery. These are given below the underlined figures.

TABLE 7: OPEN MARKET LEVY PRICE AND THE COST OF PRODUCTION OF WHEAT (Punjab)

Year	Wheat Procurement Price	Wheat Market Price	Cost of Production
(1)	(2)	(3)	(4)
1967-68	76 00	80.40	—
1968-69	76.00	81.33	—
1969-70	76 00	91 80	—
1970-71	76 00	89.00	—
1971-72	76 00	90.00	59.71
1972-73	76 00	76.00	—
1973-74	105 00	76 00	74 34
1974-75	105 00	114.66	87.76
1975-76	105 00	105.00	—
1976-77	110.00	110.00	—

Source *Bulletin of Food Statistics* and the APC Report for different years.

favourable income redistribution effect in so far as small farmers are free to sell their entire marketable surplus at (higher) free market prices. As producer levy gains in importance, levies on rice millers may be scaled down, since correspondingly less paddy will be available for transactions on private account. Moreover, since rice millers tend to shift the lower procurement price backward, it might have a stronger impact on small farmers whose bargaining power is lower than on medium and large farmers.

At present, producer levy slabs graded according to size class of holdings, differ as between irrigated and unirrigated area under paddy. The prevailing levy slabs are very low in the case of large-sized holdings. Experience with the producer levy scheme in Andhra Pradesh suggests that it is desirable to totally exempt holdings upto 2.5 and 5.0 acres for irrigated and unirrigated holdings respectively, increase the slab rates for holdings above 10 acres (irrigated) and 15 acres (unirrigated), so that administrative effort is concentrated on a fewer number of medium and large farmers. Field Studies on the operation of levies indicate that evasion can be checked if two policy changes are introduced: (a) under-reporting of area under paddy can be checked if levy is extended to *all* cultivating holdings above a particular size in the paddy zone whether growing paddy or not; (b) the functions of requisitioning of levy paddy (now performed by state government officials) and actual purchasing of paddy (performed by Food Corporation of India) should be combined and a single organisation should be entrusted with these responsibilities for better administration of levies Given the political will it is thus possible to check evasion in which case producer levy can emerge as an effective instrument of public procurement.

Notes

[This is a part of wider study on some aspects of marketing, public procurement, and distribution of rice in Andhra Pradesh, sponsored and supported by the Indian Council of Social Science Research. I am grateful to C H Hanumantha Rao and S D Tendulkar for helpful suggestions. Y Narayana Rao rendered competent research assistance. I alone am responsible for any errors.]

1 The legally imposed levy slabs do not make allowance for differences in yield per hectare across different size class of holdings. We do not consider this as a serious limitation in view of the fact that in the irrigated coastal districts of Andhra Pradesh, we do not expect yield levels to vary on between different size class of holdings. Yields may vary between irrigated and unirrigated areas, but this has been taken care of in as much as levy slabs are lower for the latter.

2 Since the evasion for the state as a whole is 75 per cent and for the coastal districts (for which we have district-wise data) it is 60 per cent, the evasion for the residual component, Rayalaseema and Telangana regions, should be much higher. Further, in a study based on field investigation, the author found the degree of evasion, averaged for all size class of holdings, to be 64.7 per cent in the West Godavari District, for the year 1968-69 Kharif. See, K Subbarao, "Rice Marketing System and Compulsory Levies in Andhra Pradesh" (Allied Publishers, Delhi, 1978).

3 See, Raj Krishna and G S Rai Chaudhari, "Some Aspects of Rice Price Policy in India" (mimeographed, Delhi School of Economics, 1978).

4 We are assuming that a bad year is one when a shortfall in output of about 20 per cent occurs. For obvious reasons we are ignoring years of national calamities such as the recent cyclone in Andhra Pradesh, when all levies will have to be given up.

5 We have examined the issue of inter-district ban on movement of rice for purposes of procurement elsewhere. Our results indicate that such restrictions did not help in procurement in the past (See K Subbarao, "Rice Price Behaviour and Public Procurement An Analysis of the experience of Andhra Pradesh", *Indian Journal of Agricultural Economics* July-Sept 1978

6 See, M L Dantwala, "Incentives and Disincentives in Indian Agriculture", *Indian Journal of Agricultural Economics*, April-June 1967. Also see his recent review of Agricultural Policies in *Indian Journal of Agricultural Economics*, October-December 1978

7 See J W Mellor, "Functions of Agricultural Prices in Agricultural Development", *Indian Journal of Agricultural Economics*, January-

March 1968. See also his paper "Agricultural Price Policy and Income Distribution in Low Income Countries", World Bank Staff Working Paper No 214, World Bank September, 1975.

8 See "Rice Marketing System and Compulsory Levels in Andhra Pradesh", *op cit.*

9 The compound rates of growth of total output, Kharif output and Rabi output of rice during the period 1966-67 to 1975-76 for Andhra Pradesh are 3.1, 4.6 and 6.5 respectively.

10 By assuming probable percentage of levy sales to marketed output, we are on the conservative side since this amounts to farmers receiving the lowest probable weighted price.

11 The price responsiveness is given by $\frac{P_1 - P_0}{P_0} \Big/ \frac{Q_0 - Q_1}{Q_0}$ where P_1 is the free market price after levies are imposed; Po is the free market price (hypothetical) that would have obtained in the absence of levies, Qo is the quantity of output in the absence of levies; and Q1 is the quantity of output after a part of output is withdrawn by the levies. Assuming $P_0 = PW$, ie, farmers are compensated, the implied price responsiveness is obtained by $\frac{P_1 - PW}{PW} \Big/ \frac{Q_0 - Q_1}{Q_1}$ where PW, the actual weighted price, is substituted for P_0. This responsiveness is somewhat analogous to the price flexibility co-efficient. Strictly speaking, price flexibility co-efficients for rice are not comparable to the re-responsiveness derived by us. For, a price flexibility co-efficient indicates the price response to *actual* declines (or increases) in output. This is not exactly similar to our case, because although output is withdrawn by the government from the coastal districts, it is eventually released elsewhere in the country through the fair price shops. For these districts, however, levies would mean a decline in the quantity available to the private marketing agencies.

12 R Thamarajakshi, "Determinants of Rice Prices", *Agricultural Situation in India*, March 1970.

13 N S Iyengar and L R Jain, "Projection of Consumption, Rural/Urban 1970-71 and 1975-76", *Economic and Political Weekly*, November 29, 1969. Based on the 16th Round of N S S, D Coondoo (ISI, Calcutta) calculated the expenditure elasticity for rice for rural Andhra Pradesh to be 0.6633. (I owe this reference to S Tendulkar.)

14 This follows from the Slutsky-Schultz theorem. According to this theorem, the algebraic sum of income, price and cross elasticities of demand for any commodity equals zero. Homogeneity of demand functions of degree zero in all prices and incomes implies $\Sigma\, e_{is} = - E_i$, where $e_{is} = \frac{p_s}{x_i} \cdot \frac{\partial x_i}{\partial p_s}$ and $- E_i = e_{i1} + e_{i2} + \ldots\ldots e_{in}$. For foodgrains as a whole, is reasonable to assume eis for $S \neq i$ to be negligible. However, in rural Andhra Pradesh, rice happens to be the dominant foodgrain, accounting for 73 per cent of expenditure on foodgrains and 68 per cent of quantity of foodgrains consumed. See NSS Table with notes on consumer Expenditure, Seventeenth Round, September 1961 July 1962, Number 184, pp 239 and 333. It appears reasonable, therefore, to assume the cross price elasticity of demand for rice to be negligible in Andhra Pradesh.

15 It must be remembered that 1974-75 was an exceptional year which witnessed unprecedented price rise, while paddy prices slumped in the following year, ie, 1975-76.

16 If one knows the exact magnitude of price flexibility co-efficient, one can work out levy proportions and levy prices that are consistent with the incomes that the farmers would receive in a free market situation.

17 Strictly speaking, this conclusion is valid only in the aggregate, ie, for all cultivators in all coastal districts as a whole. This still does not rule out the possibility that individual farmers may not have sustained income loss depending upon the open market prices they received and the percentage of output marketed to the government, given the levy price. However, in an earlier field investigation we found the proportion of levy sales to total sales to be the same for small medium and large farmers despite the existence of progression in statutorily fixed levy sales. See K Subbarao, "Rice Marketing System and Compulsory Levies in Andhra Pradesh", Allied Publishers, 1978. Further, assuming variation in prices received by different farmers to be negligible at harvest time when levy paddy is surrendered, our conclusion regarding absence of income loss in the aggregate may still be valid at the individual farmer level as well.

18 See K Subbarao, "Rice Marketing System and Compulsory Levies in Andhra Pradesh", *op cit.*

Cross-Breeding of Indian Cattle : An Evaluation

A R Rajapurohit

The programme of cross-breeding of Indian cattle with a view to improving the breed and increasing the milk yield began sporadically under British rule and has been more systematically pursued in the years since Independence. This article attempts to evaluate this programme.

It begins with a general discussion of the bovine economy in India and the many conflicting issues involved in its development, particularly the differing needs that influence the raising of draught animals and milch animals, of indigenous cattle and cross-bred cattle, and of cows and bullocks as against buffaloes. It goes on to describe various cross-breeding programmes that are being implemented in different pockets in the country and presents three specific case studies of areas where the cross-breeding programme is supposed to have been successfully implemented. According to the author, the economic impact of the cross-breeding programme has to be judged by setting the gains made in milk production against the setbacks and losses incurred in draught power availability.

I

Introduction

BOVINES in India are kept for the dual purpose of draught power and milk. There is a lot of specialisation in these two functions, namely, the cattle among the bovines being mainly kept for draught power and the buffaloes being kept for milk. Both cattle and buffaloes mainly live on dry fodders derived from straws of cereals and millets and from plant residues of legumes; and green fodder from fodder crops, grasses from forest land, pastures, permanent fallows and cultivable waste. The milch and the working animals are sometimes fed with inferior pulses like horsegram and various oil cakes as major sources of protein. Thus the bovines in India mainly live on the by-products of grain and pulse crops which are not used for direct human consumption and serve the dual purpose of draught power supply for crop production and allied activities and milk for human consumption. It should be noted that they are rarely kept for beef. It is only in some hilly areas like Nagaland and the Nilgiris (and also in Kerala) where beef eating population is predominant that the bovines are also kept for beef. The fodder constraint leads to contradiction in the development programmes for draught and milch animals, the former depending upon the demand for draught animal power and the latter on that for milk.

Most of the cattle breeds in India are draught breeds [38, 51]. The milk yield of these draught breeds is as low as half a litre to 1½ litre per day per milch cow. With an increase in human population and also the impact of urbanisation and increased economic prosperity, the demand for milk, at least in certain urban pockets, has been increasing rapidly. As the milk yield of the cows in India is extremely low, it is not possible to meet the additional demand for milk by milch cows. It was therefore necessary to introduce some high-yielding milch animals in the Indian dairy economy which has been achieved by the very high rate of increase in the population of milch buffaloes. It is not surprising that many livestock experts maintain that in India it is the buffaloes which are the milch animals and the cows are maintained not for producing milk but for breeding quality draught animals for agricultural operations.

There was however a move by some dairy experts to increase the milk yield of the Indian cows by cross breeding. The idea was mooted in the earlier part of the century but was however, not supported by other dairy experts. Probably, the reason for rejecting the move to cross-breed the Indian cows with exotic breeds like Jersey, Red Dane, Holstein and Brown Swiss, etc, was the fear that the exotic breeds would not be acclimatised to Indian conditions resulting in heavy mortality of the cross-bred progeny. The other reason, which not explicitly mentioned, was that a male breed of the cross-bred was not, physically or economically as efficient as the quality indigenous draught breeds [3, 15, 18].

During recent years, however a large scale programme propagating the cross-bred cattle under the Indian conditions has been undertaken in a rigorous way in certain restricted pockets. As the implementation of this programme is uneven in different parts of the country and also as the impact of this programme on the bovine economy of the country varies from place to place, it is rather early to evaluate the success of this programme. It is however, important to point out some of its possible impact on the basis of available information.

The programme can be evaluated at two stages; (1) the stage of the propagation of the cross-bred cattle, and (2) the stage when the economic impact of the scheme could be measured. The first stage evaluation has two issues. The first is that of the problem of extension of the cattle-breeding programme which depends upon the number of cows in the fecundity age group within the region of service centre, efficient use of exotic semen and the technical personnel who handle it and also the efficiency of the 'contact' agency which persuades the cow owners to get their cows inseminated with the exotic semen. Secondly, the cross-bred progeny is likely to be highly susceptible to some diseases which may result in high morbidity and mortality rates. Certain hygenic and medical precautions are warranted in the initial stages itself. It would be appropriate to evaluate the efficiency of the organisational set-up which undertakes such precautionary measures.

In the second stage, the economic impact of the scheme would be measured in two respects. First, the relative milk yield and the input use of the cross-bred cows as compared with the indigenous milch animals, particularly, the buffaloes, would be assessed. Secondly the relative draught power and the input use of the cross-bred bullock as compared with the indigenous one would be evaluated.

TABLE 1: DETERMINANTS OF BOVINE DENSITY

States	Bovine Density (Per 1,000 Hectares)	Proportion of Small Holders (in percentage)			Proportion of Irrigated Area Per Cent	Major Crops
		Upto 0.5 Hectares	Upto 1.0 Hectares	Upto 2.0 Hectares		
	1	2	3	4	5	6
Andhra Pradesh	1,440	28.41	46.19	65.83	21.75	Rice and millets
Assam	2,200	33.19	57.03	80.78	19.84	Rice
Bihar	1,619	46.54	64.32	78.95	19.84	Rice
Gujarat	992	11.67	23.77	42.85	14.53	Millets
Haryana	1,442	14.45	27.36	46.26	47.33	Wheat
Himachal Pradesh	4,465	39.05	58.20	78.45	15.59	Wheat and rice
Jammu and Kashmir	2,782	49.37	72.81	88.59	31.42	Rice
Karnataka	1,181	14.84	30.44	54.08	10.08	Millets and rice
Kerala	2,089	65.60	81.56	93.17	28.00	Rice
Madhya Pradesh	1,522	19.32	31.75	48.55	8.01	Millets and wheat
Maharashtra	850	13.80	26.08	42.82	6.02	Millets
Manipur	3,747	11.51	40.87	83.74	70.39	Rice
Meghalaya	2,033	14.02	36.72	71.28	18.98	Rice
Nagaland	204	2.66	9.42	27.00	6.35	Rice
Orissa	2,000	21.47	43.30	76.19	14.21	Rice
Punjab	1,931	22.54	37.62	56.52	76.52	Wheat
Rajasthan	839	12.90	25.21	43.74	11.15	Millets and wheat
Tamil Nadu	1,771	37.11	58.80	79.67	36.51	Rice and millets
Tripura	2,145	45.91	69.47	88.27	11.41	Rice
Uttar Pradesh	2.133	46.74	66.83	84.02	40.14	Wheat and rice
West Bengal	2,574	36.94	59.96	82.29	29.41	Rice

Notes: (a) Bovine densities refer to the year 1972.
(b) Proportions of small holders to total cultivators are worked out on the basis of the data from the Census of Agricultural Holdings, 1971.
(c) The proportion of irrigated area to total operated area refers to the year 1972-73.
Sources: (i) Livestock Census 1972, (ii) Census of Agricultural Holdings, 1971; and (iii) Indian Agriculture in Brief, 1976.

TABLE 2: SEX RATIO AND BUFFALO-CATTLE RATIOS

States	Sex Ratios		Buffalo-Cattle Ratios	
	Adult Cattle	Adult Buffaloes	Adult Males	Adult Females
Andhra Pradesh	0.7705	2.6107	0.2442	0.8274
Assam	0.9170	1.0042	0.1098	0.1203
Bihar	0.5738	2.6504	0.0984	0.4546
Gujarat	0.5911	47.6046	0.0140	1.1296
Haryana	0.7650	20.6935	0.0653	1.7672
Himachal Pradesh	0.7472	25.8571	0.0155	0.5370
Jammu and Kashmir	1.1117	0.9315	0.4455	0.3733
Karnataka	0.9760	36.9800	0.0128	0.4879
Kerala	3.3163	0.6902	0.5765	0.1200
Madhya Pradesh	0.8454	2.2170	0.1194	0.3131
Maharashtra	0.7391	6.0746	0.0496	0.4078
Manipur	0.7600	1.3125	0.1280	0.2210
Meghalaya	1.1456	2.0000	0.0661	0.1156
Nagaland	1.6956	1.0000	0.1739	0.1025
Orissa	0.8668	0.7000	0.1351	0.1091
Punjab	0.6496	7.7232	0.1798	2.1378
Rajasthan	1.1702	17.0684	0.0370	0.5403
Tamil Nadu	0.7894	3.6995	0.0855	0.4010
Tripura	0.8507	1.0000	0.0398	0.0467
Uttar Pradesh	0.4930	4.0683	0.1186	0.9792
West Bengal	0.8047	0.3950	0.1100	0.0540
All-India	0.7607	3.6413	0.1087	0.5205

Source: Livestock Census 1972.

II

Milch vs Draught Animals

According to the livestock census 1972, the total cattle and buffalo populations in the country were about 178.86 and 57.94 millions respectively. In 1951, there were about 155.29 million cattle and 43.40 million buffaloes. Thus, if an overall picture is taken, it will be seen that the populations of cattle and buffaloes have increased during these 22 years by 15.10 per cent and 33.50 per cent respectively. During the same period however, human population in India has increased by 51.69 per cent. The higher rate of increase in the population of the buffaloes could be probably due to the overall increase in the human population effecting higher level demand for milk. Moreover, during the same period, the proportion of the population staying in the urban areas with higher incomes has also increased drastically, resulting in increased demand for milk. This additional demand was probably met by milk from the buffaloes which are really the milch animals in India. It could be also seen that the increase in the cattle population commensurates with the increase in the cultivated area.

Animal husbandry experts usually group Zebu cattle of India and Pakistan into 5 orders: (1) Deep bodied powerful draught animals which include Kankrej, Malvi and Tharparkar; (2) Short horned cattle with light or grey body, including Gaolo, Hariana Krishna Valley, Nagore, Ongole and Rath; (3) Heavy animals with pendulous dewlaps and sheaths which include Deoni, Gir, Red Sindhi and Sahiwal (4) Cattle with prominent foreheads and long pointed horns popularly known as the Mysore cattle, the breeds under this group are Amritmahal

TABLE 3: COST OF MILK PER SEER PER MILCH COW AND MILCH BUFFALO IN RURAL AREAS: JULY 1955-JUNE 1956 (IN Rs)

Item	Per Type of Animal	Type of Household [illegible]	Cultivator	All Rural
Cost of feed	Cow	[illegible]	[illegible]	[illegible]
	Buffalo	[illegible]	[illegible]	[illegible]
Cost of services	Cow and buffalo combined	[illegible]	[illegible].01	[illegible]
Depreciation cost of animal	Cow	[illegible]	[illegible].87	[illegible]
	Buffalo	[illegible]	1[illegible].76	[illegible]
Total cost	Cow	[illegible]	[illegible].53	[illegible]
	Buffalo	[illegible]	289.32	[illegible]
Milk production	Cow	836.52	527.04	546.72
	Buffalo	1,109.04	1,420.08	1,121.78
Cost per seer of milk	Cow	0.42	0.47	0.46
	Buffalo	0.32	0.26	0.26

Source: A Chatterji, and S K. Goswami (1965)

TABLE 4: PERFORMANCE OF CROSS-BRED COWS AND BUFFALOES OF INDIAN MILITARY FARMS

	Sahiwal Cow	Cross-Bred Cow	Buffaloes Murrah	Nili	Graded
Lactation yield (kg)	1,772	2,213	1,550	1,758	1,384
Lactation length (days)	296	298	288	305	274
Yield/day of lactation (kg)	5.88	7.43	5.30	5.8[illegible]	5.06
Yield/day of calving interval	4.32	5.28	3.45	3.85	3.16

Source: Daroga Singh.

Hallikar and Kangayam; and (5) Danni breed which is similar to the Afghan cattle now found in Pakistan.

All these breeds except Sahiwal, Red Sindhi, Tharparkar, Kankrej and Gir are draught breeds giving very low yield of milk. Most of the quality draught breeds mentioned under the five groups above are already crossed with the non-descript breeds in the country since the cattle development programmes were introduced during the British period. It is thus very difficult to trace any pure breed of either the draught or the milch cattle in India [47].

Most of the draught breeds in India are fed with dry fodder and crop residues and occasionally the locally available concentrates. The cost of maintenance of the draught breed varies from farmer to farmer depending upon the availability of the fodder resources. In the case of milch breeds like Sahiwal, Red Sindhi, etc, the fodder requirements are again met through the local resources like dry fodder and crop residues and also locally available concentrates. That is so in the case of the buffaloes which are kept for milch purpose. Thus one would find that the area devoted for fodder grasses is extremely low in many parts of India.

The density of bovines (including both cattle and buffaloes) measured in terms of number of bovines per thousand hectares of operated area indicates the following:

(1) Bovine density depends upon the proportion of small cultivators to the total number of cultivators; the higher the proportion of small holders the larger is the density.

(2) Bovine density depends upon cropping pattern in the area. Certain crops like paddy require more animal power than certain other crops like wheat or millets. In those areas where paddy is the major crop one would find a very high density of the bovines.

(3) Bovine density may also depend upon human population density. The higher the human population, the demand for milk may increase and it may result in keeping up of more bovine population. Probably urbanisation resulting in higher income levels of the population may accelerate the demand for milk which may cause higher bovine density.

(4) There may be some socio-cultural factors which may influence the higher rate of consumption of milk and milk products. This may cause the higher bovine density.

(5) Bovine density may also depend upon the proportion of the irrigated area. Under the irrigated conditions it is possible to grow more than one crop during the course of the year, which may give continuous supply of both green and dry fodders throughout the year. The fodder availability may be one of the major factors influencing bovine density. Similarly in those areas where plenty of forest land is available and also where there are facilities for common grazing of the cattle, the density of bovines may be quite high.

In India, bovine density varies from [illegible] in Rajasthan to 4,405 in Himachal Pradesh. In the millet growing states like Gujarat, Maharashtra, Karnataka and Rajasthan, the density appears to be around 900. In the major wheat growing areas like Punjab, Haryana, Uttar Pradesh and Madhya Pradesh, the density is around 1,500. In the rice growing regions like Tamil Nadu, Kerala, West Bengal, Orissa and Coastal Andhra Pradesh, the density appears to be around 2000 (Table I).

The fact that the cattle are kept for draught purpose and buffaloes are kept for milk purpose, is revealed by the sex ratios of cattle and buffaloes. As the cattle are kept for draught purpose the tendency is to prefer the males to the females. There are, however instances of using cows for draught purposes in some restricted pockets of India but this practice is extremely on an insignificant scale [31]. In the case of buffaloes very rarely are males used for draught purpose, and is believed that they are starved to death before reaching the age of three. They are not properly fed and their health conditions are uncared for. In the case of female cattle, the non-adults are not properly looked after. This preferential tendency of taking proper care of the males among the cattle and females among the buffaloes has resulted in a sort of imbalance in the sex ratios of both cattle and buffaloes, when they reach the adult stage.

The sex ratio defined as number of females divided by the number of males should be unity under the normal circumstances. In the case of the cattle, however, the sex ratio is less than unity in major parts of India (Table 2); it is 0.7607 at All-India Level and varies from 0.4930 in the case of Uttar Pradesh to 3.3163 in the case of Kerala. It may be noted that it is only in a few states like Jammu and Kashmir, Kerala, Meghalaya, Nagaland and Rajasthan, that the sex ratio of the adult cattle is more than unity. Probably in those areas the cattle are maintained for beef. In such cases male cattle, when they reach adulthood are usually sent to the butcher — a practice which is quite prevalent in Kerala and also in the tribal areas of the northeast. In Jammu and Kashmir too probably the same

TABLE 5: WORK CAPACITY OF CROSS-BRED AND HARYANA BULLOCKS

(Average of 3 pairs in each group)

Breed	Season	Pulse Rate/mt Four Hours of Continuous Work			Respiration Rate/mt Four Hours of Continuous Work			Area Ploughed in 6 Hours sq mts
		Initial	Final	Difference	Initial	Final	Difference	
Cross-bred	Winter	63	79	16	24	35	11	2,970
Haryana	Winter	49	60	11	23	35	12	3,320
Cross-bred	Summer	60	78	18	34	60	26	2,860
Haryana	Summer	51	70	19	25	42	17	3,070
Cross-bred	Hot humid	59	78	19	45	69	24	2,440
Haryana	Hot humid	51	66	15	35	52	17	2,903

Source: National Dairy Research Institute, Karnal.

reason may hold true. In Rajasthan, however, the sex ratio is high for other reasons — like availability of plenty of grazing land facilitating large scale cattle-breeding. The male cattle, when they reach adulthood, are exported to the neighbouring states for draught purpose. In other important agricultural regions of India, the sex ratio is always less than unity and in many cases it is around 0.8. In the Gangetic plains and in Gujarat the ratio is around 0.5 whereas in the Punjab and Haryana regions it is about 0.7. In the Southern plateau consisting of Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu, the sex ratio varies from 0.7 to 0.9. It should be noted that there are many quality draught breeds in these areas and for the development of which a number of cows maintained appears to be quite high resulting in high sex ratio. In Orissa, West Bengal and Assam, the sex ratio is around 0.9 which could be due to the reason that the cattle there are of inferior quality and are maintained by small holders with limited fodder resources for both milk and draught purposes.

When we come to the sex ratios among the buffaloes we find that in majority of the cases they are more than unity. The ratio is 3.6413 at all-India Level and varies from 0.3950 in West Bengal to 47.6046 in Gujarat. The ratios are very high in Gujarat (47.6046) Haryana (20.6935) Himachal Pradesh (25.8571) Karnataka (36.9800) Maharashtra (6.0746) Punjab (7.7232) and Rajasthan (17.0684). Probably, in these areas there is no scope for putting the adult male buffaloes for any economic use. Naturally the tendency is to make the male buffalo calves starve to death by neglecting their feeds and also following certain practices which will result in the death of the male buffalo calves. In states like Andhra Pradesh, Assam, Bihar, Manipur, Meghalaya, Nagaland, Tamil Nadu and Uttar Pradesh, the ratios are more than unity but are not very high. Probably, in these areas the male buffaloes are put to some economic use. There are however, the states like Jammu and Kashmir, Kerala, Orissa and West Bengal where the sex ratios are less than unity. In these areas where monsoon paddy is an important crop, the male buffaloes are used for draught purpose in the paddy fields. It is believed that the buffaloes work with equal or more efficiency in the monsoon paddy fields along with the cattle.

Though the cattle are kept for draught purpose and the buffaloes for milk purpose, in both the cases, generally they are used for both purposes. As the male cattle are more efficient than the male buffaloes the tendency is to maintain the male cattle for draught purpose on a large scale. On the other hand, as the female buffaloes are better milk yielders than female cattle, the tendency should be to keep more female buffaloes than female cattle. This is however not possible because certain number of males as well as females among both cattle and buffaloes are to be kept for breeding purposes. When we work out the buffalo-cattle ratios separately for adult males and adult females, certain facts will become clear to us. Adult male ratios are extremely small in many parts of the country suggesting that it is the bullock and not the male buffalo which is the draught animal under Indian agricultural conditions. The adult male ratio of buffalo-cattle is 0.1087 at all-India level. It varies from 0.0128 in Karnataka to 0.5765 in Kerala. The ratios are extremely small in those areas where the male buffalo cannot be put to any economic use. Such areas are Bihar, Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Meghalaya, Rajasthan, Tamil Nadu and Tripura. There are however, certain areas where the male buffaloes are put to important economic uses. In such cases the ratios are quite high. The areas where male buffaloes are put to economic uses appear to be Andhra Pradesh, Assam, Jammu and Kashmir, Kerala, Madhya Pradesh, Manipur, Nagaland, Orissa, Punjab, Uttar Pradesh and West Bengal.

The male buffaloes which survive and reach the adult stage may not exactly be always used for draught power in agriculture. It is possible that in some areas they are used for beef. However, it is not possible to know exactly for what purpose the male buffaloes are maintained on large scale in some areas.

The buffalo-cattle ratio for adult females suggests the importance of buffalo as milch animal in different areas in the country. The ratio is more than unity only in three states and is more than 0.5 in seven states. This reveals that the maintenance of female buffaloes for milk purpose does not only depend upon the demand for milk in the area but also upon the availability of fodder resources in the area. The ratio is 0.5205 at all-India level which roughly suggests that nearly 65 per cent of the milk produced in India comes from buffaloes as the buffalo yields more than two times that of a cow. In states like Gujarat, Haryana and Punjab where the fodder resources are available in plenty the ratios are more than unity. In such cases it is the buffalo which is the major milch animal and not the cow. There are however, some intermediary areas where buffaloes as milch animals have gained lot of economic importance. Such areas are Andhra Pradesh, Himachal Pradesh, Rajasthan and Uttar Pradesh. In other areas buffalo-cattle ratios for adult females are quite low because of the

resource constraint in respect of fodder. Moreover most of these areas are traditional cattle breeding centres where cattle are maintained on large scale. Though the milk yield of the cows is extremely low, as the number of cows is large, the total quantity of milk available appears to be sufficient to meet the demand for milk.

There can be no controversy regarding the scarcity of fodder resources to maintain the size of bovine population in India, which is supposed to be *surplus [7, 8, 11, 23]. Several* studies have already been made which have proved that the availability of the fodder resources is far less than the requirement [1, 2, 14, 32]. As fodder is a resource which is a by-product of the cereal crops, its availability is based upon the area devoted for the cereal crops and also its production. Land being the limiting factor in Indian economy, there is no further scope for expanding the area to be dovoted exclusively for fodder crops. So, the available fodder resource is to be shared by the milch and draught animals on the basis of their relative needs, more so on the basis of the farmers' preference for allotting a particular share to a particular category of the animal. The scarcity of fodder resource thus brings in the problem of contradiction in the development programmes for draught and milch animals.

So long as (a) no additional land would be available for growing fodder crops and the bovines would mainly live on straws of grain crops and residues of pulses, and (b) agriculture would continue to depend upon the draught animal power, there is little chance of increasing milk yield in the country by mere addition of number of milch animals, even of quality milk breeds. It is rather difficult to imagine any significant reduction in the bovine population in the country without major technological and institutional changes in agriculture [17, 30]. There is a vicious circle of low feed levels leading to low milk yields necessitating the keeping of more animals leading to low feed levels. This vicious circle appears to be operating in the case of draught animals also. The higher the density of the draught animal, the weaker is the breed [33].

III

Cross-Breeding Work

When exactly bulls of exotic breeds were used for crossing with indigenous cows in India is not known. Probably there were stray instances of cross-breeding work done by individuals ever since the arrival of the European planters. There is evidence that in the earlier part of the 19th century such work was undertaken by some enthusiastic civil officers of the East India Company [3]. Perhaps the cross-breeding work using the exotic breeds of bulls started taking place in some systematic way only after the establishment of cattle breeding farms on scientific lines some time during the earlier part of the 20th century. Earliest reports of cattle breeding in India are available since 1906. The reports by W D Gunn (1906) Mollison and French (1907) and Morgan (1907) show that they were aware of the importance of the cross-breeding work. *It should be* however noted that none of these were enthusiastic about a large scale cross breeding programme as they probably felt that it would lead to failure. In the earlier years it appears that the main difficulty faced in cross-breeding was to get the stud bulls of the exotic variety. There was also a fear that the exotic breeds would not stand the Indian climatic conditions.

While reporting on the cattle conference held at Lucknow Moreland (1910) recognised the fact that in India it is the buffalo which is the real milch animal and not the cow, the cows being mainly maintained for producing quality draught bullocks. He therefore thought that it was no use introducing the exotic blood among the Indian cattle which might result in gain in milk yield at the cost of draught power use.

There was however sporadic work of cross-breeding done in different parts of the country by enthusiastic British Civil Officers and Planters. Later on, the cross-breeding work was undertaken very rigorously on the military farms which resulted in large scale propagation of certain cross-bred cattle in restricted pockets of India.

The evidence given by Henderson before the Royal Commission on Agriculture in India in 1927 suggests that the work on cross breeding of cattle started in this country as early as 1875 [18]. In Bihar, around Patna city, the cross-breeding was said to have been evolved by using either Kerry or short horned bulls on the local cows resulting iny a new breed named as Taylor breed. Over a period of time, these cross-bred cattle were interbred and were multiplying in the natural process of propagation. The report of the Central Council of Gosamvardhana (CCG) Committee on cross-breeding in 1963, however, reported with insufficient factual data to substantiate their point that the Taylor breed had deteriorated over the period as a high milk yielder [4]. Probably this might be true due to the low feed availability of the agricultural economy in Bihar State.

The tea planters who settled in the hilly areas of North eastern part of India and also in the South ventured cross-breeding work on their own. Though we do not have any factual information regarding the cross-breeding work done in the hilly areas of Assam and Bengal, we have some information and a lot of direct evidence to show that cross-breeding work was done on a large scale in the Nilgiri hills. The work in the Nilgiri hills probably started nearly a century ago and during the course of time the major portion of the local breeds of cattle crossed with the exotic breeds such as Ayrshire, Friesian and Jersey. The cross-breeding work undertaken by the people in the Nilgiri hills, though very unsystematic in its approach, was quite successful in its results. Cross-bred cows from the Nilgiri hills were in high demand in both Tamil Nadu and Karnataka. There was definitely an improvement in the milk yield and the animals did not face any problem of morbidity or mortality due to climatic factors. The success of this programme in the Nilgiri hills appears to have taken place for another reason. In the Nilgiri hills the bullocks are not used for cultivation purposes on a large scale as the topography of the land does not permit such practice. Most of the farm practices are carried on by the human labour by using hand implements. There was thus, no loss in the draught power availability by resorting to cross-breeding programme. Besides, in the Nilgiri hills, the plentiful availability of green grasses did not pose the problem of fodder. The climatic conditions are also quite congenial for the development of the cross-bred cattle.

The most extensive cross-breeding work in India has been done at the military farms. The cross-bred cows are maintained at farms scattered over the sub-continent. Most of these farms are located at hill stations. The milk requirement of the military personnel is met through these cross-bred cattle at the military dairy farms.

The information available through the military farms has been of much use in *propagating and extending of* the

cross-breeding programme in India. But as most of these farms are located in the hill stations where the climatic conditions are congenial for the development of the exotic breeds and the availability of fodder and green grasses is not a problem, the experiences of the military dairy farms may not be blindly applied to the general farm conditions in other parts of the country [3].

During recent years, the programmes like Operation Flood and Key Village Programme are aimed at intensifying the cross-breeding of the cattle programme so that the counting would achieve higher level per capita availability of milk [15]. Government has also made collaboration with some developed countries in introducing the cross-breeding work in an intensive way. Instances may be quoted of the Indo-Swiss Project of cattle-breeding programme in Kerala and the Indo-Danish dairy project in Karnataka undertaken during 1963-64 [26, 16].

The various programmes started in the recent years to expedite the cross-breeding work in India indicate that certain state governments are keen to get their cattle population upgraded with a view to increasing the milk yield. It may be noted that these programmes are intensively undertaken in the traditional cattle breeding areas like Southern Karnataka and parts of Tamil Nadu. The indigenous cattle breeds like Hallikar and Amritmahal in Southern Karnataka and Kangayam in Tamil Nadu are known for their draught power use. The extension of the cross-breeding programme in these areas is likely to degrade the draught power efficiency of some of these quality draught breeds. At the same time it should be noted that the extension of the programme in the hill regions in Kerala as well as Malnad regions of Karnataka may be of great help in upgrading the non-descript indigenous cattle breeds which are neither good for draught power nor for milk production.

The organisation of the extension of the cattle breeding programme depends upon the number of cows in fecundity age group within the region of the service centre, efficient use of the exotic semen and the technical personnel who handle it and also the efficiency of the contract agency which persuades the cow owners to get their cows inseminated with exotic semen. In the areas where the cross-breeding programmes are undertaken intensively, the organisational aspects of the extension work appears to be quite efficient. Though the ultimate aim of the programme is to cover all the indigenous cattle population in the region by artificial insemination with exotic semen, it may not be possible to do so especially at the earlier stage of the implementation of the programme. First, most of the cattle owners may be unwilling to get their cows inseminated with exotic breeds because they are afraid that the male progeny may not be of efficient use for their agricultural operations. Secondly, it may not be possible for artificial insemination centres to meet the requirements of the farmers owning cattle in the remote areas. Thirdly, the availability of exotic semen which is a scarce resource may not be sufficient to meet the demand. Fourthly, it could be a fact that cross-bred progeny is likely to be highly susceptible to some diseases which may result in high mortality rates. Lastly, the feed requirement of the cross-bred animal is relatively high and many of the cattle owners who have limited fodder resources may find it rather beyond their reach to go for cross-breeding.

In Southern Karantaka, the farmers usually maintain cows to produce quality bullocks for draught purpose. The male calves of the cattle are sold in the cattle fairs which take place in a number of places. During the period between January and April, the cattle fairs which are held in different parts of the region attract the male cattle. The bullocks are bought directly by the users as well as by the middle men. The middle men further take the bullocks to distant places and sell them to the direct users. In these fairs the male calves of the cross-bred do not fetch competitive prices as it is the general feeling that the cross-bred males are not as efficient as the indigenous bullocks. Usually the cross-bred male calves are sold at a very low price and are bought by the butchers [22]. The farmers in the region who are basically draught cattle breeders are somewhat reluctant to get their quality breeds of the cattle cross-bred with the exotic semen [25].

In Western India, where the cross-breeding programme is undertaken rigorously by a voluntary agency like Bharatiya Agro-Industries Foundation, usually the cows which are brought for artificial insemination to the centres do not belong to the local draught breeds. The milch breeds like Gir and Red Sindhi are further upgraded by cross-breeding and the farmers are not prepared to get their indigenous draught cattle degraded from the point of view of draught power efficiency.

In Kerala, however, the response of the cattle owners to get their cows artificially inseminated with exotic semen is quite encouraging. The reason appears to be that the non-descript breeds of cattle in Kerala are efficient neither as milk yielders nor as draught animals. As most of the cattle owners in Kerala are small holders with meagre fodder resources, traditionally they prefer to keep cows which required very low level of feeds. The appearance of a buffalo as a milch animal in the Kerala economy is also on a sizeable scale probably because of the same reason. The buffalo yields more than what a cow yields. Another factor which has influenced the upkeep of the most inferior quality cattle population on a large scale appears to be that in Kerala, the draught animal is usually the he-buffalo and not the bullock. The male progeny of the cattle is usually sold to the butcher for beef.

Another hurdle in the extension of the cross-bred programme is that the artificial insemination services are difficult to be extended to the remote areas. Further, it is alleged that the exotic semen which is a scarce resource is not available to cover a large part of the cattle population. The evidence available with us however reveals the contrary. In those areas, where the intensive cattle development programmes are in operation, even the remote areas are covered by the artificial insemination service. There is no complaint received by any artificial insemination centre regarding the non-availability of exotic semen. The information gathered from both Tamil Nadu and Karnataka reveals that both exotic semen availability and the availability of the technical personnel who handle it is sufficient to cover the whole cattle population in their respective regions. On the other hand there is a problem of underutilisation of the technical overheads so created resulting in per animal insemination cost go up very high. This problem is faced by even the highly developed cross-breeding centres like the Indo-Danish dairy unit in Karnataka as well as the Indo-Swiss Project in Kerala. The information available through the cross-breeding work done by Bharatiya Agro-Industries Foundation also reveals that the technical overhead costs are too high and there is sufficient scope for economising on that ac-

count. It is possible only by covering large number of cattle population.

It is also true that the mortality rate among the cross-bred cattle is very high. The mortality rate especially among the cross-bred calves appears to be relatively higher than that among the calves of the local breeds [22]. This creates a sort of unwillingness among the cattle owners to get their cows cross-bred with exotic semen. In Karnataka, most of the cross-bred calves brought from the Nilgiri region face very high mortality rates as soon as they reach the plains. In 1971-72 under the SFDA programme a large number of cross-bred cows were brought from the Nilgiri hills and distributed among the small farmers in Mysore district. According to an estimate, the mortality rate of these cows in the first year was 24 per cent. The mortality rate was very high and the milk yield came down drastically [32]. The study made in the Bangalore Milkshed area also suggests that the cross-bred cows by the small farmers mostly remained dry as a result of undernutrition [25]. Nevertheless it is too early to make any serious comment on the problem of the higher morbidity rate among the cross-bred cows as the information available is insufficient.

The feed requirement of the cross-bred cattle is definitely higher than that of the local cattle. The local cattle are usually fed with the straws of the cereals and millets and also the residual part of the pulse crops. It is rarely that they are fed with the green grasses or concentrates. This is however not possible if one wants to maintain the cross-bred cow, not only when the cross-bred cattle require more feed per animal but also when the feed basket of the cross-bred is qualitatively superior. Cross-bred cattle are to be fed with the green grasses and the concentrates along with the dry fodder. As the fodder resources are not available in plenty with many Indian farmers, they are reluctant to go for class-breeding which requires not only more fodder resources, but also the concentrates. This is particularly true in respect of the small and marginal farmers who possess meagre fodder resources [25].

The extension work in the cross-breeding programme is so far confined only to the artificial insemination of the indigenous cows with exotic semen. It should be realised by the extension agency that the feed basket of the cross-bred cattle is entirely different from that of the indigenous cattle. The extension work should also aim at developing fodder resources and also concentrates which could be prepared out of the locally available resources. It is rather difficult to convince the small farmer to devote a part of his land for growing fodder grasses. If dairy is also considered as an enterprise connected with the other crop enterprises, there is no reason why farmers should not show any interest in allocating part of the land for growing fodder grasses. In the areas where the cross-breeding work is supposed to have been successfully implemented, there is no sign of any change in the cropping pattern. This shows that the owners of the cattle have made no attempt to mobilise their fodder resources by allocating a portion of their area for fodder grasses or by changing the areas under cash crops to cereal crops.

The extension work should therefore simultaneously aim at the introduction of the cross-bred cattle and the development of the fodder resources as well as manufacture of the concentrates based on locally available resources. It may not be so easy to ask the farmer to change his cropping pattern as it is based on some of the built-in constraints of his farm business. There should be some structural changes in his farm business itself if he desires to add a dairy enterprise consisting of cross-bred animals. The extension activity should aim at demonstrating reconciliation of the cross-bred animals and the cropping pattern of selected farmers. Such demonstrations, when they are economically successful would induce the other farmers to go for cross-breeding.

IV

Three Case Studies

In this section we shall present three case studies of the areas where the cross-breeding programme is supposed to have been successfully implemented.

A: *Indo-Swiss Project, Kerala:*

A study of the Cattle-Breeding Programme of Indo-Swiss Project, Kerala was initiated at the instance of the Swiss Development Co-operation, Embassy of Switzerland [26]. The study was conducted in the districts of Idukki and Alleppey where the extension activities of the Indo-Swiss Project were in progress and first cross-bred generation were already available at the time of the survey. Two stage random sampling technic was adopted for selecting the cattle owners. In the first stage, the study area was divided into (i) the extension area and (ii) the controlled area. In the second stage, the cattle keepers were divided into three categories; (1) cattle owners in the plains (Alleppey district); (ii) settler farmers in the high ranges (Idukki district); and (iii) the tea estate labourers in the high ranges (Idukki district).

The collection of data was done by adopting cost accounting method through specially structured questionnaires. The cattle in the study area were classified into three groups; (i) Brown Swiss Cross-breds (BSC); (ii) Non-descript (ND) and (iii) Graded Cattle (GC).

The study revealed that the households mainly reared cattle and very rarely the buffaloes. Dairying was followed as a subsidiary occupation by a majority of the households. Stall feeding of the cattle was very common in the plains as green fodder was scarce. Extensive grass lands were available in the high ranges and the cattle belonging to the settlers and tea labourers grazed on those lands. The settler farmers usually supplemented grass land grazing by concentrates while the tea labourers depended almost exclusively on grazing. In the plains concentrates constituted the main source of nutrients for cattle whereas cattle belonging to the settler farmers depended mainly on green fodder. The cattle belonging to the tea labourers were reared exclusively on grazing. The cattle owners in the extension area took better care of their animals, irrespective of breeds, as compared to cattle owners in the controlled area. The BSC young stock was usually better cared for than the young stock of other breeds.

It was revealed that the cattle feed availability in the study area was far less than its requirement. The scarcity of fodder generally led to the underfeeding of the young stock of all the grades of cattle. The underfeeding was more prominent in respect of the young stock maintained by the tea labourers. This reflected in delayed maturity and less than optimum productivity after attaining the breedable age. The present feeding standards followed in respect of the milch cows were far below the recommended levels. In the case of the cows belonging to the tea labourers the availability of Digestible Crude Protein (DCP) fell to about 15 per cent of the requirement even in the case of the BSC animals especially during the dry season. The tremendous fodder shortage felt in the area during the

dry season resulted in low milk yields of the BSC cows. The nutrition requirements of the dry cows of all grades was never met fully either in the plains or in the high ranges. This resulted in loss of body weight, decline in milk production and abnormality in reproduction behaviour of BSC cows. It should be noted that though the BSC cows yielded more milk than GC and ND cows, the genetic potential in terms of higher milk yield of the BSC cows was not fully exploited mainly because of undernutrition of BSC cows.

Though the maintenance of cost of the BSC animals is quite high, it was more than compensated by the increase in the milk yield resulting in the lower cost of milk production. The cost of production varied from area to area as it mainly depended upon the availability of green roughage. The cost of feed per litre of milk varied from Rs 1.21 in the plains to only Rs 0.15 with tea labourers in the high ranges. The net income per cow was the highest in respect of the animals fed predominently on the farm grown roughage.

The relationship between milk yield (Y) and independent variables like lactation stage of the cow in months (X_1), *girth in cms* (X_2), value of the green fodder in rupees fed daily (X_3), value of the dry fodder in rupees fed daily (X_4) and value of the concentrates in rupees fed daily (X_5) was established by two types of production functions, namely linear and Cobb-Douglas. The regression co-efficient showed that the unit increase in the availability of green fodder and concentrates resulted in maximum increase in milk production in respect of BSC cows with tea labourers followed by BSC cows with settlers and cattle keepers in the plains. This indicated that the improvement in the fodder availability would definitely result in higher milk yields of the BSC cows. The comparison of the regression co-efficient for green fodder and concentrates indicated greater likelihood of increase in milk production with increase in green fodder supply especially in respect of the BSC cows, with cattle keepers in the plains and with the settlers. For tea labourers the concentrate ratio needs to be enlarged as against the green fodder to increase milk yield. It was also revealed that the increased supply of green and dry fodder in respect of ND cows resulted in higher milk yields.

The impact of the extension programme was reflected in the higher consumption and the marketable surplus of milk per household in the extension area than in the controlled area. This indicated that there was sufficient scope for further development of milk marketing in the areas covered by the cattle breeding programme.

The study also mentioned the urgency for developing the fodder resources along with the intensive implementation of the cross-breeding programme. It was suggested that certain types of fodder crops could profitably be cultivated as inter crops in coconut gardens, especially in the plains. In the high ranges of Kerala, the hybrid *Napier grasses could be introduced as* high-yielding fodder crop.

The Indo-Swiss project for cattle breeding and fodder production has made extremely important contribution in increasing the milk yield of the cattle and also in raising the economic status of the cattle keepers in the area. The future success of this programme depends upon a sort of integrated package programme comprising cattle breeding, fodder production, veterinary aid, milk marketing and credit availability.

B: Bangalore Milkshed Area:

In order to examine the possibilities of improving the economy of the small farmers through cross-breeding of cattle programme, the Institute for Development Research (Denmark) undertook a research project in Bangalore milkshed area of Karnataka [25]. The cross-breeding of cattle was undertaken intensively under the Intensive Cattle Development Project in the Bangalore milkshed area.

On the basis of the size of the cultivated holding, occupation and income, the households were divided into five socio-economic groups. It is important to note that the cross-bred cattle were much more unequally distributed among the socio-economic groups than the local cattle. As buffalo is the traditional milch animal in the area it was also included in the analysis. It is interesting to note that it is particularly the medium size farmers who relied on buffaloes as milch animals. The small farmers and landless labourers could not afford to have either buffalo or cross-bred cattle. As artificial insemination is offered free of charge, one may expect that there was a great demand for getting this service to the local cows. However, the farmers were unwilling to have their cows artificially inseminated. They were aware that the cross-bred male progeny was inferior to the local male for draught purpose. Opinions, however, differed on this question, though it was accepted by everybody that the cross-bred cattle work more slowly and do not stand the heat.

In Bangalore milkshed area, almost all the farmers knew about the milk yield potentiality of the cross-bred cows, but still they did not take their local cows to the artificial insemination units. In this connection one should understand the complicated relationship between the breeding of draught bullocks and the cross-breds. The farmers in the area find it more economic to go for breeding the draught cattle rather than for cross-breeding.

It was seen that the milk yield potentiality of the cross-bred cows was better exploited by the big farmers rather than small farmers. The big farmers have ample fodder resources whereas the small farmers do not. Three-fourth of the cross-bred cows belonging to the small farmers and landless labourers, it was noted, did not give any milk at all. In the case of cows in milk the average yield varied considerably among those belonging to the different socio-economic groups. The variations in milk yields are no doubt *due to differences in the feed*ing pattern. Traditionally, the local cattle are fed with rice and ragi straw. The farmers did not respond positively to the extension workers' recommendation to grow fedder grass on part of the irrigated land. They preferred to use their valuable irrigated land for rice or easily marketable crops such as sugarcane or vegetables.

The variation in milk yields applies particularly for cross-bred cows. The variation in the yields of local cows and buffaloes was not very wide among the socio-economic groups as the feeding pattern remained the same. The milk yields in the case of the local cows and buffaloes were less responsive to concentrates.

While introducing the cross-bred animals in the area, the particular needs and constraints of the small farmers were never taken seriously into consideration. The study has presented ample evidence to show that the cross-bred cow is economically too unmanageable especially for small farmer. The buffalo requires much less initial finance as well as low cost of maintenance. If the production potential of local buffaloes could be improved through artificial insemination with semen from high-yielding Indian buf-

faloes, most of the farmers may prefer such a programme to the present cross-breeding of cattle programme. The farmers with a limited fodder resources are familiar with buffalo management whereas it is quite costly for them to go for cross-bred cattle.

C. Voluntary Agency:

Bharatiya Agro-Industries Foundation, Uruli Kanchan, a voluntary agency in Western India, undertook cattle-breeding programme in 1970. The evaluation study of this programme was undertaken by the Indian Institute of Management, Ahmedabad [46].

The study aimed at making a detailed enquiry of the economic problems of the cross-bred and indigenous cattle. It also aimed at finding out the attitude of the farmers towards the cross-breeding programme using the data on maintenance cost and milk yield. The economics of maintaining indigenous cows as against that of cross-bred cows was calculated for one inter-calving period. Since the purpose of this analysis was to compare the relative merits of indigenous cows and cross-bred cows, only the milk production aspect was taken into account. No attempt was made to calculate the sales value of cows and cowdung.

The cost of maintaining indigenous cows was calculated on the basis of 270 days of lactation and 150 days of dry period. While calculating the cost components, only out-of-pocket items were included. The total out-of-pocket items involved in maintaining the indigenous cow for an inter-calving period of 420 days was estimated at Rs 1,118. The average milk yield during a given lactation was 1,118 litres. At the rate of Rs 2.10 per litre in value terms, it amounted to Rs 2,347. The cow owner got a net return of Rs 1,229.

For cross-bred cows the lactation period was taken to be 340 days and the dry period to be 90 days. The cost of maintaining a cross-bred cow for one inter-calving period came to Rs 1,821. The average milk yield in lactation was 2,077 litres. At the rate of Rs 2.10 per litre in value terms it amounted to Rs 4,363 which gave a net return of Rs 2,541.

The sample farmers usually felt that cross-bred cows gave higher milk yield as compared to indigenous cows. A majority of the farmers who were interviewed were of the opinion that the fat-content of the milk of the cross-bred cows was higher than that of the milk of the indigenous cows. Besides, all farmers believed that a cross-bred cow matured at an earlier age than an indigenous cow and it also maintained a higher regularity in breeding. Most of the farmers felt that cross-bred cows had special feeding requirements such as use of concentrates and also green fodder on large scale.

It was observed that the benefits of the cattle-breeding programme went to the medium size and large farmers who were the members of the sugarcane co-operatives. The small farmers rarely went in for getting their indigenous cows cross-bred.

V

Economic Impact of Cross-Breeding Programme

To formulate a viable programme of cross-bred cows, it is necessary to have data on the economy of cross-bred cows. During the last 10 years or so, the National Dairy Research Institute, Karnal has undertaken cost studies of milk production. Unfortunately, the data of costs of milk production are not available in complete form [19]. Moreover, most of the cost studies are believed to suffer from certain serious flaws. It is also true that a number of cost studies confine themselves to variable costs ignoring capital costs. Most of these studies are related to one or two specific years and do not cover the entire life period of milch animal. It should be noted that the cost of milk produced varies from lactation to lactation.

The estimate of household expenditure on account of maintenance of livestock population in the rural areas of the country is provided by the National Sample Survey (No 65, July 1955 to June 1956). Chatterji and Goswamy have obtained estimates from that report with regard to the cost of feed, cost of services rendered for herding and cost due to medical and other services [5]. The cost of milk is obtained by dividing the cost of maintenance, cost of depreciation of animals and cost of services per milch animal by quantity of milk produced. Thus

$$\text{Cost of milk per seer} = \frac{\text{Cost of maintenance of milch animals} + \text{depreciation of animals} + \text{cost of services}}{\text{Quantity of milk produced.}}$$

Annual milk production is also estimated for cows and buffaloes separately by the NSS report. It could be seen that the cost of cow milk per seer is Re 0.42 and Re 0.47 for non-cultivator households and cultivator households respectively. Similarly cost of buffalo milk is worked out at Re 0.32 and Re 0.20 respectively for the two types of households. It is clear from the NSS data that the unit cost production of milk in the case of the buffaloes is lower than that in respect of the cows (Table 3).

It is also revealed from the same report that both buffaloes and cattle are fed with green fodder and dry fodder and straw which is mainly self-produced. The purchased inputs like oil cakes, seeds and oil seeds, salt and other minerals and concentrates are used on a small scale either for buffalo or cattle. Buffalo as a milch animal is far superior to indigenous cow either in respect of the milk production or the cost of milk production per unit. This is the main reason why traditionally the buffalo is preferred as milch animal in India [49].

Though we do not have sufficient information to demonstrate the superiority of the cross-bred cow over the indigenous dairy cow or over the buffalo, the scanty evidence available recently indicates that the cross-bred cows are superior to either the indigenous dairy cows or the buffaloes [16, 13, 20, 39]. The study conducted at the National Dairy Research Institute, Karnal, for the year 1973-74 reveals that a cross-bred cow is far superior to indigenous cow in many respects. Among other things, the study reveals that the cross-bred cow gives the first calf early (831 days) compared to the pure breeds (1,077 days). The cost of the calf rearing was lower in the case of the cross-bred (Rs 2,435) than in the pure breed (Rs 3,132). The feed cost was observed to be the most important component accounting for about 76 per cent of the total cost. The lactation length, dry period and the period between two calvings are lower in the cross-bred and the milk production is much higer. The cost of the milk production is 95 paise per litre in the case of the cross-bred as compared to 1.48 paise per litre for indigenous dairy cow. In the case of the pure breed cows, the per litre cost of milk production tended to increase after the third lactation while in the cross-breeds the per litre cost continued to fall even upto the seventh lactation [34].

A Rs 10 share with a net worth of Rs 23. Need we say more?

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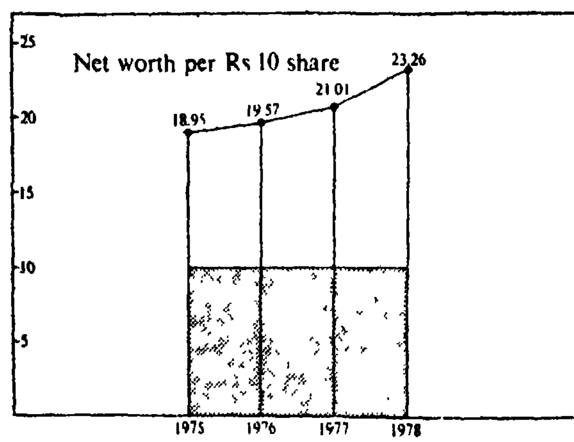


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As a result, the company has, over the years, created for itself a solid financial base... upon which it is now building its future.

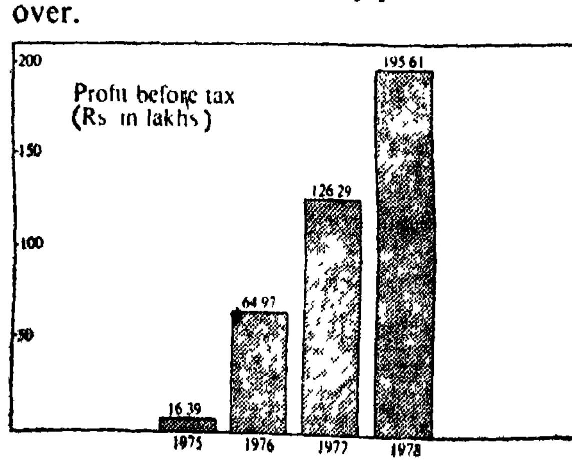
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Our reserves are more than our paid-up capital.

Our dividend is covered by profits twice over.



At the Southern Regional Station of National Dairy Research Institute, Bangalore the study on the economics of milk production was taken up for Jerthar cross-bred cows, triple cross cows and buffaloes. The gross cost of production of one kg of milk was found to be Rs 0.99, 0.80 and 1.77 respectively and net cost at Rs 0.94, 0 76 and 1.69 respectively for Jerthar cows, triple cross cows and buffaloes. The average milk yield in the case of the three categories of the milch animals mentioned above was 6.7 kg, 8.7 kg, and 3.7 kg respectively. Among the cross-bred cow and she-buffalo, the former is more efficient in respect of milk production [38].

Daroga Singh has made an attempt to study the relative performance of cross-bred cows and pure-bred and graded buffaloes in respect of production as well as adaptability characteristics under farm and field conditions. According to his observations, the mortality upto calving was 22 per cent among cross-bred as against 35 per cent among Murrah buffaloes. It was however as high as 48 per cent in respect of the graded buffaloes. Annual mortality rate among the adult females was slightly less among buffaloes than among cross-bred cows [43].

Cross-bred cows were younger on first calving by six months as compared to buffaloes. Besides, the cross-bred cows have a shorter calving interval than the buffaloes. These adaptability characteristics show that even an average cross-bred cow has been able to withstand the local conditions better than the two well established breeds of buffaloes.

The yield of cross-bred averages 2,200 kg as against 1,400-1,750 kg of different breeds of buffaloes, maintained under similar conditions of feeding and management. Yield per day of lactation period and yield per day of calving interval followed the trend similar to that of lactation yield. Lactation length was lowest among the graded buffaloes and was of the same order for cross-bred cows and other buffaloes (Table 4).

The cross-breds would give about [illegible] times the total yield as that of the buffaloes. However, in terms of fat production, the performance of the buffaloes is slightly better than that of the cross-bred animal. Thus, not only in respect of adaptability characteristics but also in respect of production characteristics, the cross-breds are superior to different breeds of buffaloes.

In respect of draught capacity, it is well known that the indigenous bullocks are far superior to he-buffaloes except in some monsoon paddy regions. It is however, important to see whether the cross-bred bullocks are comparable with the indigenous bullocks. An experiment was conducted at the National Dairy Research Institute, Karnal, to test the adaptation of the cross-bred bullocks to Indian farm conditions and the comparison of their draught capacity with that of the indigenous breed. The various parameters assessed were (a) time taken by each pair to plough the measured area (b) pulse rate and (c) respiration rate. The experiments were done in respect of climatic conditions like winter, summer and hot humid conditions. Work capacity of cross-bred and the Haryana bullocks was measured in regard to these three climatic conditions. In respect of pulse rate or respiration rate, Haryana draught cattle was found to be superior to the cross-bred cattle. In respect of area ploughed in six hours, again, the Haryana breed was found to be superior to the cross-bred cattle, though the difference was not very much. During winter season a pair of cross-bred cattle ploughed 2,970 sq mts whereas the Haryana breed ploughed 3,320 sq mts. During summer, cross-bred cattle ploughed 2,860 sq mts and the Haryana cattle ploughed 3,070 sq mts. Under hot humid climatic conditions the area ploughed by the cross-bred cattle and the Haryana breed was 2,440 sq mts and 2,903 sq mts respectively (Table 5).

It is not sufficient to get oneself satisfied with the work performance between cross-bred cattle and the Haryana breed which does not vary significantly An important fact that should be noted is that the cross-bred animals require more feeds than the indigenous draught animals. Though it is some times argued that as the cross-bred males are nearly as efficient as the Haryana breed, they should be far superior to many of our nondescript draught breeds, the fact that the cross-bred cattle need better feeds, qualitatively and quantitatively than the indigenous draught cattle breeds should not be forgotton. So, the physical efficiency of the cross-bred males in draught power should not be mistaken with the economic efficiency. As the evidences show that a cross-bred animal requires feeds at least one and a half times that of an indigenous cattle, the economic efficiency of the cross-bred animal works out to be two-thirds of that of the indigenous cattle. Besides, if physical inefficiency is also accounted for, probably, it could be proved that a cross-bred cattle is far more inefficient than an indigenous cattle in respect of draught power.

If one takes into account the same parameters like pulse rate, respiration rate and the time taken to plough the measured area in respect of indigenous draught cattle and the he-buffaloes, one would find probably the same type of results. The Indian farmers have rejected the he-buffalo as a draught animal not just because it is very inefficient in the draught power, but because it is uneconomic to keep he-buffaloes for cultivation purpose. He-buffalo requires, just as the cross-bred males, more feeds than indigenous cattle.

In this regard, he-buffalo compares very well with cross-bred male progeny. As the Indian farmers have rejected the he-buffalo for draught purpose, similarly they are likely to reject the cross-bred bullocks for the same purpose. This should have different implications. First, as in the case of the buffaloes, among the cross-bred cattle also, the females will be preferred to the males. This may result in an adverse sex ratio especially among the adult animals. Secondly, the farmers may prefer to dispose of the male calves as early as possible either by selling them to the butchers or by killing them through starvation. Thirdly, when the cross-breeding programme is undertaken on a large scale, it may create a situation of scarcity of draught animals in the economy. A situation may arise when the cattle development policy makers will have to reverse their policy so that the breeding of the draught cattle will be given prior importance.

VI

Conclusion

The cross-breeding programme for the cattle was introduced with a view to upgrading the low-yielding indigenous milch cattle so that their milk yield potentiality would get enhanced. Such a programme may result in (i) physically and economically inefficient draught cattle; (ii) the alleged higher morbidity and mortality rates leading to larger liability on the parts of the

cattle owners; and (iii) fodder constraint leading to a situation where the high milk yield potentialities' remain untapped.

The physical and economic draught power inefficiency of the male cross-bred and the high milk yield potentiality of the female cross-bred would induce the cattle owners to prefer the female progeny to that of the male. The males would be eliminated by undernutrition or deliberate butchering. Thus the sex ratio among the cattle would be unfavourable to males as it is the case with the buffaloes, which would ultimately result in shortage of draught animals.

Added to this, the alleged higher morbidity and mortality rates among the cross-breds would lead to longer liability on the part of the cattle owners. The cattle owner would give unequal medical treatment to male and female cattle, the latter being better cared for than the former. This would again result in higher death rate among the male cattle.

The policy of eliminating low producing stock progressively so that the limited feed and fodder resources would be made available for proper feeding of high producing animals would ultimately end up with underfeeding of these superior animals whose high milk yield potentiality would remain untapped. The small farmers would not be in a position to keep the cross-bred cattle as the fodder resources available with them would be inadequate to meet the requirement. If it is necessary for them to keep such animals, their milk yield would decrease drastically. One would find that the full potentialities of milk yield of the cross-bred would be tapped by the resourceful farmers only, and small and marginal farmers, when they keep the cross-bred cows, the milk yield would be quite low.

The cross-bred cattle require not only more fodder per animal but also a qualitatively superior feed-basket. The large scale demand for concentrates to feed the cross-bred cattle may result in shortage of some cheaper millets and inferior pulses which are presently consumed by the most vulnerable sections of the society. On the other hand, buffalo as a milch animal consumes mainly the crop residues which are not covered by human consumption — a fact which is sufficient to advocate the superiority of buffalo over cross-bred cow as a milch animal suiting the Indian socio-economic requirements.

The cross-bred cattle, for some of the reasons mentioned above, may not fit into major agro-economic situation in the country. In such situations, the programme will be rejected. In the areas where demand for milk is increasing as a result of urbanisation and higher income levels, some urban-oriented milk producers or commercial farmers with medium of large holdings may go for cross-bred cattle. And also in those hilly areas where the draught power requirement for the agricultural operations in quite low and where cattle meat is an important component of the food basket, cross-breds may be preferred, and they may thrive there. But such areas are quite few in the country and the scope for the extension of the cross-bred cattle is thus highly limited.

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An award called the G. S. Ghurye Award for the best published work in Sociology and Anthropology has been established in the University of Bombay. It consists of a cash prize to be awarded annually to an Indian author for a book or monograph in English on a subject in Sociology or Anthropology which in the opinion of the Award Committee is the best published work of the calendar year. Books and monographs published in India and abroad will be considered for the award.

Suggestions for the 1978 award are hereby requested. The name of the author and publisher and the title of the book should be sent to the undermentioned as early as possible.

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Milk Production in Kerala

Trends and Prospects

K Narayanan Nair

As part of the national strategy for augmenting milk production, cross-breeding and upgrading of milch cattle has been taking place in Kerala during the last two decades. The programme, moving at a slow pace in the 1950s and the 1960s, has been accelerated in the 1970s, and much effort has gone to improve the coverage and efficiency of the programme.

This paper attempts to examine the contribution of animal husbandry and dairy development programmes to the increase of milk production in Kerala. Its chief findings are:

(1) that there has been a considerable increase in the productivity of milch animals and total milk production in Kerala;

(2) that the profitability of milk production has gone up over the years; and

(3) that milk production in Kerala is mainly undertaken by small and marginal farmers.

The paper also makes some broad projections of the demand for milk and milk products by 1990 and concludes that a mere programme of improved cross-breeding cannot possibly meet the projected demands.

The paper briefly touches upon the recent demands for a ban on the slaughter of cows in Kerala and argues that there is no economic rationale behind such a demand. Any ban on the slaughter of cows in the state would be totally harmful to the growth of the livestock economy; and would surely affect adversely several development projects already undertaken.

I

Situation in Kerala

CATTLE dominates the bovine wealth of Kerala; their productivity is low compared with many other regions in India.[1] This low productivity is due to the cumulative effects of (a) the rapid rise in human population leading to expansion in cropped area and greater intensity of cultivation resulting in a progressive reduction in the availability of grazing facilities and accentuating the competition between man and animal on land; (b) the poor quality of the grazing land; and (c) the dominance of monoculture in the cropping pattern.[2]

The poor livestock situation in Kerala was noted by a number of 19th and early 20th century writers on Kerala agriculture.[3] There were also attempts to improve the quality of the cattle population by cross-breeding the domestic stock with imported breeds of high quality from other parts of India and even from Britain.[4]

Organised attempts to develop animal husbandry in Kerala started only during the Second Five Year Plan when the Key Village scheme was introduced and facilities were provided for artificial insemination.[5] Eight key village centres were established during this Plan period.[6] This scheme has continued to operate in the successive Five Year Plans and currently fourteen of them are functioning in the state.[7] In 1968, as part of the all-India special programme for cattle development, an intensive cattle development project was started, and later one more unit was added.[8]

Besides these schemes, the Indo-Swiss Project and the Department of Dairy Development have also taken up a major programme for cross-breeding.[9] The Indo-Swiss Project, located in the high ranges in the Western Ghats, was started with the objective of creating a new species of cross-bred cattle adapted to Indian conditions and to encourage scientific production of fodder. The setting up of a semen bank and liquid nitrogen plant for deep-freezing of bovine semen as part of this Project was an important step in the cattle development of Kerala.[10] The extension of work of this Project was started in the high ranges during 1967-68 and later, in collaboration with the state animal husbandry department, the activities of the Project were extended to the Mavelikkara region of the ICDP. The dairy development department's scheme was taken up under the Special Employment Programme and it proposed massive cross-breeding to cover one million cattle of breedable age by using semen collected from exotic bulls of high production potential. About 1,000 inseminators were trained under this scheme and they were provided facilities to undertake artificial insemination on a payment basis.[11] This scheme was launched in 1972-73.

In the cattle breeding projects outlined above, three exotic breeds were used for cross-breeding. In the key village scheme Sindhi was mainly used for cross-breeding. Jersey was also used in one of the ICAR-sponsored cross-breeding schemes, but on a limited scale. In the ICDP unit started in the Fourth Plan, in three sub-units, Jersey and in one unit Brown-Swiss were used. In the second ICDP, Jersey was used. When the massive cross-breeding programme was started Brown-Swiss in the four southern districts and Jersey in the remaining districts were used. Steps were also taken during the plan periods to establish bull stations and semen storage facilities.[12]

Along with the programme for breed improvement there were also attempts to provide facilities for procurement of milk from the rural areas and for its processing and distribution in urban centres. At present, there are over 500 dairy co-operatives in the state involved in the procurement of milk and supply of inputs to milk producers.[13] Steps were also taken to install 24 chilling plants and seven dairy plants with a total handling capacity of 56,000 and 61,000 litres per day respectively.[14] There has also been significant improvements in animal health services. At present there are 532 veterinary hospitals functioning in the State.[15] Out of this 408 hospitals are managed by veterinary surgeons, 12 are mobile veterinary dispensaries and the remaining are veterinary sub-centres without adequately qualified technical personnel. In other words for every 7,000

TABLE 1: AVERAGE DAILY YIELD PER COW AND SHE-BUFFALOES IN RURAL AND URBAN AREAS OF KERALA

State/Region/Species	Average Daily Milk Yield (Kg) IARS (1964-65) a	b	NSS (1975-76) a	b	Per Cent Change a	b
A Region I						
(i) Rural						
(a) cow	0.790 (7.2)	0.335 (6.8)	1.270	0.617	60.70	84.17
(b) she-buffalo	1.370 (6.1)	0.975 (5.9)	1.840	1.099	32.40	12.71
(ii) Urban						
(a) cow	1.435 (4.9)	0.717 (4.2)	1.900	1.209	46.50	68.61
(b) she-buffalo	2.795 (6.8)	1.537 (6.8)	3.230	2.341	15.56	52.30
B Region II						
(i) Rural						
(a) cow	1.070 (4.2)	0.486 (3.6)	1.740	0.963	62.60	98.14
(b) she-buffalo	2.040 (5.4)	1.060 (4.8)	2 440	1.576	19.60	48.67
(ii) Urban						
(a) cow	2.460 (4.9)	1.279 (5.2)	2.830	1.604	15.04	25.41
(b) she-buffalo	2.985 (6.8)	1.671 (7.4)	4.070	2.305	36.34	37.94
C State						
(i) Rural						
(a) cow	1.010 (5.8)	0.480 (6.4)	1.590	0.840	57.42	75.0
(b) she-buffalo	2.019 (5.2)	0.980 (6.6)	2.540	1.262	25.80	28.77
(ii) Urban						
(a) cow	2.319 (5.7)	1.115 (6.8)	2.540	1.644	9.52	47.44
(b) she-buffalo	3.154 (6.2)	1.871 (5.9)	3.790	2.860	20.16	52.85

Notes: (a) gives daily output per animal in milk; and (b) gives average daily yield for the entire hard figures in bracket gives the standard error of estimate. Region II corresponds to the area under the former Travancore Cochin State and Region I that of the Malabar districts.
Source: Items Cited in Notes 17 and 18

TABLE 2: CHANGE IN TOTAL MILK PRODUCTION AND ESTIMATED NUMBER OF MILCH ANIMALS IN KERALA

	1964-65	1975-76	Change Per Cent
Total milk production ('000) tonnes)	204	354	73.2
Estimated number of milch animals* ('000)	948	985	3.9

*Number of animals in milk together with dry animals constitute milch animals.
Source: Same as for Table 1.

cattle units there is one veterinary institution providing health care.

Except in the case of Indo-Swiss project, the achievements and shortcomings of the animal husbandry and dairy development schemes undertaken in the past have not been evaluated so far. The evaluation study of the Indo-Swiss Project done in 1973-74 showed that compared to indigenous breeds, cross-bred cows (1) calve much earlier; (2) calve more frequently; (3) the lactation period lasts longer; (4) produce larger quantities of milk per day and per lactation; and (5) produce this at a lower cost per unit of milk.[16] In this paper we attempt an overall evaluation of the trends in milk production and consumption in Kerala, and of the factors which have contributed to the increased production (especially of the contribution made by the cross-breeding programme). This is followed by a description of the structure of dairying industry in the state. The concluding section discusses certain issues relating to the future strategy of dairy development.

II

Increase in Milk Production

The trend in total milk production in the state can be estimated on the basis of data relating to the average yield per cow, lactation length and proportion of animals in milk, available from surveys conducted in the mid-sixties and mid-seventies.

The Institute of Agricultural Research Statistics (IARS) conducted a sample survey in 1964-65 to collect data pertaining to the yield rates of milch animals and other bovine practices in Kerala.[17] This survey, covering a total of 134 villages and 4,308 households in rural areas, provides data on milk production relating to 4,191 cows and 566 she-buffaloes in milk. The survey used a stratified multistage sample design. The state was divided into a certain number of basic strata, each stratum being roughly equivalent to a district in size. A cluster of two adjoining villages in each stratum was the unit at the primary stage of sampling. At the second and third stages of sampling, the units were a cluster of two households and an animal in milk respectively. Data on milk output and feed input were collected by actual weighing method. The entire survey period of one year was divided into three seasons and data were collected for each season separately.

The second source of data for the mid-seventies is the 30th round of the National Sample Survey (1975-76).[18] A stratified two stage design was used in this survey. The first stage units were the 1971 Census villages in rural areas and urban blocks in urban areas. The second stage units were the households. The survey period of 12 moths was divided into four sub-rounds of three months each. The other main differences between this survey and that of the IARS is that the former relied not on actual weighment but on the respondents' recall of the quantum of output, feed etc. Though the fact that the reference period was a week prior to each visit might have minimised errors in reporting, it would not have eliminated them. For these reasons the estimates from the two surveys are strictly comparable. This limitation should be borne in mind while judging the growth of output calculated on the basis of these two surveys.

According to the IARS Survey (1964-65) the daily milk yield in the rural areas per cow in milk was 1.01 kg and for the she-buffaloes in milk, it was 2.01 kg.[19] In the urban areas, the average yield per cow in milk was 2.31 kg and per she-buffalo 3.15 kg. In 1975-76, in the rural areas, the average daily yield per cow in milk was 1.59 kg and per she-buffalo in milk, it was 2.54 kg. During the same period, the average daily yield per cow in milk was 2.54 kg and per she-buffalo in milk it was 3.79 kg in the urban areas. (See Table 1). This means that the output per cow in milk increased by 60 per cent in the rural areas and by 10 per cent in the urban areas, while that per she-buffalo in milch increased by 26 per cent in the rural areas and by 20 per cent in the urban areas. The increase in yield rate per milch animal is found to have been higher than that per animal in milk. This reflects an increase in the proportion of total adult females which are in milk and is indicative of improvement in the lactation length.

Total milk production in 1964-65, according to the IARS estimates was 2.0 lakh tonnes. In 1975-76, the milk production estimated by the National

TABLE 3: TREND IN PER CAPITA MILK CONSUMPTION

Year	Per Capita Monthly Consumer Expenditure Milk (Rs)		Price of Milk (Rs/kg)		Per Capita Quantity Consumed for 30 Days (kg)		Aggregate Consumption for the Whole Year ('000t)
	1 Rural	2 Urban	3 Rural	4 Urban	Rural	Urban	
1965-66	0.70	0.79	1.02	0.94	0.915	1.069	214
1969-70	1.20	2.32	1.24	1.69	0.965	1.308	253
1970-71	1.39	2.59	1.46	1.72	1.090	1.501	288
1973-74	1.82	3.95	1.64	2.12	1.206	1.862	366
1975-76	na	na	1.92	2.250	1.271	2.080	388

Source: Columns 1 and 2: Government of India, Department of Statistics National Sample Survey (a) *Report No 17a, Tables with Notes on Consumer Expenditure* (19th round July 1964-June 1965) (b) *Report No 209, Tables with Notes on Consumer Expenditure* (20th round, July 1965-June 1966) (c) *Draft Report No 271, Tables with Notes on Consumer Expenditure* (24th round, July 1969-June 1972); (d) *Draft Report No 250, Special Tables on Consumer Expenditure for the National Commission on Agriculture (25th Round July 1970-June 1972)* (c) *Draft Report No 274/4 Consumer Expenditure* (28th round, June 1973-October 1974); columns 3 and 4, National Sample Survey unit, Bureau of Economics and Statistics. Government of Kerala.

TABLE 4: ESTIMATED NUMBER OF IMPROVED ANIMALS IN KERALA

Age in Completed Years	Estimated Number of Animals (000s)
2	40.5
3	24.5
4	18.8
5	14.6
6	9.6
7	7.2
8	6.2
9	3.0
10	2.6
11	0.6
Total	127.4

Sample Survey Organisation was 3.5 lakh tonnes. It is reported in both the surveys that over 85 per cent of the milk produced in the state was contributed by the cows. The estimated number of milch animals was 9.5 lakhs in 1964-65 and 9.8 lakhs in 1975-76.[20] In other words, while the estimated milch animal population increased but marginally, the total milk production increased by 70 per cent. If we apply the yield rates of milch animals obtained from the two surveys to the milch animal population obtained from the Livestock Censuses, the total milk production is seen to become slightly higher than the survey estimates. But the rate of increase does not show any significant difference.

Since the question of comparability of production estimates of the IARS and NSS surveys remains, we have made an alternative estimate based on milk consumption at the two points of time from an independent source, namely, the consumer expenditure surveys conducted by the NSS. These surveys have used uniform concepts and methods of data collection for over two decades and therefore do not suffer from problems of comparability. The published NSS reports give data on the per capita consumption expenditure on milk and milk products as well as the unit price of milk for rural and urban areas, for a number of years. There is adequate evidence to show that the proportion of milk converted into by-products is only marginal in Kerala and that consumption is mainly in the form of liquid milk. Data from the 25th and 28th rounds of the NSS show that in terms of value, the expediture on milk and milk products accounted by milk converted into products is barely 10 per cent in rural areas and 15 per cent in urban areas.[21] It is, therefore, possible to get a fairly good measure of the quantum of milk consumption by dividing the total per capita consumption expenditure on milk and milk products by the unit price of fluid milk, both obtained from the NSS.

The estimates of per capita consumption derived on this basis (Table 3) show that between 1965-66 and 1975-76, per capita liquid milk consumption increased by 40 per cent in rural areas and by 90 per cent in urban areas. Allowing for population increase during the decade, the total milk consumption in the state as a whole is estimated to have risen by 65 per cent. These estimates are fairly consistent with the estimates of change in production obtained from the IARS and the NSS surveys. It is therefore possible to assert with some degree of confidence that there has been a substantial rise in milk production and consumption in Kerala during the past decade.

The increase in total milk production over the years could have been due to (a) rise in total milch animal population and the proportion of animals in milk; (b) increase in the proportion of cross-bred cows in the breedable population; and (c) the rise in the average milk yield of nondescript stock mostly arising from better feeding and management. This may be symbolically expressed as follows:

$$O_{75} - O_{64} = Y_{64} \left(P_{m_{75}} - P_{m_{64}} \right) + \left(Y_{c_{75}} - Y_{i_{64}} \right) \left(P_{mc_{75}} \right) + R,$$

where

O_{75} = milk output in 1975-76.
O_{64} = milk output in 1964-65;
Y_{64} = Yield rates of cows in 1964-65;
$P_{m_{75}}$ = Population of milch cows in 1975-76;
$P_{m_{64}}$ = Population of milch cows in 1964-65;
$Y_{c_{75}}$ = Yield rates of cross-bred cows in 1975-76;
$Y_{i_{64}}$ = Yield rates of indigenous cows in 1964-65;
$P_{mc_{75}}$ = Population of cross-bred cows in 1975-76.
R = effect of increase in yield rates of indigenous cows.

The first term on the right side of the equation gives the effect of the increase in population of milch cows (the population effect) and the second term, the effect of increase in cross-bred population (the breed effect) on the additional milk output. The third term, which is the residual, shows the effect of the increase in productivity (yield effect) of the indigenous cows. In this equation we know the value of all variables except the increase in population of cross-bred cows between 1964-75 and change in their productivity.

Direct estimates of the population of cross-bred cows in the State are not available from any source. But the number of artificial inseminations done by the key village, ICDP and other agencies are available from early 1960s. These data are compiled by the Animal Husbandry Department and is published in the Half Yearly Bulletin on Animal Husban-

TABLE 5: VALUES OF VARIABLES IN THE OUTPUT DECOMPOSITION EQUATION

Variable	Value
O_{75}	[illegible]
O_{64}	[illegible]
Yi_{64}	[illegible]
Yc_{75}	[illegible]
Pm_{75}	[illegible]
Pm_{64}	[illegible]
$Pncy_{75}$	[illegible]

Source: 1 and 2, NSS op cit, Table 2; 2, 3 and 6, DARS, op cit, Table 2, 4, R K Patel et al op cit, and 7, estimated.

TABLE 6: SOURCE AND QUANTUM OF ANIMAL PROTEIN INTAKE IN KERALA (RURAL 1961-62)

Source	Quantity Consumed for 30 Days (kg)	Cost Per kg of Protein (Rs)
Milk	0.027	21.45
Other animal sources	0.256	3.35
Fish	0.222	—
Meat	0.031	—
Egg	0.003	—
Total	0.283	—

Source: Item cited in Note 28.

dry statistics.[illegible] Upto 1972-73, since inseminations were done free of charge in the AI unit it is likely that the project officials had a tendency to over-report the number of inseminations done, in order to demonstrate their successful performance. With the levy of a nominal fee for inseminations from 1972 and the introduction of the practice of maintaining a record of names and addresses of beneficiaries — records which are subjected to audit — it is believed that the reporting has become more accurate.[illegible]

The fertility rates of artificially inseminated cows are usually assessed under certain assumptions about effectiveness of insemination based on information on the 'non-return' of the inseminated animals for reinsemination within 60 to 90 days. But discussions with the officials involved in this programme revealed that there are no estimates of the total calves born to inseminated cows for the state as a whole. Estimates for particular areas are available but are not based on any uniform procedure; they have been estimated in different areas by different methods, e g pregnancy or actual calving reported. Because of this difficulty, we discussed with persons having first-hand experience for long periods of the working of the cross-breeding programme. Their collective judgment is that the number of calves born as a proportion of total inseminations may be around 20 per cent.[illegible] This information together with the total number of inseminations done in each year provides the basis of our estimate of the number of cross-bred calves born. The size of the cross-bred population reaching the reproductive age in each of the successive years is obtained by applying the age-specific survival rates of all the female cattle in the state. The estimated population of reproductive cross-bred cows in 1975-76 is given in Table 4.

While interpreting the above results the following limitations should be kept in mind; (a) The 20 per cent birth rate, being based on the informed judgment of officials rather than on actual surveys, must be treated with caution, especially because there is no unanimity of opinion on this matter among officials. (b) The age at which the female bovines reach the reproductive age depends on the genetic characteristics of the animal. There is evidence to suggest that the age at first calving for the cross-bred Swiss-brown cows (2.5 to 3 years) is lower than for nondescript cows (around 4.5 years). We have assumed that female cross-bred calves which survive two years after birth will be in the reproductive group. But to the extent that the time required to reach maturity itself is a function of feeding and management of calves, and that farmers in-the-mass may not achieve the standard reached in the areas of intensive development, this estimate may be open to question. (a) In order to estimate the number of cross-bred cows in a certain year, we need to know the age specific survival rates of cross-bred population which in turn requires the age distribution of cross-bred population. But this type of data is not available. The only detailed age distribution data available for female cattle in the state are those obtained from the 30th round of the NSS; these data relate however, to the entire female herd, which includes both cross-bred and nondescript animals. To estimate the total cross-bred population in 1975-76, we applied the age specific survival rate of the entire female herd. Since the productivity of cross-bred animals is significantly higher than that of the nondescript animals, the level of feed input and management may be better for the cross-breds than for the nondescripts and therefore survival rate of the cross-bred also is likely to be higher. In such a situation, application of the combined survival rate may lead to underestimation of the cross-bred population in the productive age. Subject to the above limitations, the number of cross-bred cows in 1975-76 may be placed at 1.3 lakhs accounting for 13 per cent of the total cows in the state.

No data are available on the productivity of cross-bred cows (ie, the value of Yc75) for the state as a whole. But a number of surveys conducted in different parts of the state around the mid-seventies by three independent agencies give information on the daily yield per cross-bred cow in milk and the average yield for the herd.[illegible] Out of the several surveys that conducted by the Indo-Swiss Project (1973-74) provides the most reliable data on the performance of cross-bred animals. This survey gives data on the yield rates of cross-bred cows for the plains, mid-land and high-land both under intensive and average management conditions. In order to obtain a fair idea of the average productivity of cross-bred cows in the state we estimated the weighted yield by pooling data for the different ecologies and also for different classes of producers, the weight being the number of observations in each case. The weighted yield per cross-bred milch cow comes to 1.9 kg of milk per day.

The values of the different variables used in the output decomposition equation are given in Table 5. Solution of this equation shows that the contribution of the increase in milch animal population to the additional milk output is negligible. The two factors mainly responsible for the increase in milk production are increase in the population of cross-bred cows and increase in the productivity of nondescript animals. The contribution of the 'breed effect' to the additional milk output is of the order of 65 thousand tonnes (ie, 50 per cent of the additional output) and that of 'yield effect' is about 64 thousand tonnes. In other words, the 'breed effect' and the 'yield effect' contributed equally to the growth in additional milk output. In order to understand the factors which *stimulated a sizeable improvement in* overall yield, it is necessary to examine the trends in the demand for milk and the profitability of milk production.

The value of O75 and O64 are given thousand tonnes. The productivity of nondescript and cross-bred (ie Yi64 and Yc75) milch cows are given kilogrammes per day. The population of milch animals, *is given* in thousands.

TABLE 7: INDEX NUMBERS OF PRICES OF MILK AND OTHER SOURCES OF ANIMAL PROTEIN IN KERALA

Year	Milk Price[1] Index	Other Sources of Animal Protein[2] Price Index	Aggregate Animal Protein Price Index	Aggregate Consumer Price Index[3]	Foodgrains Price Index[4]
1964	100	100	100	100	100
1965	112	94	98	110	116
1966	124	90	96	120	127
1967	137	125	128	130	135
1968	150	124	132	140	157
1969	157	162	179	146	163
1970	164	233	228	152	174
1971	168	227	226	158	169
1972	178	242	238	162	177
1973	223	262	258	196	216
1974	283	375	364	258	226
1975	296	429	418	281	323
1976	273	497	486	256	338

Source. 1 Computed from the "Bulletin of Animal Husbandry Statistics".
2 The price of meat and egg are computed from the Bulletin of Animal Husbandry Statistics. The fish price is taken from John Kurien, "Towards an Understanding of the Fish Economy of Kerala State : A Preliminary Study of the Current Situation and Trends in Organisation Technology, Production and Distribution of Incomes", Working Paper No 68, Centre for Development Studies, Trivandrum. The weighted price index is computed by weighting the price of milk, fish, egg and meat by the output of these items in different years.
3 and 4 Government of Kerala, State Planning Board, "*Economic Review, Kerala, 1976*".

TABLE 8: ESTIMATED DEMAND AND SUPPLY OF MILK, MEAT, FISH AND EGG IN KERALA (1965-75)

Item	Estimated Demand ('000 tonnes)			Estimated Supply ('000 tonnes)		
Year	1965-66	1969-70	1975-76	1965-66	1969-70	1975-76
Milk	208.0	271.0	336.0	208	261	354
Fish	308.0	369.1	446	308	344	352[1]
Meat	35.1	48.3	65.4	35.1	37.1	52.5[2]
Egg	12.5	17.9	23.9	12.6	13.8	17.8[3]
Total	563.6	706.3	891.4	563.6	655.8	756.2

Sources: 1 Fish Production Estimates are taken from John Kurien, *op cit*.
2 Milk Production estimates are based on the milk production surveys.
3 Meat and egg production estimates are obtained by using the methodology suggested for arriving at the state income estimates from these sources. "State Income Estimate", Bureau of Economics and Statistics, Kerala, 1973-74, Trivandrum 1975.

II

Growth in Demand for Milk

The growth in demand for milk generally depends on (a) growth in human population and per capita income and (b) prices of milk and of [illegible].

Milk is the source of two important nutrients in human diet, fat and protein. As a source of fat milk is the main substitute for edible oils. But milk is far less important as a source of fat than it is a source of animal protein. The principal sources of animal protein other than milk (here in after referred as 'other sources') are fish, meat and eggs. In an earlier paper which sought to highlight the inter-state differences in milk consumption we had shown that apart from differences in per capita income, the only other factor which has a significant effect on the inter-state variation in milk consumption is the availability and cost of other sources of animal protein.[26] In regions where protein from other animal sources are more abundant and/or is cheaper than milk protein, the per capita consumption of milk is also found to be lower. The consumption and prices of fat from edible oil have no significant influence on the demand for milk.

Out of the total animal protein intake in Kerala during 1961-62 (the only year for which break up of source-wise consumption of animal protein is available) about 75 per cent was contributed by fish, 10 per cent by milk and the rest by meat and egg. Both in absolute terms and as a proportion of the total animal protein milk is much less important in Kerala than in other states. This is consistent with the fact that the cost of milk protein relative to the cost of proteins from other animal sources was also much higher in Kerala than in other states. (The per capita intake of animal protein for the country as a whole was about 140 grammes (for a period of 30 days) in 1961-62. Out of this 50 per cent was derived from milk and the rest from meat, fish and egg.)

However, over the last decade, there has been substantial change in relative prices of milk and other sources of animal protein, the latter becoming increasingly more expensive than milk (Table 7). We may expect such changes in relative prices to result in a significant shift in the consumption pattern of animal protein in favour of milk. As a matter of fact, the per capita consumption of milk has risen appreciably in the past decade while the per capita intake of other sources of animal protein has recorded a decline. These shifts, however, reflect not only the changes in demand patterns but also those in conditions of supply. In order to assess the relative effect of these two sets of factors, it is useful to form an idea of the likely level and composition of animal protein demand which would have existed, were the given increases in real incomes and population associated with little change in relative prices.

The growth in demand for milk, meat, fish and egg at constant relative prices is estimated for the period 1965-66 to 1975-76 on the basis of the rise in population and per capita demand. The latter is computed from the expenditure elasticities of demand for these items derived from NSS data and the increase in per capita real income in the state taken from official estimates.[27] The projected per capita demand multiplied by the population in the corresponding year gives the aggregate demand.[28] The estimates are presented along with the estimates of supply in Table 8.

The total consumption of meat, fish and egg in Kerala during 1965-66 was 5.6 lakh tonnes. At constant prices, the total demand for these products, given the increase in population and per capita income, would have been 8.9 lakh tonnes by 1975-76. If there were no changes in relative prices, the demand for fish would have risen by 50

TABLE 9: VALUE OF GINI CO-EFFICIENT FOR MILK, MEAT, FISH AND EGG IN RURAL AND URBAN AREAS OF KERALA

Year	Milk and Milk Products		Meat, Fish and Egg	
	Rural	Urban	Rural	Urban
1965-66	[illegible]	[illegible]	[illegible]	[illegible]
1969-70	[illegible]	[illegible]	[illegible]	[illegible]
1970-71	[illegible]	[illegible]	[illegible]	[illegible]
1973-74	[illegible]	[illegible]	[illegible]	[illegible]

Sources: [illegible] (1970-71) [illegible] (1973-74)

per cent [illegible] meat and [illegible].

The p[illegible] at a fast[illegible] general price level, b[illegible] in overall producti[illegible] animal protein (50 per cent fell [illegible] of the rise in demand [illegible] prices (80 per cent). The gap between constant price demand and actual supply, however, varies a great deal between different sources of animal protein. The output of fish for internal consumption, which contributes the bulk of the animal protein intake in Kerala, has been more or less stagnant for the past decade, and has in fact declined in per capita terms despite the steep rise in the price of domestically consumed fish.[19] The tardy supply response of fish output to price rise seems to be due in large part to the prevailing pattern of ownership of means of production and the marketing system which makes it difficult for the traditional sector of the fish economy, which accounts for the bulk of the domestically consumed fish output, to use improved technology to extend their area of operations and income productivity. Although the encouragement of the modern mechanised fishing was intended to improve the productivity of traditional fishermen, in actual fact they have not benefited the latter to any significant extent. Moreover, they have tended to concentrate almost exclusively on prawn fishing. The output of the mechanised sector has indeed risen, and risen substantially, but the bulk of it consists of prawns. The reason for this concentration is that though the returns on domestically consumed fish rose, those on prawns (which are mostly exported) rose much faster. There is also some evidence to suggest that even at the prevailing high price of fish, it may not be profitable for mechanised boats to depend wholly on catching domestically consumed species of fish.

Whatever the reason, the stagnation in the production of fish and increase in its price relative to those of eggs and meat might have induced a shift in the consumption of animal protein in favour of meat and egg. Moreover, the general rise in animal protein prices has induced a stronger supply response in the case of meat and egg than in the case of fish through (i) a higher rate of slaughter, mainly of adult males, and young stock [illegible]; (ii) a sharp rise in the import of [illegible] animals which are mainly meant for slaughter; and (iii) better feeding and management of the poultry birds resulting in an increase in their productivity. The overall increase in meat and egg production during the past decade was nearly 30 per cent. But this is still well below the quantity of constant price demand for these items. Total animal protein supply from fish, meat and eggs, therefore fell considerably short of demand.

In sharp contrast, the supply response of milk to the rise in prices has been very striking. The increase in supply (70 per cent) was actually significantly larger than the projected growth of demand at constant prices. As a result, though the overall shortage in animal protein resulted in a higher than-average rise in milk prices relative to the general price index, the increase in milk prices was much less than that in other animal protein sources, especially fish. The cheapening of milk relative to other animal protein must have resulted in a substitution of the former for the latter. There has evidently been a significant shift in this direction during the past decade. However the fact that the price of different animal protein sources did not change uniformly suggests that they are not perfect substitute for one another.

The impact of the shortages and rising cost of other sources of animal protein relative to milk has naturally not been uniformly felt by all sections of the population. It would appear from the NSS data that the consumption of fish (by far the largest component) has been and remains more widely diffused than that of milk. This can be seen from the concentration ratios (gini co-efficient of consumption) of the two groups presented in Table 9. What is more significant in the context of the present discussion is the markedly different trends in the gini co-efficient over time. Thus the degree of concentration in the consumption of fish, meat and egg seems to have increased in both rural and urban areas, whereas that of milk has fallen apparently. In other words, while the consumption of milk and milk products has become more widespread, that of fish, meat and egg has become more concentrated in the upper income groups. This seems to indicate that the substitution of milk for other animal protein in response to a sharp change in relative prices has occurred largely in the lower income groups.

IV

Increase in Profitability of Milk Production

The relatively strong supply response of milk production to price changes was due to several factors. As pointed out earlier, part of the increase in production has come about as a result of the higher yield per animal which must have been due primarily to the better feeding and management. Over the last decade, the price of milk has risen somewhat faster than the price of feed (especially concentrates). This implies that milk production has become increasingly more profitable. The significant increase in the proportion of cross-breeds is also a cost reducing technological improvement which reinforces the effects of increased price of milk relative to feed.[20] There is further evidence to suggest that faced with growing economic returns to milk and the intensification of population pressure on land people have been progressively reducing their holdings of draught animals and increasing the stock of milch animals.[21] Also, perhaps as a result of better breeding and management, the proportion of dry animals has fallen.[22] That the quality and productivity of milch animal has risen is also corroborated by the rise in price of milch cattle relative to draught cattle (Table 10).

The increase in profitability of milk production over the years also seems to have attracted small cultivators as well as landless rural households to take up dairying as a subsidiary occupation. This is evident from the changes in the size and pattern of bovine holdings by size group of farms during the past decade. A comparison of the data from the 18th and 26th rounds of the NSS shows (a) sharp reduction in the share of draught animals and (b) a corresponding increase in the share of milch animals held by the bottom half of the rural households arranged according to the size of their operational holding. This is quite possible in a situation where there are severe constraints on resource endowment and production is taking place in the smaller size of farms. Since the

TABLE 10: RELATIVE PRICE RATIO OF DRAUGHT AND MILCH CATTLE

Year	Price of Draught Cattle	Index	Price of Milch Cattle	Index	Cow Milk / Paddy Straw	Cow Milk / Oil Cake	Cow Milk / Cotton Seed	Beef / Paddy Straw	Beef / Oil Cake	Beef / Cotton Seed	Milch Cattle / Draught Cattle	Cow Milk / Beef
1962-63	286.0	100.0	186.0	100.0	0.0094	2.1322	1.3966	0.0162	3.6630	2.3921	0.650	0.580
1963-64	290.8	101.7	191.2	102.8	0.0095	2.1588	1.3942	0.0162	3.6364	2.3953	0.659	0.590
1964-65	290.4	101.4	193.9	104.3	0.0095	2.1272	1.3942	0.0160	3.5971	2.3585	0.866	0.592
1965-66	292.0	102.1	197.5	106.2	0.0095	2.1552	1.4104	0.0159	3.6232	2.3697	0.676	0.595
1966-67	294.0	102.8	201.8	108.5	0.0096	2.1698	1.4184	0.0158	3.3791	2.3641	0.686	0.599
1967-68	295.1	103.2	216.8	111.2	0.0096	2.1562	1.4367	0.0159	3.6101	2.3692	0.701	0.597
1968-69	296.8	103.1	211.2	113.6	0.0096	2.1834	1.4368	0.0159	3.6101	2.3692	0.701	0.597
1969-70	294.8	104.1	216.3	116.3	0.0097	2.0226	1.4514	0.0158	3.5714	2.3474	0.734	0.617
1970-71	297.7	103.6	221.7	119.2	0.0097	2.1978	1.4535	0.0156	3.6104	2.3364	0.748	0.618
1971-72	296.2	102.9	227.1	122.1	0.0098	2.2321	1.4706	0.0137	3.5971	2.3316	0.772	0.623
1972-73	294.2	103.1	236.8	127.3	0.0098	2.2575	1.4793	0.0157	3.5842	2.3310	0.803	0.633
1973-74	294.8	103.8	239.9	129.0	0.0099	2.2727	1.4801	0.0360	3.5336	2.5336	0.808	0.642

Source: These ratios are computed from the "*Bulletin of Animal Husbandry Statistics*" Animal Husbandry Department, Government of Kerala, Trivandrum.

Notes: (a) The price of draught animal is for draught animals whose physical condition is good. The price of milch animal is reported for one litre of morning milk yield in (1-3) months lactation. The prices of milk, beef, straw, oilcake, and cotton seed are reported for one kg.

(b) The prices of milch cattle, draught cattle, concentrates and paddy straw are given at constant prices.

TABLE 11: DECILE DISTRIBUTION OF LAND AND BOVINE STOCK IN KERALA

Decile Group	Share of Draught Animals 1961-62[1]	Share of Draught Animals 1971-72[2]	Share of Milch Animals 1961-62[1]	Share of Milch Animals 1971-72[2]	Percentage Change (a)	Percentage Change (b)	Share of Operational Areas[2]	Average Size of Holding[2]
Bottom 50	6.0	1.8	11.0	15.6	−70.5	43.4	7.6	0.08
50-60	8.1	6.1	9.9	9.8	−25.1	1.3	5.0	0.26
60-70	9.5	6.0	14.2	18.5	−35.5	30.8	6.4	0.34
70-80	13.1	12.8	16.5	17.4	− 2.2	5.5	12.2	0.64
80-90	14.9	10.4	19.8	17.5	−29.5	− 1.4	18.2	1.02
90-100	48.3	53.9	28.5	18.6	+11.5	−33.0	49.8	3.63

(a) Percentage change in draught animals. (b) Percentage change in milch animals.

Sources. 1 Government of Kerala, Bureau of Economics and Statistics "National Sample Survey Report No 10, Report on the Operational Holdings in Kerala, Rural, 16th Round" (1960-61).

2 *National Sample Survey*, 26th round (1971-72), Tables on landholdings, Kerala.

production system is dominated by smaller size of holdings, the rise in profitability of milk production might have resulted in a strong tendency for this group of farms to keep the number of draught animals to the minimum and to increase the number of milch animals so as to take up dairying as a source of supplementary income and employment. Since the availability of feed resources is limited, the increase in number of milch animals reared and the rise in their productivity might have been possible only by releasing feed by reducing the number of draught animals. This is consistent with the strong tendency towards the substitution of milch animals for draught animals in the smaller farms.

It is also clear from Table 11 that the small farmers with little or no land account for a sizeable proportion of the milch animal stock. Thus the bottom 50 per cent of the rural households with an average holding of barely 0.08 acres own 16 per cent of the milch animals and holdings below 0.4 acres account for 45 per cent of the total milch animal stock. At the same time the top 10 per cent of the rural households with an average size of holding of 3.6 acres and accounting for 49 per cent of the operational area own about 19 per cent of the milch animals. About 6 per cent of the milch animals in the state is owned by households who operate no land.

About 35 per cent of the rural households in Kerala own milch animals. Out of the total households owning milch animals, 35 per cent own only one animal and another 38 per cent two animals. Only 27 per cent of the households own three or more animals. Households which own only one milch animal contribute about 29 per cent of the total milk production and their share in the total marketed surplus of milk is about 36 per cent. The households owing two animals each contribute 45 per cent of the total milk production and 52 per cent of the total marketed surplus of milk. The remaining households which own 27 per cent of the milch animals contribute 24 per cent of the total milk production and 19 per cent of the total marketed surplus of milk. This in turn indicates that households who are involved in milk production in the state are essentially producing for the market and the level of commercial milk production (judged by the percentage of marketed surplus of milk to total production) is higher for the smaller producers.

Dairy farming in Kerala is essentially a small scale and widely diffused activity depending largely on purchased (as distinguished from home grown) feed. This dependence is greater in Kerala because the state as a whole depends on imported feed to a much larger extent than other parts of the country. According to the 30th round of the NSS, in 1975-76, about 2.1 lakh tonnes of concentrate feed was used to produce 3.5 lakh tonnes of milk of which only 30 per cent is estimated to have been produced within the state, the remaining being imported.[13] That dairying is a small scale dispersed activity and is becoming increasingly so are very significant facts to be borne in mind while planning for the future. Equally important is the fact that ownership of milch animals seems to have a direct-bearing on the extent of milk consumption.

According to the NSS estimates (1975-76) the per capita annual consumption of milk in Kerala is 15 kg. The monthly household milk consumption (per reporting household) ranges from 6 to 27 kg across different expenditure groups, the corresponding

TABLE 12: DISTRIBUTION OF MILCH ANIMALS, TOTAL MILK PRODUCTION AND MARKETED SURPLUS OF MILK ACCORDING TO THE NUMBER OF MILCH ANIMALS OWNED BY RURAL HOUSEHOLDS IN KERALA

Average Number of Milch Animals per Household	Percentage distribution of Households by Number of Milch Animals[1]	Percentage Distribution of Total Milk Production[2]	Percentage Distribution of Total Milk Marketed[2]
1	34.81	34.82	45.73
2	38.28	38.31	32.74
3	12.75	12.75	10.18
4	7.19	7.19	6.42
5	3.24	3.23	2.26
6	1.65	1.64	1.20
7	0.79	0.78	0.62
8	0.50	0.50	0.28
9	0.26	0.25	0.19
10	0.48	0.47	0.38
11	100	100.00	100.00

Sources: 1 NSS report No 281/3
2 State Sample Estimates.

TABLE 13: DECILE DISTRIBUTION OF MILK CONSUMPTION IN KERALA (1973-74)

Decile Group of Population	Cumulative Share of Milk Consumption	
	Rural	Urban
1	0.34	3.96
2	0.60	8.64
3	1.54	19.50
4	6.00	21.50
5	13.04	28.98
6	16.95	36.28
7	30.85	43.76
8	44.11	58.97
9	67.02	73.21
10	100.00	100.00

Source: Government of India, Department of Statistics, *National Sample Survey*, Report No 274/4, *Consumer Expenditure* 28th round (June 1973 October 1974).

urban range being from 9 to 25 kg. The percentage of households reporting consumption of milk comes to 50 in rural and 54 in urban areas. The monthly consumption of milk per reporting household in rural areas is 13.3 kg and 20.5 kg in urban areas.

Analysis of the total consumption of milk across different size-classes of population showed that about 60 per cent of the total milk consumption in urban areas and 70 per cent in rural areas are commanded by the top 30 per cent of the population. The share of the top 10 per cent of the population is about 30 per cent.

On an average in rural areas 60 per cent of the milk consumed is home-produced and the rest is purchased. The percentage of purchased milk to total milk consumption is found to decline with rise in expenditure class in rural areas. There is a significant positive correlation (r = 0.85 significant at 0.1 per cent level) between percentage of households reporting milk production and the percentage of households reporting milk consumption in rural areas, but in urban areas the relationship is not significant. In other words, the ownership of milch animals is an important factor which determines milk consumption in rural areas. The quantity of milk consumption is also seen to be positively correlated with the percentage of households reporting ownership of milch animals across different expenditure groups.

V

Future Prospects

The future strategy for milk production in Kerala has to serve two objectives. (a) meeting the rising demand for milk to the growing population, and (b) developing dairying as a source of supplementary income and employment to the weaker sections of the rural population These obviously are also the aims of the new strategy of dairy development However, there is some doubt whether the new strategy can meet both these objectives. In order to understand the problem it would be useful to relate the strategy to the expected growth of demand for milk and evaluate its implications for the size of the herd required to meet it.

Estimates of the growth in demand for all sources of animal protein over the next decade and a half are given in Table 15 They are based on the following assumptions. (a) population growth will decelerate from 2.3 per cent per annum in the last decade to 2 per cent in the coming decade,[34] (b) the rate of growth of per capita income will continue roughly as the same rate as in the past decade[35] (i e, 1.5 per cent per annum) and (c) the income elasticity of demand for milk, fish, meat/egg will be 1.6, 1.3 and 2.2 respectively[36] On the above basis aggregate demand for these products taken together at constant prices will rise from 7.5 lakh tonnes in 1975 to 11.4 lakh tonnes in 1985 and 14 lakh tonnes in 1990. If relative prices were also constant, the demand for milk will rise from 3.5 lakh tonnes in 1975 to 5 lakh tonnes in 1985 and 6.7 lakh tonnes in 1990, accounting for about 47-48 per cent of the total demand for all the products. But since there are severe constraints on the expansion of fish output and since output of meat and egg cannot rise sufficiently to compensate the deficit in fish output it is highly probable that the prices of fish will continue to rise relative to that of milk. Correspondingly, the demand for milk may be expected to rise at a faster rate than the demand estimate made under constant relative prices. In the absence of reliable estimates of the responsiveness of milk demand to changes in the relative prices and, more importantly, because of the difficulties in evaluating the relative price elasticities and cost trends of different animal products in the future, we have assumed that the share of milk demand in total animal products will increase by 10 percentage points in the next fifteen years which is roughly the rate of change which occurred between 1965 and 1975. This means that the requirement of milk will be 6 lakh tonnes by 1985 and 8 lakh tonnes by 1990. A major task of the cattle development programme is to increase milk output by 4.8 lakh tonnes between 1975 and 1990.

The eight lakh tonnes of milk that may be required by 1990 can be obtained by adopting a combination of the following strategies (a) by increasing the size of the milch animal herd. (b) by increasing the proportion of cross-bred animals to the total milch stock in a planned and phased manner, and (c) increase in average yield per animal The strategy of the state programme has so far rested heavily on (b). But in order to get a proper appreciation of the relative emphasis to be given to the different elements it is necessary to consider their ultimate impact For this purpose we will first evaluate the increase in production which can be obtained on the basis of the expected rate of growth of total milch animal stock.

On the basis of the IARS and the NSS Surveys the estimated number of milch stock in 1965 was 9.5 lakh and by 1975 it increased to 9.8 lakh or barely 0.3 per cent increase per annum[37] Assuming that this rate will continue in the future the estimated population of milch animals will be around 10.3 lakhs in 1990. Out of this, let us assume that the proportion of she-buffaloes will be 10 per cent and their contribution to total milk output will remain at 70,000 tonnes. This is not an unrealistic assumption because very little is being done to upgrade the buffaloes This implies that the total stock of milch cows in 1990 will be around 9.3 lakh and they will need

TABLE 14: PERCENTAGE OF HOUSEHOLD REPORTING CONSUMPTION OF MILK TO HOUSEHOLDS AND QUANTITY OF MILK CONSUMED IN RURAL AND URBAN AREAS OF KERALA

Per Capita Expenditure Group	Percentage of Households Reporting Consumption to All Households[1]		Quantity of Milk Consumed[1] (kg) Per Reporting Household		Percenatge of Households Owning Milch Animal in Rural Areas[2]
	Rural	Urban	Rural	Urban	
0-9	47.83	33.36	6.00	9.00	—
10-19	22.73	30.60	4.53	2.19	18.18
20-29	30.70	31.59	5.73	2.97	15.65
30-39	39.18	45.21	7.95	4.16	23.11
40-49	48.84	56.92	9.99	5.79	29.30
50-59	60.20	64.02	12.67	7.18	37.25
60-69	58.78	66.61	14.98	8.88	35.26
70-79	74.15	71.73	18.07	10.40	48.93
80-89	78.20	84.24	12.55	13.79	45.32
90-99	67.88	63.89	18.48	13.58	45.77
100 and above	75.55	57.01	27.13	23.42	48.35
All	50.01	54.23	13.30	10.74	35.01

Sources. 1 NSS Draft Report under 28/3.
2 State Sample tabulation.

TABLE 15: RATE OF GROWTH IN DEMAND FOR MILK AND OTHER SOURCES OF ANIMAL PROTEIN IN KERALA (1975-1990)

Item	Estimated Demand ('000 t)		
	1975	1985	1990
Milk	350[1]	540	670
Fish	330[2]	490	595
Meat and egg	70[3]	115	145
Total	750	1145	1410

Sources 1 NSS Draft Report No 281/3.
2 and 3 John Kurien, *op cit.*

to produce 7.3 lakh tonnes of milk or an increase of 4.5 lakh tonnes.

As regards the breeding programme we have two alternatives: (a) maintaining the pace of the cross-breeding programme at such a rate as to sustain the current annual rate of addition to productive cross-bred cows during the next 10-15 years; and (b) accelerating the pace of the cross-breeding programme so that by 1990 the entire nondescript stock is replaced by cross breeds. If we proceed with alternative (a) by 1990 there will be 3,20,000 cross bred cows in the state. Assuming that 60 per cent of the cross-bred animals are in milk, the number of productive cross-breds in 1990 will be 1 92,000. The population of nondescripts will be 6,07,000 of which (around 53 per cent in milk) cows in milk will be 3,21,000. If the average output per nondescript and cross-bred cows in milk are maintained at the present level (namely 0.52 tonnes and 1 12 tonnes per annum respectively) the total milk production by 1990 (including buffaloes milk) will be only 4 3 lakh tonnes against the estimated demand of 7.4 lakh tonnes and 6 lakh tonnes respectively. In other words, the implementation of the cross-breeding programme at the current level cannot meet the milk requirement of the state unless there is a further all-round increase in yield per animal. Even if the entire nondescript herd could be replaced by 1990 with improved cross-bred animals, production at the current levels of yield per animal will be substantially larger (6.4 lakh tonnes) but still short of requirement. However, if the cross-breeding programme could be accelerated and made more effective so as to upgrade the entire stock by 1985, the requirement for that year will be met without improvement in yield, but there will still be shortage by 1990.

It should be noted that this rate of acceleration in upgrading depends not only on achieving the target rate of insemination (4 lakh per annum) but a near doubling of the conception rate. Whether and under what conditions this is feasible will need to be carefully examined. It would seem that there are quite difficult organisational and extension problems, especially in the plains and the midlands where much of the cattle is located, to be overcome before significant increase in the coverage and efficiency of artificial insemination can be achieved. It would, therefore, be prudent to be cautious in projecting the rate at which cross-bred stock can be expanded. Also what we need is not so much an expansion of the scale of the artificial insemination programme, as much greater attention to the improvement of its efficiency. In any event, the programme for upgrading *breeds is unlikely in the foreseeable future to bring about a reduction of the milch herd needed to meet the milk requirements.*

Assuming that alternative II is closer to the limit of feasibility (as far as the expected number of cross-breds are concerned), it is clear that the projected requirement of milk cannot be met unless there is a substantial increase in the productivity per animal. One way of doing this would be to increase the ratio of animals in milk to total milch animal stock. We do not know enough about the extent to which this can be done in the conditions (ecological and social) prevailing in Kerala. This aspect of the problem deserves much greater attention. In any case it should be noted that even in countries with a sophisticated dairying industry the proportion seldom exceeds 70 per cent. Therefore it seems that the primary source of increasing yield will have to be on better feeding and management.

The future availability of feeds and fodder at least at the present level of its cost is an important condition that is necessary for realising the increases in production of the order visualised. The cost of milk production is higher in Kerala than in any part of India mainly due to high cost of feed. At present about 60 per cent of the cost of milk production is accounted for by concentrates which are the main source of digestible crude (DCP) in milk production.[28] As we had seen earlier, out of the total quantity of concentrates used for milk production in 1975-76 about 76 per cent was imported from other states and the rest was produced in the state itself. There are two aspects to this problem; enhancing physical supplies of the required quantity and the cost of the feed. The main source of concentrate feed in Kerala are coconut cake, rubber-seed cake and rice bran. The average annual production of coconut oilcake in Kerala is about 50 thousand tonnes. Out of this 15 per cent directly goes into milk production. The remaining quantity is marketed to other states and part of it is again imported to Kerala in the form of compounded feed. According to the estimates on rubber seed production, it is seem that about 37 thousand tonnes of cake can be obtained from this source. This source remains completely untapped. The annual availability of rice bran is estimated to be around 75 thousand tonnes which is already fully utilised as an animal feed.

If all the available sources are fully tapped, the total supply of concentrate feeds from indigenous sources will be only 1.5 lakh tonnes. Even allowing

TABLE 16: ALTERNATIVES IN MILK PRODUCTION

	1965	1975	1985	1990
A: *Number of milch animals*	950	960	1010	1030
Milch cows ('000)	885	892	909	927
She-buffaloes ('000)	95	98	101	103
B. *Alternative I*				
Number of cows in milk ('000)	469	467	481	491
Number of cross-bred cows ('000)	Nil	127	250	320
Number of cross-bred cows in milk ('000)	—	76	150	192
Number of nondescript cows ('000)	885	755	659	607
Number of nondescript cows in milk ('000)	469	400	349	321
Production of milk at 1975 levels of yield ('000 t)				
Cross-bred (1.120t/year)	—	81	157	196
Nondescript (0.520t/year)	—	208	181	167
Buffalo milk	—	67	70	70
Total production	—	356	408	433
C: *Alternative II*				
Number of cows in milk	—	467	494	510
Cross-breds in milk	—	67	363	510
Nondescript cows in milk	—	400	131	—
Total milk production ('000 t)				
Cross-bred cows (1.20 t/year per animal milk)	—	81	406	571
Nondescript (0.520 t/year per animal milk)	—	208	68	—
She-buffaloes	—	67	70	70
Total	—	356	544	641

for possible increases due to higher output of coconut and rice the quantity may not exceed two lakh tonnes. This will be inadequate to meet the DCP requirements of growing youngstock dry animals and draught bullocks, estimated at 2.25 lakh tonnes.[39] It is clear, therefore, that even if we fully utilise all the local resources currently available, there will be a large deficit in relation to the demand for concentrates for all categories of cattle and buffaloes.

During 1975-76, in order to produce 1 kg of cow milk 0.556 kg of concentrate feed was used in the state; the corresponding concentrate required for she-buffaloes was 0.919 kg.[40] If we assume that the composition of concentrate feed will not undergo any significant change in the coming decade, then the total demand for concentrate feeds to produce the expected level of milk output by 1985 will be 3.85 lakh tonnes and by 1990, 4.75 lakh tonnes. The state at present imports at least 1.5 lakh tonnes of concentrates and produces 10,000 tonnes of compounded feed.[41] The realisation of milk production target will then require a manifold increase in feed supplies either by import of concentrate feed, or expansion of local production of compounded feed with raw materials imported from other states or accelerating the internal production of crops (like berseem, linseed, etc.) which are a source of protein. Whether or not imports on this scale are feasible and at reasonable cost is however difficult to judge, because the intensive cattle-development activities in other states will also generate larger demand.[42] If the overall supply of concentrate feeds in the country as a whole does not meet the growing demand, the resulting shortage will necessarily raise feed prices and this in turn would adversely affect the profitability of milk production and hence the incentives for expansion of output on the required scale.

In this context, the following aspects need to be examined carefully: (1) How does the cost of concentrate feed (per unit of DCP) in Kerala compare with that in other states? (2) Is it possible and, if so, by what means to keep down the cost per unit of DCP to the minimum? (This would include search for alternative sources of DCP which are less bulky and can be converted more efficiently by the animal.) (3) What are the possibilities of, and the impediments to, the expansion of new crops (like barseam) with a large protein content within Kerala? The last mentioned aspect has received some attention in the state programme but has not shown any striking results. It is to be mentioned in this context that the diversion of more land for the production of fodder within the state, which is already faced with a severe land constraint, presents difficulties as the competition for land for producing human food is acute. Also, even if protein rich fodder could be increased, it is unlikely to benefit the very substantial number of small farmers and landless people who are involved in milk production. For them economic attraction of milk production will depend not only on the relative prices of milk and feed but more importantly on their ability to secure the necessary feed supplies from the market at reasonable prices. An effective organisation for procurement and distribution of feed at reasonable prices is critical for their survival and growth. In this context, a close link between, and integration of, milk co-operatives with food production and distribution can play a major role.

VII

Conclusion

As part of the national strategy for augmenting milk production cross-breeding and upgrading of milch animals have been taking place in Kerala during the last two decades. This programme was moving at a slow pace in the 1950s and 1960s; but in the 1970s, it has attained more importance and there has been considerable effort to improve the coverage and efficiency of this programme. In this paper we have made an attempt to examine the contribution of animal husbandry and dairy development programme to the increase in milk production and to explore the future prospects for augmenting milk production in Kerala. The following are our main findings :

(1) There was considerable increase in productivity of milch animals and total milk production in Kerala. The rise in milk production was partly due to increase in cross-bred population, but largely to the increase in level of feed input of milch animals.

(2) The profitability of milk production has gone up over the years. This was due to (a) the expansion in the size of the market for milk created by the increase in population and per capita income and the shortage in production of other sources of animal protein especially fish; and (b) the new cost-reducing technology in milk production. This, along with the pressures created by lack of alternative employment, has stimulated the smaller size rural households to take up dairying on an increasing scale as a source of subsidiary occupation.

(3) Milk production in Kerala is mainly undertaken by small and marginal farmers and agricultural labourers. More than 40 per cent of the households own only one milch animal and about 35 per cent own 2 animals each and bulk of the total milk production and marketed surplus of milk is contributed by this class of producers. The ownership of milch animals is seen to be an important factor which determines milk

consumption in rural areas. The consumption of milk is highly concentrated in the upper income groups. For 50 per cent of the households in Kerala milk is an important source of animal protein. All this underlines the necessity to give a pronounced small-farmer focus to the state's diary programme.

Keeping in mind the factors underlying the growth in milk production and the technical relationship between production and consumption of milk, we have tried to estimate the future prospects for milk production in Kerala. It is seen that the demand for milk will increase to 6 lakh tonnes by 1985 and 8 lakh tonnes by 1990. While intensive cross-breeding programme aimed at replacing the entire indegenous milch stock with improved breeds by 1990 and, if possible, earlier is desirable, it is likely to encounter several difficulties and in any case cannot by itself increase output to the desired extent. The main bottleneck for increasing milk production in Kerala in the coming decade will be the shortage of feeds especially concentrates for which the state has to heavily depend on import. Massive production of compounded feed by using domestically available resources like dry matter and internally produced as well as imported concentrates as the main source of digestible crude protein will help to reduce the degree of dependence on imported feed. Along with this, attempts should be also made to undertake a fodder production programme especially as intercrop in gardenlands. All this, combined with a viable organisation which can mobilise the small rural producers for the efficient marketing and distribution of milk and ensure them the suply of feed inputs at economic prices, will help a great deal in improving the employment and income of the weaker sections of the rural population in Kerala.

The future prospects of milk production depend to a great extent also on the strategy of cattle slaughter. In the past there has been no ban on cattle slaughter in the state and this in turn has helped in the elimination of unproductive animals and contributed to the rise in overall supply of animal protein. With the growth in cross-bred cattle population the economic rationale of an increasing rate of cattle slaughter would become stronger in the coming years, essentially because of the higher calving rate of the cross-bred stock whose age of maturity and dry period is lower than those of non-descript cows. The higher calving rate of the cross-bred population is likely to lead to an increase in the rate of growth of cattle population in the future.

TABLE A

State	Year	Proportion of Animals in Milk		Average Daily Milk Yield Per Animal in Milk (kg)	
		Cows	She-Buffaloes	Cows	She-Buffaloes
Andhra Pradesh	1966-67	38	52	0.79	1.40
Bihar	1965-66	48	51	1.23	3.14
Gujarat	1963-64	46	61	1.67	3.08
Kerala	1964-65	45	59	1.11	2.01
Madhya Pradesh	1966-67	35	40	0.51	1.77
Tamil Nadu	1965-66	43	53	1.22	1.96
Maharashtra	1965-66	32	53	0.61	2.26
Karnataka	1965-66	46	51	0.72	1.32
Orissa	1960-61	42	na	0.80	na
Punjab	1966-67	54	62	2.28	3.99
Rajasthan	1962-63	34	52	2.12	2.02
Eastern UP	1962-63	33	46	0.62	1.31

Source: Daroga Singh, *et al* "Monograph on Estimation of Milk Production", Institute of Agricultural Research Statistics ICAR, New Delhi (undated).

Since the state's economy might find it extremely difficult to support a stock of cattle larger than at present, it is essential to have a deliberate slaughter policy for the elimination of excess male and unproductive female cattle in order to control their stock and reduce the pressure on scarce feed resources There is also need to establish a network of modern slaughter houses in the urban and rural areas for ensuring efficient and hygienic utilisation of the meat and other byproducts from the slaughtered animals. It may also be mentioned in this context that the recent demand for banning cow slaughter in Kerala made by some national leaders has no economic rationale behind it. Any ban on cow slaughter in the state would be totally harmful to the growth of the livestock economy, further it is sure to affect adversely the several development projects already undertaken.

Notes

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1 Out of the 3 million bovines reported in the 1972 livestock Census 2.9 million are cattle and the rest are buffaloes. An idea of the differences in the level of productivity of milch animals in Kerala a few other regions in India can be had from Table A.

2 Around 0.5 per cent of the net sown area is under permanent pastures and grazing land and 35 per cent of the total cropped area is under-paddy. The effect of population growth, ecology and cropping pattern on livestock holdings in Kerala is discussed in a forthcoming paper.

3 See for instance, Ward and Corner, "Geographical and Statistical Memoir of the Survey of Travancore and Cochin States, 1816-1820", Surveyor General's Office, Madras, December 1827, Travancore Circar Press, 1863.

4 Reviewing the cattle wealth of Travancore and the attempts to improve it, the Travancore State Manual says; "The improvement of cattle is a vital problem in Travancore. Agricultural presperity depends to a great extent on the betterment and efficiency of cattle. The cattle problem turns around a vicious circle of want of good feed and good breed. Even at the time of the survey of Ward and Corner, the cattle were small in stature. The climatic conditions are unfavourable for the rearing of good cattle. The heavy rainfall and the comparative poverty and insufficiency of pasture lands are particularly unsuited to the breeding of good cattle. Though the country gets both the monsoons and there is an abundance of pasture during the sowing season, the fact that the rains are not spread throughout the year creates a dry season, when it is not possible to raise any kind of pasture. During the rains season the rains pour so heavily and continuously that it is not possible for the cattle to graze in the open: thus feeding is a difficult problem in dry and wet seasons. The stock is also very poor. The degeneration of the domestic cattle is due to promiscuous mating and improper and insufficient feeding. The agricultural department therefore experimented with bulls from adjoining British Indian States, Ongole, the Kangayam and Amrit Mahals are among the first batch

of foreign breeds to be tried. The results were not satisfactory. Bulls from the upper Indian breeds like the Sindhi as well as English breeds were then imported and tested. The Sindhi breed was found to adapt itself to local conditions. Efforts were therefore made to popularise the Sindhi cattle. Herds of selected bulls and cows were imported from Karachi and maintained at the Government farms. Calves born to them were weaned and were sold generally in pairs to individuals and institutions interested in cattle breeding. Complete extermination of the whole stock of local cattle was not possible. It was therefore thought that more extensive results could be obtained quickly and cheaply though less perfectly by grading up the local cows with bulls of superior "strains". See, T K Velu Pillai, "Travancore State Manual Part III" Economic Conditions, Chapter 4, Agriculture.

5 At the end of the First Plan there were only one veterinary hospital and nine dispensaries in the state.

6 Planning and Development Department, Government of Kerala, "Third Five Year Plan, Draft Outline", 1960, p 112.

7 'Formulation of Five Year Plan (1978-83)', Background Paper, "Livestock Development", Agriculture division, State Planning Board, Trivandrum, 1977 (mimeo).

8 The Key Village Scheme introduced during the First Five Year Plan was intended for the multiplication of superior germplasm from the established farms in selected breeding tracts by providing simultaneous attention to better feeding, improved breeding and effective disease control, scientific management practices and organised marketing facilities. However, since even after one and half decades of operation it failed to create any notable impact, a new scheme called Intensive Cattle Development Project (ICDP) was launched towards the end of the Third Plan. This was designed to improve the genetic potential of cows by artificial insemination in tracts which form the milkshed areas of large dairy plants with a view to enable the dairy plants to collect and process the milk upto the installed capacities. For a detailed discussion of the achievements and shortcomings of these schemes see Government of India, Ministry of Agriculture and Irrigation, "Report of the National Commission on Agriculture" (1976), Part VII, Animal Husbandry.

9 The Indo-Swiss Project and part of the Animal Husbandry and Dairy Development Department were combined and a new organisation called the Kerala State Livestock Development and Milk Marketing Board was formed in 1976. This organisation is currently responsible for the overall dairy development and milk marketing in Kerala.

10 One important breakthrough in animal production technology was the successful attempt made in the western countries in deep freezing bovine semen using liquid nitrogen as the safe refrigerent. This made large scale field application of artificial insemination in cattle breeding possible. Organised field application of frozen semen was intro-

TABLE B

Area/Group	Daily Milk Yield Per Cow in Milk			Daily Milk Yield Per Milk Cow			Cost of Milk Produced (Rs/kg)		
	BS	ND	GC	BS	ND	GC	BS	ND	GC
Plains	5.17	1.99	4.07	3.70	1.21	2.68	1.26	[illegible]	1.54
Selter farmers	4.15	1.82	3.98	3.10	0.82	2.49	0.68	0.96	0.81
Tea Labourers	3.38	1.91	2.52	2.29	0.98	1.62	0.59	[illegible]	0.49

BS. Brown-Swiss; ND: Nondescript, GC: Graded cows.
Source R K Patel, et al, "Economics of Cros-Bred Cattle: A Study of The Cattle Breeding Programme of Indo-Swiss Project, Kerala", National Dairy Research Institute, Kernal, 1976.

[illegible] Kerala in 1965.

11 Under the self-employment programme, these inseminators are authorised to charge five rupees per insemination as their fee. The necessary equipment and semen for insemination are provided by the department of dairy development and other related agencies.

12 Currently there are three bull stations and three semen banks functioning in the state.

13 According to the data furnished by the department of dairy development, about 150 dairy co-operatives were supplying an average 200 litres of milk per day to the chilling plants. The remaining societies were practically inactive and were supplying only 50 litres per day.

14 Data relate to December 1977. These plants are on the average currently operating at 40 per cent below their installed capacity.

15 Government of Kerala, Department of Animal Husbandry, "Bulletin of Animal Husbandry Statistics", July-December, 1976.

16 The average dairy milk yield of Brown-Swiss cross-bred, nondescript and graded milch cows in three extension centres of the project surveyed for the evaluation study are given in Table B.

17 Institute of Agricultural Research Statistics (ICAR) "Estimation of Milk Production and other bovine and goat practices in Kerala" (1964-65), New Delhi, (Mimeo) undated

18 Government of India, Department of Statistics, National Sample Survey, Report No 281/3, 30th round (July 1975-June 1976), "Some Estimates of the Production of Livestock Products and Related Characteristics, Kerala", March 1978, New Delhi.

19 Considerable variation in the yield levels of cows and she-buffaloes are observed between rural and urban as well as between northern and southern regions of the state. The factors responsible for this variations will be studied in a separate paper.

20 The increase in milch animal population between 1966-1972 was, according to the Livestock Census data 7.5 per cent. The rate of increase in the estimated milch animal population between 1965 and 1975 by the NSS and the IARS surveys was only 4.5 per cent. While the milch animal population estimated from the IARS and NSS surveys includes only dry and animals in milk, the population reported in the Livestock Census includes other categories such as heifers.

21 The average per capita expenditure on milk and milk products was supplied separately for the 26th and 28th rounds of the NSS from the state sample estimates. The average rural and urban prices of milk were also obtained from the state sample data for different rounds.

22 Government of Kerala, Department of Animal Husbandry, "Bulletin of Animal Husbandry Statistics". Data on the number of artificial insemination are available from 1964-65 in this half yearly publication.

23 A fee of five rupees per insemination is charged from 1972-73 onwards.

24 We have analysed the data pertaining to the number of inseminations done in 1975 and the number of calves born in 1976 from 12 artificial insemination centres in the state located in the four southern divisions. The conception rate is seen to vary between 19 to 27 per cent. In two of the insemination centres located in the High Ranges the conception rate was near to 27 per cent.

25 One of these surveys is the evaluation study of the Indo-Swiss Project. The second is a pilot survey conducted by the National Dairy Development Board. See for details: (a) "Economics of Cross-Bred Cattle" *op cit*, (b) "Dairy Development Projects for the districts of Trivandrum, Quilon, and Alleppey, Kerala", National Dairy Development Board, Anand, 1976.

26 See K N nair and A Vaidyanathan, "Inter-State differences in Milk Consumption in India, A Preliminary Analysis", Working Paper No 62, Centre for Development Studies, Trivandrum.

27 The estimates of per capita income in Kerala suffer from two major shortcomings: (a) they do not take into account the remittances of money from outside the state; (b) the export price of the commodities was moving at a faster rate than the general price level in the last one and a half decades and so the actual export income obtained may be much higher than what has been accounted in the state income estimates. These in turn must have led to underestimation of the per capita income and thus the estimated rates of growth in demand for milk and fish are likely to be lower than the actual rate of growth.

28 The per capita demand for milk and other items is estimated using the following method: $Pt = Po \; 1 + \left(\frac{It - Io}{Io}\right)^b$ where Pt = per capita demand in the t^{th} year, Po = base year consumption, Io = base year per capita income, and b = expenditure elasticity of demand. The expenditure elasticities of fish, meat and egg are obtained from the 17th round of the NSS and that of milk is estimated from 16th to 20th rounds. The estimated expenditure elasticity of demand for milk is 1.6, fish 1.3 and meat and egg 2.2.

29 For a detailed discussion of the trend in supply and consumption of fish and the functioning of the fish economy of Kerala, see John Kurien: "Towards an Understanding of the Fish Economy of Kerala: A Preliminary Study of the Current Situation and Trends in Organisation of Technology Production and Distribution of Incomes", Working Paper No 68, Centre for Development Studies, Trivandrum.

30 "Economics of Cross-Bred Cattle", *op cit.*

31 For a detailed discussion of the size and utilisation of draught animals and the factors responsible for the substitution of draught animals by milch animals, see K N Nair, 'Size and Utilisation of draught Animals in Kerala'; *Indian Journal of Agricultural Economics*, October-December 1977.

32 The overall breeding efficiency (defined as the percentage of cows in milk to total milch stock used for breeding and milk production) of cows in Kerala increased from 45 per cent in 1965 to 55 per cent in 1975.

33 Out of the total concentrate feed used in milk production in 1975-76, about 30 per cent was in the form of compounded feed. The break of the composition of the concentrate feed in milk production is given below:

Source of concentrate feed	Quantity used ('000 t)	As per cent of total
Compounded feed	62.00	29.5
Oilcake	48.00	22.8
Coconut oilcake	8.00	3.9
Rice bran, husk and other items	39.00	20.5
Total	210.00	100.00

Source: National Sample Survey, 30th round (1975-76). The data are obtained from the state tabulation.

34 Available evidence suggests a decline in birth rate in Kerala during the last decade. See, T N Krishnan, 'Demographic Transition in Kerala', *EPW*, Annual Number, 1976.

35 Note 27.

36 Note 28.

37 The annual growth rate in the population of milch animals as estimated from the Livestock Census data is about 0.4 per cent.

38 "Economics of Cross-Bred Cattle", *op cit.*

39 The estimate of concentrate requirements for the bovine stock other than animals in milk) are obtained by standardising the young stock into adult units and then assuming that the quantity of DCP required for the growing young stock and dry animals will be 150 grams per day and that of work animals will be 200 grams per day (assuming 90 working days in a year)

40 NSS Draft Report, 281/3.

41 The import estimate of 1.5 lakh tonnes is based on the total consumption of concentrate in milk production (1975-76) as obtained from the NSS data.

42 The second phase of the Operation Flood which is the largest effort to be made in the country for increasing milk production was launched on July 1, 1978 by the Government of India. This scheme covers all the states in the country and involves an investment of the order of Rs 500 crores. The scheme is expected to help 10 million rural households in augmenting their milk production.



Beyond the Emergency

Mary Tyler

Reason Wounded: An Experience of India's Emergency by Primila Lewis; Vikas Publishing House, 1978; pp vi + 207, Rs 45.

IT is well known that Indian governments were adept at putting political opponents behind bars long before the declaration of Emergency in June 1975; and that the main difference thereafter was of degree rather than substance. But the Emergency provided a cover for corrupt politicians and bureaucrats up and down the country arbitrarily to remove from circulation 'awkward' people like Primila Lewis, who could not be classified as political opponents but had had the temerity to be troublesome to the powers-that-be.

Primila Lewis did not belong to any political party, nor had she taken part in any of the mass movements of the early seventies. The supreme irony of her imprisonment under the Maintenance of Internal Security Act from July 1975 till January 1977 lay in the fact that the trade union activities which had led to her detention had been aimed solely at enforcing laws made by the Congress government itself, allegedly in the interests of the poor and oppressed. While Primila Lewis was behind bars that very same government announced a 20-point programme which contained many of the things which she and her colleagues in the Mehrauli Agricultural Workers' Union had been fighting for. And yet the Union had been brutally suppressed

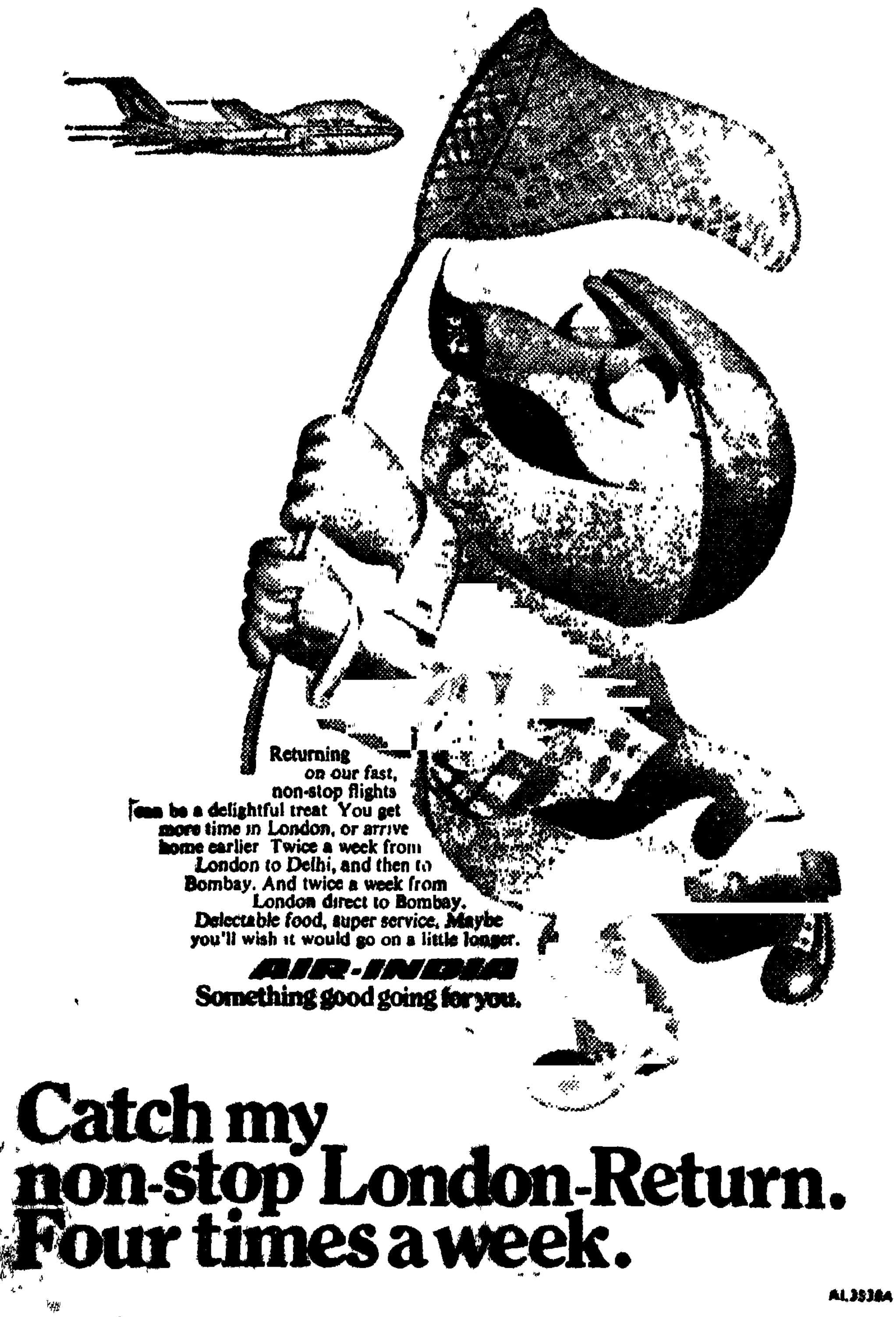
Primila Lewis and her English husband rented a farm in Mehrauli tehsil south of Delhi, in 1971, and very soon after she found out that they had come to a very special area: it had been selected by some of the mightiest in the land for their 'model farms' (and no wonder: they had generously been provided with cheap land, irrigation, transport and other facilities by the beneficent Delhi Development Authority, after it had bought the land at low prices from its original peasant owners). The Lewis' neighbours included senior diplomats, civil servants and military officers, top industrialists and politicians — including none other than Indira Gandhi herself — all taking advantage of the tax-free income on agriculture by investing in these profitable enterprises. In Primila Lewis' words: "These people were all civilised, highly educated pillars of our society. Not all of them were VIPs, but all of them were part of the modern, western-educated elite .".

However, when it came to their farmworkers, these chiefly absentee landlords were not so modern. Their farms were efficient; crops flourished, roses were grown and racehorses trained for export. But the people who produced their profits for them were little more than twentieth-century slaves; body and soul were at the disposal of the modern slaveowners, the gentry of Mehrauli. Labour legislation played no part in the relationship between employer and employed: the minimum wages act and laws about leave, compensation, sick pay, etc, were flagrantly disregarded by the employers, many of them stalwart supporters of the very government which had introduced the legislation.

"Impelled by common sense and sheer natural justice" (as well as sincerity and a good deal of courage), Primila Lewis, eschewing the company of the landowners whom one might have considered her natural allies, chose to side with the exploited farmworkers. After some experience of trying to put right some of the blatant injustices which she came across, realising that individual, unco-ordinated efforts were not enough, she helped to organise the Mehrauli Agricultural Labourers' Union. Oddly enough, in view of subsequent events, the formation of a union was assisted and encouraged by the Registrar of Trade Unions (perhaps because the authorities expected a 'tame' union to behave tamely?). By thus becoming involved with the farmworkers' problems, by finding out about rules and regulations and trying to make people aware of their rights, Primila Lewis unwrittingly developed into a threat to the local gentry. She had quite genuinely (though somewhat naively) not foreseen this. On the contrary, "We believed that our work would be appreciated not only by the government but also by the gentry on the farms. we were sure they would be responsive once they understood our work".

Responsive they were: but not in the way Primila Lewis had anticipated. "It was a revelation of the elite of our country to witness their reaction to the mere suggestion that they implement the minimum labour legislation on their farms. They reacted to the very idea that their employees had any such thing as rights. . there was no hint in any one of them of the remotest democratic consciousness, and yet these were our most 'modern' gentry. It was a shocking disappointment to realise how thin was the veneer of our de macracy".

In what I found to be the most valuable part of this book, Primila Lewis gives a detailed account of the farmworkers' struggles, providing a clear illustration of the hollowness of Congress populist 'socialism'. The poor are supposed to be soothed by laws, slogans and promises — but should, apparently, never take them seriously. The exploited migrant labourers of Mehrauli, for the most parts 'purabias' driven by poverty from their village homes in Bihar and eastern Uttar Pradesh, living always in fear of dismissal and total destitution, were understandably reluctant at first to risk everything by joining together against their 'maliks', but gradually became bolder and more adamant in their demands as they realised the potential strength in unity and organisation. As the union


Returning
on our fast,
non-stop flights
can be a delightful treat You get
more time in London, or arrive
home earlier Twice a week from
London to Delhi, and then to
Bombay. And twice a week from
London direct to Bombay.
Delectable food, super service. Maybe
you'll wish it would go on a little longer.
AIR-INDIA
Something good going for you.
Catch my
non-stop London-Return.
Four times a week.
AI.3538A

rew stronger, so did the employers' malicious determination to stamp it out at all costs. And step by step, through bitter experience, Primila Lewis came to know that it was not ignorance and apathy on the part of the workers, nor subversion by its opponents, which was preventing the government from helping the poor and oppressed; on the contrary, it was the government itself which, through police, judiciary and bureaucracy (with few notable exception), was supporting these elements which blocked the path to progress at every turn. The union's lawful demands were met with threats, intimidation, cunning and trickery, with false implication in legal cases and ultimately with arrests and physical force. This section of Primila Lewis' account ends when she herself is beaten up and has several ribs broken by local bullies. By then her initial trust in the 'law', its makers and upholders is well on the way to evaporating:

> the realisation came to me that justice a fair chance, a fair hearing, a fair anything was not for the poor and oppressed. And those like myself, once we declared ourselves unequivocally on the side of the poor, would be treated just like them. Well,, it was just as well to know this and to have no illusions on that score. Rights? We had no rights. Laws? There were only paper laws for the people, meant to create an image of justice and equality. Try to implement them and you would soon discover the real intention of the lawmakers. So what alternative was there?

Unfortunately, Primila Lewis was not given the chance to find an alternative: the Emergency was declared and she and most of the other union leaders were arrested (even the fact that they had recently affiliated to the CPI-led AITUC did not protect them). She puts her own arrest down to the fact that she had antagonised some of the most powerful people in India, i e, Indira Gandhi and certain of her henchmen. But Mehrauli was in essence no different from anywhere else; and wherever Primila Lewis might have worked as militantly against the interests of landowners, she would inevitably have come to clashes with them sooner or later. Though the Eemergency undoubtedly gave a lot of people the opportunity of exercising personal vendettas, the basic struggle in Mehrauli was a class struggle.

The latter part of "Reason Wounded" deals with the author's prison experience in Ambala and Hissar jails in Harvana. Apart from a couple of other political detenus (from the Jan Sangh), the inhabitants of the female wards in the jails were mainly from the poorest and most deprived sections of the population. Primila Lewis concentrates mainly on the struggle which she helped them to wage against the officer in charge of the female ward at Ambala, one Phul Kumari Singh, sister-in-law to Bansi Lal, then Chief Minister of Haryana and one of Indira Gandhi's Emergency vizirs. The female section at Ambala was Phul Kumari Singh's personal domain. Powerful connections ensured that her vicious nature could express itself unhindered in cheating, tyrannising and beating the poor women prisoners in her charge. Even by the abysmal standards of Indian prisons, the regime in Ambala (later transferred to Hissar) was exceptionally brutish as far as the ordinary prisoners were concerned. Beaten and sometimes raped by the police who arrested them, the women found the haven of prison walls only to be subjected to further violence, abuse and victimisation at the hands of Phul Kumari Singh, who made them work their fingers to the bone, cheated them of their dues and played off one against the other to ensure that there was continuous dissension among prisoners, to her own advantage.

Once more, by showing an 'unhealthy' interest in rules and their implementation, Primila Lewis found herself branded as a subversive and an inciter of other prisoners. Furthermore, she was faced with setbacks in her attempts to forge unity among the prisoners themselves; organisation within jail walls was quite a different proposition from union struggles outside. She was still thinking about how to overcome these problems when she was released as a result of the efforts of her husband and friends. Soon after that the Emergency was, abruptly, over.

Despite its title, this is not an 'Emergency' book. The oppression of workers in Mehrauli and jail tyranny in Ambala and elsewhere did not start with the Emergency; nor did they end in March 1977. The development of the author's own political understanding of such facts is a very important feature of "Reason Wounded", and a hopeful one.

Who Benefits from the Planning Commission?

Anand P Gupta

Distribution of Benefits from Government Expenditure: A Case Study in Selected Districts by S P Ahuja; The Institute of Economic and Market Research, New Delhi, 1978; pp xi + 164, Rs 50.

ONE thing emerges very clearly from a survey of the Indian scene. This relates to the growth of government. The total receipts from taxes levied by the Government of India and by the various State and Union Territory governments in the country have grown from Rs 626.67 crores in 1950-51, Rs 1350.41 crores in 1960-61 and Rs 4752.41 crores in 1970-71 to Rs 14612.66 crores in 1978-79 (budget estimates). As a proportion of national income, they have grown from 6.6 per cent in 1950-51, 10.2 per cent in 1960-61 and 13.8 per cent in 1970-71, to about 20 per cent in 1978-79. Government expenditures have also grown. They have grown from 9.6 per cent of national income in 1950-51, 19.5 per cent in 1960-61, 23.4 per cent in 1970-71, to over 35 per cent in 1978-79.

But the question is, growth of government for what? Has the growth of government been of any meaningful help in abolishing poverty? Has the growth of government been of any help in increasing the labour intensity of output and thus in reducing the incidence of under-employment and unemployment in the country? Has the growth of government been of any help in reducing gross disparities in the distribution of wealth, incomes and consumption expenditures?

These are legitimate questions. S P Ahuja has in the book under review, which reports the results of a study financed by the Planning Commission, attempted to deal with an important part of the last question. He says that the distribution of benefits from government expenditures is such that while the incomes of the rich households (with monthly incomes of over Rs 1,000) go up five to seven per cent, those of the poor households (with monthly incomes of less than Rs 100) go up by approximately 20 per cent. Considering that the incidence of taxation on the poor is substantially less

than 20 per cent,* this means that the fiscal system in India is working in the direction of reducing inequalities in the distribution of incomes.

This is good news. But if one goes through the details of Ahuja's work, one finds that it suffers from certain shortcomings. The first shortcoming of Ahuja's work relates to his coverage of government expenditures. He has dealt with only those government expenditures which were incurred through the district treasuries in districts of Gaya, Kanpur and Thanjavur. Such expenditures amounted to Rs 91.42 crores in 1974-75, the reference year selected by Ahuja for the study. This is considerably smaller than the total government expenditures incurred in the districts of Gaya, Kanpur and Thanjavur in 1974-75. If one works out the relevant details, it would appear that the government expenditures covered by Ahuja do not amount to even 40 per cent of the relevant total government expenditures. It may be noted that the list of government expenditures not covered by Ahuja includes the various subsidies. To the extent to which the real beneficiaries of government subsidies belong to the richer strata of society, the redistributive effects of subsidies may be just the opposite of what they are intended to be.

Anothar shortcoming of Ahuja's work relates to his crucial assumption that government expenditure benefits those for whom it is primarily intended. According to him, government expenditure on, say, education benefits students and in turn the households to which the students belong. He takes no notice of leakages in government expenditure on education. He makes no distinction between the utility derived by different households from government expenditure on education. He is not concerned with the relevance or otherwise of education to the needs of different people. What is more, he makes no adjustment at all for the differences in the quality of education received as one moves from one place to another. He simply assumes that the benefit received from government expenditure on education by a primary class student in a mud-walled, single-teacher school in a remote rural village is the same as in the case of a student attending an urban primary school in a pucca building with playground and related facilities.

Ahuja takes no notice of sinecures in government. He believes that all those who work for government render certain services and that people benefit from their services.

Ahuja believes that even those who *collect taxes*, *render services* which have the effect of augmenting the incomes of certain people. He has come up with all kinds of formulae for allocating the benefits from expenditure on collection of different Central and state taxes. Here is an example : 50 per cent of the expenditure on account of collection of estate duty and wealth tax has been allocated according to the ownership of land by households, and the remaining 50 per cent according to the ownership of pucca houses !

Ahujaa says, repeatedly, that while both Kanpur and Thanjavur are progressive districts, Gaya is a backward district. He even explains the relatively higher degree of inequality in the distribution of benefits from government expenditures in rural Gaya in terms of the backwardness of Gaya. But what is the criterion of backwardness? Ahuja does not say a word on this. If income per household is taken as the criterion of backwardness, Gaya does not rank lower than both Kanpur and Thanjavur. According to Ahuja's own data, Gaya's annual income per household (Rs 4,355) ranks lower than Kanpur's (Rs 5,372), but higher than Thanjavur's (Rs 4,108).

It is unfortunate that even the experts sitting in the Yojana Bhavan did *not notice such an obvious blunder*. Maybe they were not expected to do that. Maybe all that they were expected to do was to give a handsome project to Ahuja so that he could issue a certificate saying that "there is little truth in the commonly heard statement that benefits from government expenditures do not reach the poor". But who made the statement that benefits from government expenditures do not reach the poor? For reasons best known to him, Ahuja has not cared to say even a word on this point.

Ahuja's study is nevertheless worth reading. It is unfortunate that the book is poorly edited and spattered with printing and other mistakes. Here is a sample: "It is likely that users of services of employment exchange belonging to upper income brackets will be candidates from relatively poorer houses."

* See Anand P Gupta, "The Poor, the Non-Poor and the Taxes They Pay in India: A Statewise Study", Institute for Public Policy Analysis, New Delhi, 1978.

Dominant Castes or Rich Peasants?

John MacDougall

References to 'dominant castes' and 'rich peasants' are frequent in literature on contemporary rural India. These phrases are used, explicitly or implicitly, to describe the nature of rural power structures. These phrases refer to two somewhat different concepts, yet the concepts are rarely compared, or otherwise related to each other. Are the two concepts complementary or mutually exclusive? If the latter, which concept is preferable?

It is the purpose of this paper to discuss these issues.

I
Introduction

IN the literature on contemporary rural India, we often find references to 'dominant castes' and to 'rich peasants'. Explicitly or implicitly, these phrases are used to describe the nature of rural power structures. These phrases refer to two somewhat different concepts, yet the concepts are rarely compared, or otherwise related to each other.[1] Are the two concepts complementary or mutually exclusive? If the latter, which concept is preferable? It is the purpose of this paper to discuss these issues, in a preliminary way.

The discussion will be preliminary, because of the enormous amount of data available and needed for rigorously evaluating the dominant-caste and the rich-peasant theories; and, more fundamentally because we lack careful theory-construction from the information we now possess. It is therefore far from clear what would constitute valid and powerful tests of the merits of the two concepts. Consequently, in much of this paper I will treat the two concepts from a theoretical point of view: I will examine their rigour clarity, and ability to generate novel and compelling insights. I will, pay some attention to empirical data, however, especially to what I take to be the major national trends since India gained Indepedence (especially development efforts) and the important features of social structure and process which are found in many Indian villages.

II
Concepts

Power, Influence and Elites: Since this paper is concerned with power structures, I will at this point briefly discuss power and related concepts. I focus on power of social groups and of aggregates of social role incumbents (or social groups for short), rather than that of individuals. Then power may be defined as the ability of a social group to significantly affect the lives of other people, even if the latter resist within normal institutional settings. By confining my attention to normal settings, I imply that power is a probability, and that a group's power may change in the event of a crisis or other change. This alone can give rise to problems in locating power in third-world societies, since changes are common and far-reaching in many of these societies.[2]

Power may be distinguished from influence, or the effect that one group has over others in a society. When efforts to exercise influence are resisted, influence may vanish. This idea allows us to differentiate between power on the one hand, and elites or leaders on the other. Elites are those in roles which are particularly valued or which have major effects on others, while leaders are people who are obeyed through voluntary consent. It is logically possible for both types of social actor to lose all their influence when they are resisted.[3]

The numerous changes now taking place in India and other third-world countries are likely to be popular with some groups, and unpopular with others. So we may expect conflicts about the desirability and implementation of many changes, and it is more fruitful to focus on power structures in third-world societies than on elites or leaders. This is especially true, if we are looking at the role of social groups possessing influence or power in stimulating *or hindering development efforts*, which is a major reason for analysing power structures in the third world. It is to the concept of development that we turn next.

Development: I refer here to 'development' and not to any particular kind of development such as political or economic development, because in India the government has pursued since 1947 a broad policy of development, and because the groups with most power in rural India appear to have played a major role in determining the nature and effects of not only economic but political and social development policies. Development may be defined, then, as deliberate efforts to achieve increases in the average citizen's (i) economic well-being, and (ii) voluntary and rational participation in legitimate regional and national institutions.[4]

I give some evidence as to the extent and nature of development in Part III of this paper, so I will defer till then the question of what constitutes valid indicators of development. However, some general observations on the concept are in order. First, I confine my attention to *deliberate* efforts to 'improve' the individual's situation, since the post-War period has been marked by the seriousness of such efforts, and this can be expected to make this post-War period different from the pre-War period as regards the type of authority that powerful rural groups can claim, and the types of resources that might be made available to these groups. Of course, development efforts may lead to the opposite of the desired effect, and policies seeking some goal other than development may in fact increase (say) per capita GNP or literacy. But such phenomena are not what we usually mean by development when we refer to 'the developing countries', etc.[5] Nonetheless, the effects of development efforts may well be indirect and diffuse, especially when we consider the impact of such programmes as adult education or community development.

Secondly, *development is analytically* quite different from social justice. But empirically, a particular policy may pursue both ends. An important example of this is land reform, which is sometimes justified on the grounds that it makes more land available to more productive cultivators — i e, it promotes development — and at other times on the grounds that it reduces inequities in the distribution of the most important rural economic resources,

The Dominant-Caste Theory[6]: According to this theory, in many of India's villages there exists a particular caste which possesses most of the major power resources — *viz*, large numbers of caste members; high ritual status; most of the land and other economic assets; the performance of functionally influential and valued occupations; relatively advanced levels of Western education; and occupancy of authoritative offices in traditional/informal and modern/formal local-government institutions.[7]

By 'caste' I mean *jati*, or local group with hereditary membership, which has a local name, performs some traditional occupation(s), is endogamous, and is ranked relative to all other such groups (the ranking is mainly according to ritual purity, expressed in such norms and practices of social interaction as the giving or receiving of food). While space does not permit me to discuss the corollaries of this definition, I will observe here that castes frequently are found in several approximately adjacent villages, because of norms of village exogamy, and because some castes practise occupations that require them to find patrons or clients in other villages.[8]

The dominant-caste theory implies that castes overlap in their positions on the various stratification dimensions, and that a high position on one dimension helps the caste to be in high positions on other dimensions. For instance, a caste with many members relative to the village's population, and possessing most of the land in the village, can then use the coercive power that land and numbers confer, to succeed in efforts to get elected to official positions in official *panchayats* (councils) and in claims to high ritual status. The following is a striking, albeit perhaps extreme, case in point:

> Of 384 current residents of Sirkanda, 90 per cent are Rajputs . Rajputs own 94 per cent of the arable land surrounding Sirkanda ... A Rajput family has the only locally-owned and operated shop, and another Rajput family owns the building in which the outside merchant keeps his shop. Low-caste income is derived primarily from high-caste villagers in return for service as artisans. It is therefore apparent that Rajputs are economically the dominant caste in Sirkanda.).
>
> The president and vice president of the village council, as well as their opponents in the last election and their predecessors, all are Rajputs... .
>
> A frequent criticism which low-caste people voice against the village council is that it is dominated by Rajputs and therefore dispenses 'Rajput justice'....
>
> In the more important realm of traditional leadership and power in the village, Rajputs play the dominant role . . Rajputs are always represented and dominate even though their caste-fellows may not be involved in the issue at hand.[9]

What are the broad theoretical and ideological presuppositions behind the dominant-caste theory? The answer to this question is not clear, but dominant-caste accounts of power in rural India are often pluralistic. A pluralistic view of power is found especially in studies which treat the extent of dominance as a variable, and so admit the possibility that many castes or other groups have access to power resources, and therefore share power in the village. Moreover, dominant-caste accounts often point out how castes which dominate different regions must form coalitions in state or national politics, but thereby invite non-dominant castes to form similar supra-village coalitions which may increase the power of these lower castes. Coalition formation is also a result of factional behaviour, which I discuss below.[10]

Like their counterparts in analyses of power in industrialised countries, these pluralistic accounts by implication derive from a functionalist view of society. For instance, in Sirkanda, the existence of a dominant caste is thought to make people's roles and identities very clear to them, and hence contributes to the stability and smooth functioning of the division of labour.[11] At the state and national level, co-operation between castes and regions is encouraged, and the political system thereby stabilised.

The Rich-Peasant Theory: This is a theory of political and economic control, and of its consequences. Specifically, it is held that, since Independence, command over the economic surplus in the village and of the village's formal and informal political institutions, has increasingly passed to rich peasants. Through this control, rich peasants have been able to channel the lion's share of the government's development resources to themselves and away from low-status groups, and also to exert major power in state and local governments. As a result, the rich peasants have been able to protect their control of intra-village economic and political processes.

Who are peasants? Following Wolf, we may characterise them as self-sufficient agriculturalists who transfer some of their product (which constitutes part of the village's economic surplus) to non-cultivating group(s).[12] Rich peasants then, are those who own the largest amounts of land. In the contemporary Indian context, such peasants produce an economic surplus above their family's needs, usually rent out some land and/or hire labourers to work some of it, and do not cultivate the land with their own hands. The rich-peasant theory implies further, that while there may still be non-peasants in the village, they acquire less and less of the economic surplus, and their functions where lucrative (e g, those of teacher or trader) are increasingly performed by rich peasants or by members of rich peasants' lineages.

Details of the rich-peasant theory are unclear in the literature, compared to the details of the dominant-caste theory. But the intellectual and ideological origins of the rich-peasant theory are quite clearly Marxist. Specifically, it is assumed that the major power resource is control of village political institutions and of the means of production, and that any caste-purity or occupational-prestige disabilities that rich peasants may incur are relatively unimportant. It is also assumed that peasant society is (at the least) likely to be stagnant, but that in the current historical era peasant society is being forced to change by the intrusion into it of the dynamic international-capitalist society. In particular, rich peasants act in part as peasants have always done, but in part as early-capitalist entrepreneurs, who hire free wage labourers, sell their product in a competitive market, and use the profits on the sale for productive investment.[13] For example,

> The abolition of *zamindari* [the institution of government tax-farmers, introduced by the British in some parts of India] enabled two interrelated processes to take place among the peasantry in Desipur. First, economic differentiation occurred in a more dynamic way as the richer peasants used their surpluses for investment and in effect accumulated capital which further inhibited the capacity of others in the village to accumulate. Sharp horizontal cleavages between classes of peasants were created in the village; and the class unity generated by the fight against the Zamindar disappeared. Secondly, political leadership in the village remained with the same families, but their power was now more autonomous, derived from *their* absolute control over a significant proportion of the principal means of production—land. Whereas before, their status as tenants and the dependent nature of their political power had given them a static

function as a vehicle for the upward transmission of surplus, now they were emerging as a rich peasant class, consisting in Desipur of about six extended families, which was able to expand its economic and political domination of the village.... In Desipur, one of the [illegible] households, headed by [illegible], has established a small grain-milling plant — the only such plant in Desipur — on the basis of private credit from a marwari [member of an ethnic group from Rajasthan in Western India that traditionally engaged in trade] in a nearby town. The same family has a government 'fair-price' shop, from which certain commodities — kerosene, oil, sugar, etc — are sold under licence.[14]

III

Changes in India since Independence

Politics and Development; Some Trends: The purpose of this section is not to give a historical account of events since 1947, but rather to suggest some broad trends and thereby to orient the reader to the background against which village-level processes have been occurring.

The most striking trend, I submit, is that in (broadly speaking) the 1950s, development efforts were not very controversial, and so not an issue in politics; but in the nineteen-sixties and seventies, this is no longer true. Starting in the early sixties, rural development strategies were apparently failing, especially on the food-production front. Consequently, nation-wide institution-building activities were curtailed, and replaced by the technological package of the Green Revolution, which was selectively aimed at rich regions and cultivators. This change of policy was probably bound to generate political conflict, and the conflict was aggravated when the high-yielding varieties ceased to be so high-yielding in the years 1972-75, partly because of the post-1973 escalation of oil and fertilizer costs.[15]

The controversy over development and other policies was greatly augmented by the nation's political travails during the past decade and a half. Between 1962 and 1971, India was involved in three wars with its neighbours, which drained resources from development to defence. In the sixties the amount and source of foreign aid became more uncertain with the US withdrawing from the Bokaro steel plant and massive but temporary infusions of American food aid in the scarcity years of 1965-67 and 1975. Since 1967, the internal political system has been more unstable, not only as regards changes in whichever party is in office, but as regards the increasing use of extra-constitutional measures by opposition groups (major instances were the movement led by Jayprakash Narayan in 1974-75 that sought to oust corrupt politicians, and the often-violent land-grab and landlord-killing movements), but also by the government (not only in the Emergency of 1975-77, but also in its predecessors, such as the Maintenance of Internal Security Act and Indira Gandhi's increasing reliance on the FBI-like Research and Analysis Wing).

Some Indicators of Development: In spite, or perhaps because, of the increase in politico-economic tension since about 1960, development has continued, *albeit* often at a slower rate. In the economic sphere, foodgrain availability has registered a modest overall gain: from 394.1 grams per capita per day in 1950, to 447.2 in 1960, to 495 in 1973. In the period 1966-76 — i e, during the period when the high-yielding variety programme was in full swing — food production grew by a mere 2.5 per cent per year (taking both good and bad harvests into account). This is a lower growth rate than that experienced between 1947 and 1965; but it is still reasonably creditable, in so far as the earlier growth was largely the result of increases in crop acreage, while after 1965 the extensive margin had been reached, and the Green Revolution made possible some growth in yields. Further, the number of tractors jumped from 39,603 in 1961-65, to about 200,000 in 1974.[16]

Turning to some other indicators of economic and social development, despite heavy (but declining, proportionally) public-sector investment in industry, the proportion of the population living in rural areas, hardly changed: it was 82.7 per cent in 1951, 82.0 per cent in 1961, and 80.1 per cent in 1971. However, the extent of surfaced roads grew by leaps and bounds, from 243,000 kilometres in 1951, to 448,000 in 1961, and 474,000 in 1972. Literacy registered significant gains, from 51.6 per cent of the whole population in 1951, to 24.0 per cent in 1961, and 29.45 per cent in 1971 (or 23.7 per cent in rural areas in 1971).[17]

Finally, an indicator of political participation is the proportion of the electorate that votes in elections. Let us consider state Assembly elections — in which rural people are most likely to be interested, and whose outcome is probably most important in its impact on villagers. Here there has been a slow but steady increase in the proportion voting, from 50 per cent in 1952, to 52 per cent in 1962, to 58 per cent in 1972.[18]

IV

The Two Theories Compared

In this section, I focus on three issues, since they bear closely on the logic of the two theories, and they are empirically interesting. Before I turn to these three issues, however, I would like to briefly discuss some other points.

First, it may be said that the dominant-caste theory is preferrable, since it employs a concept more central to Indian culture than the concept 'peasant'. To be sure, social scientists should take very seriously the concepts and terms used by the people they study, and discuss their terms with their informants. But ultimately, social scientists must stand by their own terminology, especially that terminology which facilitates fruitful comparative analysis. In addition, if social scientists are to only use local people's concepts, then which of those concepts are they to choose? This problem is especially serious in a country as hierarchy-ridden, as large, and as heterogenous as India.

This brings me to the second point: The enormous size and variability of Indian society. While I will refer to processes that appear to be common in many of India's villages — especially perhaps those in the more densely-populated regions — yet a major task in any analysis of nation-wide patterns of inequality in rural India is to determine the degree of variation and the effect on inequality of such factors as ecology, cropping pattern, size and heterogeneity of village, and historical experience. With many studies of villages in post-Independence India now available in published form, it should be possible to perform much of this task by a careful analysis of existing data.

Third, I will not discuss the crude applicability of the dominant-caste or the rich-peasant theories. To be sure, many of the best-known village studies point to one *jati* owning most of the local land, controlling village panchayats, being relatively well-educated, etc Further, we may observe that in 1954, 13 per cent of the rural households in India owned 65 per cent of the land, in 1961-62, 69 per cent of the credit in rural India was provided

by local landlords, merchants or money-lenders; and in the same year, 40 per cent of rural households fell below a conservatively-defined poverty level.[28] Such data suggest *both* theories are correct.

And a fourth point is relevant here. It is very important, even though I do not dwell on it at length. There are many similarities between the two theories, despite the great difference in the broad ideological assumptions they make (see Section II). Thus, according to both theories, one power resource alone is not sufficient, and superior intra-village power requires that one's group also control some extra-village power resource(s). It is further agreed by partisans of both theories that primordial loyalties (to use Geertz's terms) may still be very strong in today's villages — not least, even for rich-peasant theorists, loyalties to caste — yet such loyalties are sometimes used in a very calculating, opportunistic way.[30]

While the rich-peasant and the dominant-caste theories are thus supported superficially by much evidence, and while they have many points in common, there are still several important processes that the theories point to, where the theories suggest different decisive principles at work. When for example a factional dispute rends a village in contemporary India, is this at bottom a conflict based on caste or class cleavages? (Perhaps we should call rich and poor peasants members of different strata rather than members of different classes. There certainly is plenty of evidence that we cannot neatly divide the inhabitants of many villages into landowners, share-croppers and landless labourers. Nevertheless, we also now know of case after case where the differences of wealth and authority between typical rich peasants and typical landless labourers — and sometimes typical small landowners — are enormous. In view of this, the term 'class' is used here, in preference to 'stratum' which suggests finer gradations and less inequality.)[31] So let us now examine three types of social process in rural India.

(1) *Supra-Village Power Processes*: As I have mentioned, dominant (and other) castes often have to operate across several villages, because of village-exogamy norms and the specialised castes' inability to support themselves in only one village. Moreover, in the current period of universal suffrage, many electoral compaigns appear to be at bottom expressions of conflicts between rival dominant castes. In the process, members of dominant castes recruit from among the subordinate castes in their attempt to form sufficiently large vote banks. This may give rise to, or influence the course of, factional disputes. I discuss factionalism in greater detail below, but here I point out that factional conflicts often cross class lines, and thereby make it (at least) possible for conflicts to be organised along caste lines.

On the other hand, the participation of rich villagers in the broader economy is not very satisfactorily explained by resort to dominant-caste reasoning, and in this area rich-peasant theory is preferable. To be specific, participation in the market outside the village is quite well explained as a result of economic and political tensions impinging on the rich-peasant class as it comes into contact with the early-capitalist economy. For example, Breman[32] has analysed the causes for the shift of the Anavil Brahmin rich peasants from rice to mango cultivation in Southern Gujarat. These causes are, first, the availability of better transportation facilities, which made possible the marketing of a perishable crop like mangoes; and second, the desire of the Anavils to continue to be rich while personally involving themselves in cultivation to the minimum. The Anavils' means of maintaining such a life-style on the basis of rice cultivation were jeopardised by the greater ability of their traditional landless servants (Dublas) to leave the village temporarily for work in urban brick-yards. In this instance, power is exercised by one caste over another. But the reasons for the change in the basis and extent of the Anavil's power have more to do with their need for economic control and a secular life-style, than with their desire to maintain caste purity and solidarity.

Moreover, when we consider the participation of rich villagers in the district- and state-wide political process, the rich-peasant theory readily suggests ways in which such villagers are able and anxious to involve themselves in politics. They are able to do this, because their trade, moneylending, and related activities, force them to gain an understanding of the world of official permits, organisational charts, and so on. Moreover, they need the support of the relevant politicians and bureaucrats in order to protect their economic interests. These contacts with urban politics have been strengthened and multiplied with the establishment of the community-development programme in the late 1950s; and the struggle for scarce government resources was no doubt exacerbated as the development decisions became more controversial — as I suggested in Section III.[33]

(2) *Cyclical Processes*: It may be argued that the dominant-caste theory is preferable because, despite all the efforts of the past 30 years, Indian villages by large remain stagnant. To a considerable extent, this view is grounded in the analysis of cyclical processes in rural India, since this analysis suggests that Indian villages can insulate themselves from external forces for change by absorbing them into cyclical changes that have occurred for centuries.

One such change is caste mobility *via* Sanskritisation. Briefly, Sanskritisation is the process whereby a *jati* that acquires more economic resources and authority in the village successfully raises its ritual status by (for instance) manufacturing a new mythical genealogy; and these claims to higher status succeed after a few years because even ritually superior *jatis* acknowledge the *nouveau-riche jatis*' political and economic power. Srinivas, the originator of the concept of Sanskritisation, has suggested that *Harijans* (untouchables) cannot usually succeed in their efforts at Sanskritisation because of the ritual abys that separates them from 'clean' Hindus — not to mention their abysmal economic and political powerlessness. No doubt, this is true; but we also know of many cases of ranking efforts (if not always Sanskritisation, though the neo-Buddhist movement might be seen as a kind of effort at Sanskritisation) on the part of *Harijans*. In any event, efforts at caste mobility which use the language of ritual purity can be easily explained by the application of dominant-cate analysis.[34]

It can also be argued that Sanskritisation efforts may result in major changes of the rural stratification system — but I defer discussion of this topic to the next section.

A second cyclical process that has been studied at length is factionalism. It is suggested that in many villages — especially the larger and more hateroge-neous ones — the typical structure of social relations and political conflict is one of factions. The shape of a village's factions is a set off inverted trees, like the following (where solid diagnonal lines indicate ties of obligation and loyalty, and points are lineages).

The ties of obligation that cement faction-members together include those of *jajmani*, which is the structure of norms governing the performance of

tr[illegible] one caste for another, and the payment of castes for such performance. However, factions compete for members, especially when coercive power is derived largely from numbers of able-bodied male supporters. It also appears that villagers have always shifted from one faction to another when the rewards for doing so outweighed the risks. So, while faction membership it is also often opportunistic in practise. This combination of forces allows forces allows for flexibility in the village power structure (or that of a group of villages, where the factional conflicts are focused outside the village).[25]

Now, in so far as factions divide villagers into vertical groups rather than horizontal ones, it might be said that the evidence about factionalism should be counted against both the dominant-caste and the rich-peasant theories. This point is conceded, and in so far as it is justified by the evidence, it argues for a distribution of power in Indian villages that is more explicitly pluralistic than the distribution indicated in the dominant-caste theory. However, as I indicated in Section II, most proponents of the dominant-caste theory treat the degree of dominance as a variable. Moreover, in even the most faction-ridden village, inter-caste relationships remain an important factor determining who belongs to which faction.

(3) *Secular Changes:* India's villages are said increasingly to be undergoing profound changes, and becoming what they never were before. Let us briefly consider some of the changes that are said to be occurring.

First, it is claimed that the cyclical processes I have just discussed are taking on new forms and are being absorbed into the secular changes, so that they are no longer mere cyclical changes. Harold Gould has suggested that even in villages, some Brahmins react to Sanskritisation by claiming a monopoly on new sources of prestige, as Western education. Moreoever, Sanskritisation efforts may well bring their participants in today's villages into the wider political arena, as they seek allies in their own or other castes and form caste associations, factions within parties, or even new parties. To the extent that these changes take place, they weaken local *jati*, as the bond that ties people together, and facilitate (if not compel) rich-peasant loyalties. Claims to Western education as a source of prestige are inherently individualistic, and may increase people's awareness that they belong to at least a status-group if not a class. The [illegible] may happen when members of the same or similarly-ranked *jatis* engage in urban politics and are required to use the rhetoric of Western politics.[26]

Turning now to secular changes as such, the rich-peasant theory is itself a theory of secular change, while the dominant-caste theory is not (cf. Section II). At the village level, any studies suggest that the *jajmani* system is breaking down (sometimes as a result of outright refusals by lower *jatis*), and traditional obligations (say to work on a landlord's land) are being replaced by the employment of casual (increasingly migrant) labour. New occupations are harder to classify as regards *ritual* purity, even though their secular prestige may be unambiguously ranked. New settings of sociability, such as buses and tea stalls, are more and more used by villagers, and do not permit the rigid observance of caste-ranking norms. These changes *allow* for class to be more important as a major operative principle in the villages' lives. Moreover, there is evidence that class is *likely* to be increasingly important, since non-agricultural economic resources, such as credit and trade, are probably more and more monopolised by rich landlords (as we saw in the case of Desipur village in Section II).[27]

There are, too, factors operating at a level above that of the village, which appear to bear out the hypothesis that class is becoming more and more powerful as a basis of power. I have pointed out how rich peasants are able and willing to engage in district- and state-wide politics. In this they have been helped by and large by many of the development programmes of the past three decades For example, the abolition of *zamindari* and the non-enforcement of land-ceiling laws have benefited rich peasants, as have green revolution programmes in the districts involved. We also have plenty of information on how members of the rich peasantry have been able to turn most district and state political decisions to their advantage (especially when we consider the all-important process of implementation of laws and regulations rather than their enactment). Not surprisingly, these people dominate not only official governmental institutions, but also co-operatives and (at least at the district level) many political party machines; and they frequently receive the lion's share of the irrigation water, agricultural and industrial loans, and the other development resources the government dispenses to rural areas. To be sure, members of locally dominant castes no [illegible] benefit from these processes, but I suspect that increasingly it is the richer members of these castes who receive most of these benefits.[28]

It might be objected that the case for the rich-peasants theory has been overstated, since in rural India class-based political parties still receive little support, and factional parties are more common (even in regions that are linguistically and religiously homogeneous). However, the existence of a class society is a different thing from class-consciousness, or from the involvement of a class society's members in class-based parties. Further, in those rural areas where caste organisation is weakest, class-based parties are strongest — for example, the Communist Party of India (Marxist) in West Bengal.

V

Conclusions

Is the rich-peasant preferrable or the dominant-caste theory preferrable? This question is hard — indeed, impossible — to answer conclusively, given the lack of data that would permit a rigorous test. Indeed, one useful conclusion one can draw from this hurried survey of some of the evidence concerns what would constitute rigorous tests. I suggest that the following would be informative tests: In villages — especially conservative ones where social distance between castes is great and norms of caste interaction are rigidly enforced — do we find that agricultural labourers are increasingly hired on the basis of their ability to work rather than of their caste, and on a casual money-wage basis? Of course, membership in a particular caste is often treated by employers as evidence of reliability and competence at work. Nevertheless, we might find rural employers increasingly flexible about which castes they should recruit from.[29] In caste associations spanning groups of villages or even several districts, do we find increasing co-operation on class grounds, even in conservative regions? In state-wide debates about rural legislation and its implementation, especially regarding issues in which ritual interests are at stake, are the victors characterised more by their caste with wealth varying, or by their class with caste varying? Issues that one might examine in this way are the abolition of village-level untouchability and land reform (on which the laws vary from state to state, as does the states' caste composition).

However, one can also make some tentative choice between the two theories on the basis of the sorts of con-

[illegible] my [illegible] (socialists) reject

paper [illegible] to consider the possibility that rural India has been undergoing major secular changes in the decades since Independence — which may, of course, be the continuation of changes during British rule and before. Given this, the dynamic emphasis of the rich-peasants theory makes it greatly preferrable. Moreover, by postulating the existence of two systems in tension — the peasant and the early-capitalist — the rich-peasant theory allows for variation in the form and presence of change, and can explain the apparently slow but irreversible pace of change in many of India's villages. The theory also accounts for the apparently novel intensity and strength or class feeling evident in some recent rural conflicts in India (not that India is about to become another Viet Nam: episodes like the burning of agricultural labourers' huts in Thanjavur district in 1969 were ephemeral as overt outbreaks).[30]

However, the rich-peasant theory has been elaborated to nearly the extent that the dominant-caste and cognate theories have been.[31] Bearing in mind the similarities between the two theories that I pointed out in Section IV, I suggest that the rich-peasant theory can draw on insights and hypotheses suggested by the dominant-caste (and other) theories — and perhaps in certain respects, can be merged with the dominant caste theory — especially in the following areas.

First, processes of legitimising village power structures. It is very likely that many rich peasants continue to use caste status to legitimise their power, and we need to know more about when and how rich peasants Sanskritise and employ abstruse texts to confuse the thinking, and generally occupy the intellectual and social energies, of petty landowners, landless labourers, etc.

Second, and in conclusion, the nature of supra-village processes deserve closer attention. For example, a few network studies have traced flows of political loyalties between castes and from villages to smaller and larger towns[32] But, despite our wealth of knowledge about factions, we do not know much about which networks and types of loyalties are really important, and only a few social scientists have put the insights of network theory to work in explaining rural elites. Some students of caste, such as Bailey, have forcefully suggested that we should see the village, the district, the state, and the national socio-economic/political systems as analytically distinct, and often empirically isolated. Marxists (especially those who this notion of separate systems, or dual economies, but it deserves closer attention by serious adherents of the rich-peasant theory. For example, rich peasants' power may be quite legitimate at the district or state level, but it is much less so at the village level. And for this reason, rich peasants may be driven to use more and more coercion to maintain their power in the village, or may increasingly engage in district-wide commerce and politics as a way of avoiding village entanglements. A hypothesis like this is derived — like others I have mentioned — from the dominant-caste analysis, but could usefully supplement the rich-peasant theory.[33]

Notes

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1 An exception to this is the essays in Andre Beteille, "Studies in Agrarian Social Structure" (New York: Oxford University Press, 1975).

2 Cf Robert Dahl, 'The Concept of Power', *Behavioral Science*, Volume 2, July 1957. Charles Tilly, "From Mobilisation to Political Conflict", unpublished manuscript.

3 Bernard Barber, "Social Stratification" (New York: Harcourt, Brace & World, 1957). Robert Bierstedt, 'The Problem of Authority', in Morroe Berger (ed), "Freedom and Control in Modern Society" (New York: Van Nostrand, 1954). There is, however, usually of continuum of coerciveness and voluntariness in power relations; at one extreme, very low-status groups in a society characterised by great inequality may be so used to being coerced that they cannot conceive of voluntary compliance. See, for example, John M Cohen and Norman T Uphoff, "Rural Development Participation" (Ithaca: Cornell University, 1976), p 92n.

4 Clifford Geertz, ed. "Old Societies and New States" (New York: The Free Press, 1963). Daniel Lerner, "The Passing of Traditional Society" (New York: The Free Press, 1958.

5 A possible example of economic and social progress being the unintended effects of non-development policies is that following the introduction of poll taxes by colonial regimes in various black African countries. Critics of aid programmes have suggested that they in fact accelerate underdevelopment: e g, N K Chandra, 'Western Imperialism in India' *Economic and Political Weekly* (*EPW*), volume 8, nos, 4-6, Annual Number, February 1973.

6 I ignore here Louis Dumont's theory in his "Homo Hierarchicus" (Chicago: University of Chicago Press, 1970) not because it is unimportant, but because it is fundamentally a theory of cultural systems, and hence not very relevant to the analysis of structure in this paper.

7 H D Lakshminarayana, 'Dominant Caste and Power Structure', *Behavioral Science and Community Development*. Volume, 4, no 2, September 1970. The theory was first spelled out by M N Srinivas in 'The Dominant Caste in Rampura', *American Anthropologist*, volume 61; 1959.

8 F C Bailey, 'Closed Social Stratification in India', *European Journal of Sociology*, Volume 4, no 1, 1963. McKim Marriott, 'Interactional and Attributional Theories of Caste Ranking', *Man in India*, volume 39, no 2, June 1959.

9 Gerald D Berreman, "Hindus of the Himalayas" (Berkeley: University of California Press, 1972).

10 Paul R Brass, 'Factional Politics in an Indian State" (Berkeley: University of California Press, 1965). T K Oomen, 'Rural Community Power Structure in India', *Social Forces*, volume 49, no 2, December 1970. Srinivas, *op cit*. There is a whole body of political-science literature on post-Independence India, which is usually pluralist in outlook. Brass's book is a good example of this

11 Berreman, *op cit*, p 242.

12 Eric R Wolf, "Peasants" (Englewood Cliffs Prentice-Hall, 1965).

13 Shlomo Avineri, ed. "Karl Marx on Colonialism and Modernisation" (Garden City: Doubleday).

14 Geof Wood, 'From Raiyat to Rich Peasant', *South Asian Review*, volume 7, nol, October 1973, pp 8, 14.

15 Biplab Dasgupta, 'India's Green Revolution', *EPW*, volume 12, nos 6-8, Annual Number, February 1977. John W Mellor *et al*, "Developing Rural India" (Ithaca: Cornell Univeersity Press).

16 Dasgupta, *op cit* p 242. Government of India, Ministry of Finance, Department of Economic Affairs, "India: Pocket Book of Economic Information, 1970", p 50. Government of India, Ministry of Information and Broadcasting, Publication Division, "India: A Reference Annual, 1976", pp 6, 7, 181. The population in 1971 has been estimated. United Nations, Department of Economic and Social Affairs, Statistical Office, *Statistical Yearbook*, 1975, p 115.

17 Cogernment of India "India 1970", p 89. Government of India, "India 1976", pp 12, 13, 52.

18 I am grateful to John Field for supplying me with these figures.

19 Paresh Chattopadhyay, 'Trends in India's Economic Development in Kathleen Gough and Hari P Sharma, eds, "Imperialism and Revolution in South Asia" (New York: Monthly Review Press, 1973), p 107 V M Dandekar and N Rath, 'Poverty in India', *EPW*, volume 6, no 1, January 2, 1971. Angus

Maddison, "Class Structure and Economic Growth" (New York: W W Norton, 1971), p 106:

20 Geertz, *op cit*

21 Andre Beteille, "Caste, Class and Power" (Berkeley: University of California Press, 1971).

22 Jan Breman, "Patronage and Exploitation" (Berkeley: University of California Press, 1974).

23 See, for example, F G Bailey, "Caste and the Economic Frontier" (Manchester: Manchester University Press, 1957), and "Politics and Social Change" Berkeley: University of California Press, 1963).

24 M N Srinivas, "Caste in Modern India and Other Essays" (Bombay and New York: Asia Publishing House, 1962). Cf the panel on 'Dalit' at the annual meetings of the Association for Asian Studies, New York, March 1977.

25 See, for instance, Berreman, *op cit*, Walter C Neale "Economic Change in Rural India" (New Haven: Yale University Press, 1962), and Ralph Nicolas, 'The Structure of Politics in Villages of South Asia', in Milton Singer and Bernard S Cohn, eds, "Structure and Change in Traditional India" (Chicago: Aldine, 1968).

26 Harold Gould, 'Sanskritisation and Westernisation', *Economic Weekly*, June 24, 1961. Max Weber, 'Class, Status and Party', in Hans Gerth and C Wright Mills, eds, "From Max Weber" (New York: Oxford University Press, 1958). Lloyd and Susanne Rudolph, 'The Political Role of India's Caste Associations', *Pacific Affairs*, volume 3, 1960.

27 Beteille, "Caste . ", Breman, *op cit*. Wood, *op cit*. p 10. K Alexander, 'Emerging Farmer-Labour Relations in Kuttanad', *EPW* volume 8, no 34, August 25, 1973.

28 Dasgupta, *op cit*. Joan Mencher, 'Land Ceilings in Tamil Nadu', *EPW*, volume 10, nos 5-7, Annual Number, February 1975. Donald Rosenthal, 'From Reformist Princes to Co-operative Kings', *EPW*, volume 8, nos 20-22, May 19 and 26, June 2, 1973.

29 Breman, *op cit*. Wood, *op cit*. Cf similar phenomena in urban India reported in Richard D Lambert, "Workers, Factories, and Social Change in India" (Princeton: Princeton University Press, 1963), and Morris D Morris, "Emergence of an Industrial Labour Force in India" (Berkeley: University of California Press, 1965).

30 Gail Omvedt, 'Revolution and the Rural Proletariat in Contemporary Western India', *Journal of Contemporary Asia*, volume 2, no 3, 1973.

31 Beteille, "Studies...".

32 Adrian Mayer, 'Municipal Elections: A Central Indian Case Study', in C H Philips, ed, "Politics and Society in India" (London: George Allen & Unwin, 1963).

33 Andre Gunder Frank, "Latin America: Underdevelopment or Revolution" (New York, Monthly Review Press, 1969). Bailey, "Politics...".

R and D Planning and National Plans

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Ever since 1951 when India adopted the path of planned economic development, the role of R and D as an instrument of social change has been recognised; and in recent years, there has been a conscious attempt to plan and orient R and D efforts to the achievement of national objectives. This paper which focuses attention on the inter-relationships between the R and D plans and the National Plan shows that there has been a broad conformity between the orientation of efforts in the R and D sector and the orderings of different socio-economic objectives in the National Plan, though this broad conformity itself cannot be viewed as entirely a planned outcome.

THE principal objective of any exercise in development planning would be to formulate programmes towards realisation of a given set of socio-economic objectives. Ever since 1951, India has been engaged in such an exercise with the formulation and execution of quinquennial development Plans. India's Fifth Five Year Plan (1974-78) had for its principal objectives removal of poverty and attainment of self-reliance. There has also been a progressively increasing recognition of the role of R and D as an instrument of social change and in recent years, with a conscious attempt to plan and orient R and D efforts to the achievement of national objectives. For the first time in India, a formal 5-year Science and Technology Plan (1974-78) was formulated by the National Committee on Science and Technology (NCST) with the objectives of integrating the S and T Plan with the total National Plan and using Science and Technology as instruments for the attainment of national, social and economic goals.

This study focuses attention on the inter-relationships between the R and D Plan and the National Plan and as such would be of interest to those involved with planning in general and R and D planning in particular.

The question whether or not R and D can be planned has been widely debated. (See works cited under 'References'). The controversy centres round the feasibility or otherwise of influencing the course of scientific progress by resource allocation decisions. Breakthroughs in science are, of course, unpredictable and cannot be planned. Yet, a good part of the Indian R and D effort is oriented to improvement in or is related to existing knowledge and known technology. It is believed that in respect of this part, resource allocation decisions can influence the scope and pace of outcome. Thus, decisions being taken to allocate resources as between R and D and other activities and among R and D programmes would, in the sense of choice among alternatives, constitute planning of R and D.

Scope and Methodology

In India, the perspective of R and D is limited rather exclusively to its technical parameters. A wider perspective, covering the social, economic and cultural facets of the people for whose benefit R and D is planned is generally missing. The scope of the study has been conditioned by this characteristic of the R and D system and as such the study excludes activities connected with the transfer of product/process technology; the practical consequence of this omission, however, is unlikely to be serious.

R and D activity in India is almost entirely in the government sector and is organised under certain major agencies — such as the Department of Atomic Energy (DAE), the Defence Research and Development Organisation (DRDO), the Council of Scientific and Industrial Research (CSIR), the Indian Council of Agricultural Research (ICAR), the Department of Space (DOS), the Department of Science and Technology (DST), the Indian Council of Medical Research (ICMR), the Research, Design and Standards Organisation (RDSO) of the Indian Railways, the Telecommunication Research Centre (TRC) and several R and D units attached to public sector enterprises.

Since the main concern here is the relationship between the R and D efforts (measured in terms of financial outlays) and the realisation of the socio-economic objectives, we exclude from the purview of this study R and D activities of the DRDO and DOS, which are primarily oriented towards the achievement of strategic/defence objectives. Also excluded are the programmes of DAE because of the inseparability of the strategic element in their R and D.

For purposes of analysis, the socio-economic objectives of the Fifth Plan have been recast in terms of (a) meeting the basic needs of food and food articles, clothing, housing, and health; (b) employment and income generation; and (c) self-reliance. (Certain other dimensions of basic needs such as transport, education, energy and environmental quality are also considered.)

Employment and income generation, in turn, is considered from the point of view of efforts oriented towards village industries and crafts, small-scale industries, new economic plants and new economic uses for agricultural residues and by-products and other schemes of rural development (including integrated rural development).

As for self-reliance, it is taken to mean a progressive dimunition in the dependence on foreign aid.

In this study, the research project is taken as the basic unit of R and D. In linking the objectives of these R and D projects with the socio-economic objectives, the content of the R and D activity was analysed and the objectives most likely to be realised as a result of successful implementation of the R and D project were noted. In case of R and D projects with multiple objectives, primacy has been accorded to the socio-economic objectives relating to basic needs and generation of employment and income, in that order. (For reasons of space, we omit here a discussion of computational aspects. The reader may refer to our fuller study cited under 'References'.) Whenever project-wise data were not available the research institution/establishment as a whole was treated as the unit of R and D and consequently the socio-economic objectives were assigned by reference

TABLE 1: DISTRIBUTION BY SOCIO-ECONOMIC OBJECTIVES OF TOTAL OUTLAY ON APPLIED RESEARCH, 1974-79

(Rs in millions)

SEO category	Amount	Per Cent of Total
I *Basic needs*	32,51.11	47.88
Food and food articles	23,24.90	34.24
Clothing	84.00	1.24
(a) Coarse cloth, khadi and handloom and cotton research	60.41	0.89
(b) Finer clothing, wool, silk and art silk, man-made fibres, etc.	23.59	0.35
Housing (Low cost housing, using local materials)	14.61	0.22
Health	4,00.74	5.90
Other dimensions of Basic needs	4,26.86	6.28
(a) Education	74.28	1.09
(b) Pubilc transport	2,79.69	4.12
(c) Energy/low cost unconventional sources	33.80	0.50
(d) Environmental quality	39.12	0.57
II *Employment and income generation*	1,88.07	2.77
III *self-reliance*	10,99.07	16 19
IV *Miscellaneous*	22,52.18	33.16
Total	67,90.43	100.00

TABLE 2: DISTRIBUTION BY SOCIO-ECONOMIC OBJECTIVES OF NATIONAL PLAN OUTLAY, 1974-79 (CENTRAL SECTOR)

(Rs in millions)

Socio-Economic Objective		Amount		Per Cent of Total
1 Food and food articles		2,59,86.12		12.91
2 Clothing		17,68.70		0.88
Cotton clothing	16,72 75		0.83	
Finer clothing	95.95		0.05	
3 Housing		9,73.53		0.48
4 Health		1,01,83.90		5.06
5 Other dimensions of basic needs		3,25,82.02		16.20
(i) Education	51,84 54		2.58	
(ii) Public transport	2,73,23.61		13.58	
(iii) Environmental quality	40 07		0.02	
(iv) Energy/low cost unconventional	33 80		0.02	
6 Employment and income generator		91,61 76		4 55
7 Balance of outlay not allocable to SEOs		12,05,60.37		59 92
Total		20,12,16.40		100 00

to the predominant areas of work of such institutions.

ANALYSIS

Over the Fifth Plan period the financial outlay on applied R and D is estimated at Rs 6,790 million or an average of Rs 1,358 million a year. This, in terms of per capita expenditure, works out to less than three rupees. In judging the impact of applied R and D on the realisation of socio-economic objectives, this size of the R and D effort must be kept in view.

The analysis shows that two-thirds of the total applied R and D efforts are oriented directly towards the realisation of socio-economic objectives. Further, nearly half of them are relatable to the objective of providing food for the masses. The other socio-economic objectives arranged in order of magnitude of R and D efforts are Self-Reliance, Public Health, Mass Transportation, Employment and Income Generation, Education, Clothing for the Poor, Environmental Quality, Energy, Finer Clothing, and lastly Housing (Table 1).

A comparison of the *inter se* rank orderings of the different socio-economic objectives in the National Plan and the R and D efforts reveals that there is a broad conformity between the orientation of efforts in the R and D sector and the National Plan (Table 2). (Starting with the ranking of efforts towards the realisation of different SEOs in the National Plan and the R and D sector, it is seen that the two rank order sets are positively correlated, with the Spearman's Rank correlation co-efficient at 0.849 being statistically significant.)

A closer examination, however, reveals that this conformity cannot be viewed as entirely a planned outcome. For example, a detailed project-by-project analysis of the R and D activities of the CSIR shows that only 22 per cent of the outlay on applied research was on projects identified in the *NCST Plan*.

Even if it is accepted that the observed conformity is an outcome of a conscious effort, a further analysis of R and D efforts towards the realisation of the different socio-economic objectives brings to the fore certain angularities in R and D planning. Thus, while R and D efforts aimed at fulfilling the basic need of "food", appropriately enough, account for 34 per cent of the outlay on applied R and D, the R and D efforts on storage of food-grains is only 0.01 per cent of the outlay, a level which must be judged to be extremely inadequate in the context of colossal losses on account of poor storage facilities/practices.

Again out of a total outlay of over Rs 80 million on programmes for cotton and cotton textiles, (clothing for the poor), the outlay on the development of textile technology is only Rs 5.5 million; and a major portion of even this limited R and D effort is oriented towards the requirement of the large scale sector and not the handloom sector which has an important role in the plan strategy for fuller employment.

In the area of health care, too, while the total R and D effort is significant (5.90 per cent of outlay), its orientation is somewhat disquieting. Thus, though nutrition occupies a strategic place in the totality of health-care systems (malnutrition is often the basis of much of the health-care problems) and is one area where successful R and D promises substantial pay-offs, nutrition-related R and D accounts for only 10 per cent of the total R and D outlay on health. More generally, the relative emphasis on R and D for drug development/development of techology for drugs *vis-a-vis* R and D for better health (including preventive medicine, nutrition and drinking water) is lopsided in favour of the former Also, this is one of the areas in which the need for the complementary perspective in R and D referred to earlier is rather urgent. These are among the three important instances where one notices inadequacies of R and D programmes as instruments in the realisa-

tion of socio-economic objectives of the National Plan.

Our analysis reveals that R and D efforts relatable to the objective of employment and income generation form less than 3 per cent of the total outlay. (Our approach to relate R and D efforts to the fulfilment of the objective of employment and income generation has been made rather cautiously in the full knowledge of the fact that such relationship could at best be contrived. This is so because normally R and D programmes have for their objective certain technological features. At times these may serve employment generation as an additional objective.) Even of this limited effort, R and D programmes aimed at assisting the village and small industries are less than 30 per cent. This must be judged to be totally inadequate in view of the role that village and small industries are expected to play in the plan strategy for fuller employment.

In India, even in civil research, self-reliance has always rated high as an objective of R and D programmes and in the Fifth Plan also R and D efforts towards self-reliance rank second only to the efforts on provision of basic needs. Yet, a number of indigenously-developed technologies remain unutilised and there is continued dependence on import of technologies in many sectors Among the factors affecting the utilisation of indigenous R and D results, the inadequacy of design and engineering facilities to bridge the gap between invention and entrepreneurship ranks very high. Another factor which has often frustrated the efforts of the scientists is the frequent shifts in the governmental policy, especially in respect of importation of technology/product.

Turning to broader aspects of R and D planning, it has been observed that the approach to the identification of R and D programmes leading to development of indigenous technologies is to conceptualise them within the framework of the capabilities currently available in the institutions where they are to be undertaken. This imposes avoidable costs in time and money on the transfer of technologies, particularly when capabilities for design and engineering/upscaling lie outside the institutions undertaking R and D programmes.

Another disturbing feature of R and D planning in terms of allocations of resources is a tendency to spread the resources — monetary and scientific — over too many sectors/programmes. Thus, out of a total of 24 R and D sectors, the outlay per sector was less than two per cent of the total in the case of as many as 11 sectors. Again in about half as many of these 11, the share of each was even less than 1 per cent. Also indicative of this tendency is a very high ratio of the number of projects to the number of scientific staff in the national laboratories.

The analysis here has been in respect of the R and D programmes of the Fifth Plan. The new Five Year Plan accords top priority to the objective of "removal of poverty" with a relatively lower emphasis on "self-reliance". It is well recognised that in the totality of planned efforts at removal of poverty, R and D has but a limited role. Even this limited role is conditioned by the magnitude and nature of R and D projects that could have a bearing on this objective The class of R and D programmes which have been grouped in this analysis as meeting the objectives of "Food", "Clothing", "Housing", and "Employment and Inrome Generation" are illustrative. In respect of other R and D, considering the fact that most of the projects have self-reliance as their principal objective, and that in the new Plan also they would retain their continuity with the Fifth Plan, it would be unrealistic to expect such R and D (mostly industrial R and D) to contribute directly to the objective of removal of poverty.

Equally, it must be noted that a search for R and D solutions to problems of poverty need not involve a down-grading of what has come to be known as "big science". For example, R and D efforts in the area of utilisation of solar energy, utilisation of biomass as human and animal feeds and, at a different level, tissue culture for mass propagation of flora have promise of substantial pay-offs.

To sum up, there is presently an urgent need for strengthening the institutional framework and the mechanisms for R and D planning in India. The present analysis would, it is hoped, indicate some of the directions in which such strengthening should occur

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THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

SPEECH OF THE CHAIRMAN
SHRI J S RAJ

Pick-Up in Domestic Demand

A broad-based recovery in domestic demand was perhaps the most encouraging feature of the economic scene in 1978. For a wide spectrum of industries, revival in demand removed a constraint which had hampered expansion in output in the recent past.

The improved utilisation of capacity, following the pick-up in demand is reflected in acceleration in the rate of growth in industrial output in 1978. In due course, the changed market situation should provide relief to cash flows of industrial units, many of which experienced liquidity strains due to prolonged period of slackness in demand.

But in a situation when inadequate supply of power and industrial unrest restrained full utilisation of capacity, the revival in demand is leading to shortages. In core industries such as cement and steel, capacity constraints have already developed. This phenomenon is likely to spread to other industries, with the strengthening of domestic demand and working off of the existing spare capacity. The imbalance between demand and market supplies might get further accentuated if the expectation of price rise encourages the accumulation of goods in the distribution pipeline. Although the overall price situation seems to be under control so far, the latent inflationary potential arising from a rapid monetary expansion in the last few years cannot be underrated. Effective steps therefore, need to be taken for augmenting supplies.

More Policy Options

Fortunately, at present there are more options for policy-makers for dealing with the situation than have been available at any time during the last 20 years. Augmenting supplies through imports has emerged as a distinct policy option for alleviating a situation of shortages. Like the buffer stock of foodgrains, foreign exchange resources have enhanced the capability of Government to meet current consumption needs and soften the impact of fluctuations in the supplies of essential goods and industrial raw materials.

But imports cannot be a substitute for the creation of additional capacity in the industrial sector. On the other hand, the present comfortable foreign exchange reserve position and other favourable factors should be used, not merely to deal with temporary shortages but for creating additional industrial capacity to put an end to the recurring shortages of the past.

Shortcomings of Regulatory Measures

Price and distribution controls, which have so often been used in the past for tackling the problems arising from shortages, have to be seen in this light. The results of such measures have been altogether counter-productive. As controls pegged prices to a fixed level, investment in controlled industries was rendered unremunerative. Extension of price and distribution controls would, therefore, not be in the interest of the economy.

While the recent liberalisation in import and industrial licensing has increased the role of the market mechanism in economic decision-making, it has not been fully in tune with the growth needs of the economy. In the operation of these policies several problems remain. Some of the well-meaning measures to promote investment in certain industries, under conditions of price control have made the existing controls more complex, resulting in individually determined retention prices for each new unit in the industry. The economic merits of such a system are open to question.

Likewise, although the cost of bank finance has been somewhat lowered, credit allocation has tended to be overcentralised in recent years. In a system where central bank supervisory control over credit is fixed with regard to the quantum of credit authorised to individual projects, the responsiveness of the system to the needs of industries particularly those with working capital intensive operations, has left much to be desired.

While action by monetary authorities to prevent the use of bank credit for stock accumulation might be warranted should shortages persist, care should be [illegible] the credit [illegible] does not hamper production. The general tightening and regulation of bank credit, without such precaution, has created financing problems, particularly for new industrial projects, in the recent past. Many of these projects were struggling to overcome liquidity strains created by escalation in capital cost on the one hand and a prolonged period of sluggishness in demand on the other. A different style of monetary surveillance needs to be evolved which ensures that there is no cut back in credit for production. Credit plans must also make adequate provision for meeting the financial needs of new projects.

Healthy Growth of Industrial Sector

In the past, while responding to shortages, sizeable new capacity was sanctioned. But in several cases, the demand outlook did not warrant capacity creation on the scale envisaged. The answer to this in many cases is to closely examine the factors leading to demand stagnation and those inhibiting the growth of healthy and viable industrial projects. Excessive taxation of some items of consumer, goods, which are treated as 'luxury', and imposition of high excise duties on intermediate and input items have led to an increase in final prices. The position is further aggravated by state level taxes and octroi. This, in turn, has resulted in restraining the growth in demand.

Also, with increased inflow of imports as a sequel to liberalisation of policy, tax-induced disparities between domestically produced and imported goods has tended to increase sometimes in favour of imports. In this context, the tax structure needs to be reformed to avoid multiple taxation and fiscal and other measures taken to encourage growth in demand.

Rationalisation of the tax structure would, in addition to raising demand, also help the export effort. If the target of 7 per cent annual growth in exports, in real terms, during the quinquennium 1978-83 is to be realised, special effort will have to be made for promoting exports both of agricultural and industrial goods. A part of the output in the coming years would have to be allocated to the export sector. This factor will have to be taken into account while planning for the increase in capacity if an opportunity for sustaining growth in several sectors, through exports, is not to be lost.

Role of Capital Market

Steps also need to be taken for fostering a harmonious growth of investment and the concomitant flow of risk

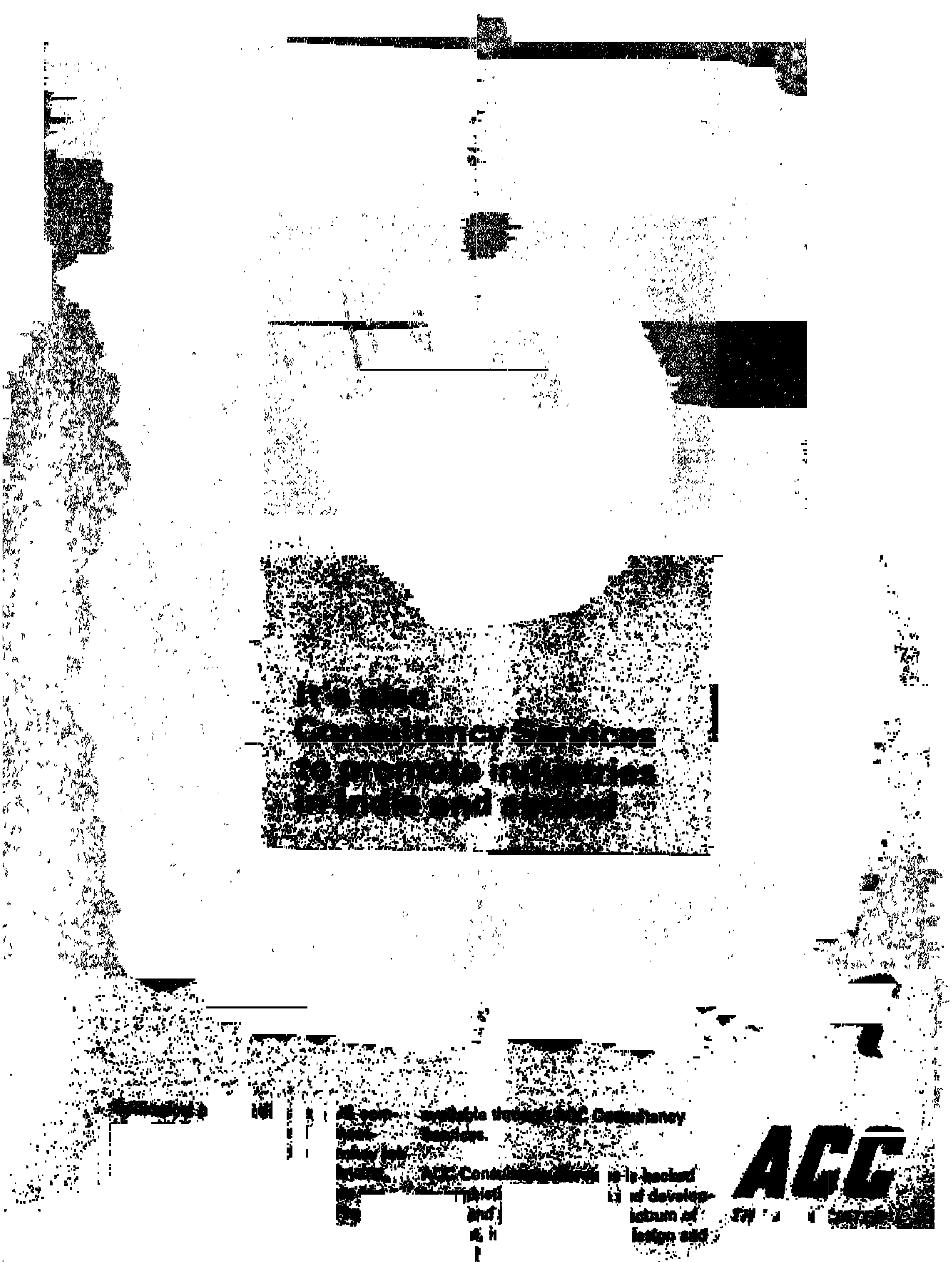
... all the sectors ... in ... of capital resources to invest-ing sectors need to be removed. For industrial projects, with their large requirement of risk capital, the problem of raising resources deserves special attention.

It is in this context that the role of the capital market in mobilising risk capital has to be seen. The potential of the capital market in *mobilising* household saving and direct involvement of the public in acquiring a stake in projects has only been partially tapped. There is enough evidence to suggest that individual investors would respond adequately if expectation of return is good.

In the past, price and distribution control policies have impaired the earning capacity of several industries. In turn, low expected profitability had a dampening effect on new investors. For other industries also, though there were no price and distribution controls, restrictions on dividend payment from time to time, either directly or through a discriminatory fiscal policy, discouraged investors. Over the years, with inflation, ideas of adequate monetary return on private saving have moved upwards. But the expected yield on risk capital has not increased. Considering the importance of mobilising household saving, through a variety of media, the role of portfolio investment needs to be viewed in a proper perspective.

Again, paucity of floating stock has also affected growth of the capital market. For mobilising household saving, the supply of scrips, with reasonable prospects of return needs to be augmented. The experience of new issues has not always been encouraging. While new scrips would continue to flow into the market, measures for augmenting floating stock through the issue of old scrips need to be initiated. One could seriously consider the manner in which a part of the capital requirements of public sector commercial and industrial undertakings could be met through the capital market. Directing such projects to the capital market would relieve Government budgets of a part of their financing commitments, enlarge activity in the capital market and augment the volume of industrial scrips. All these benefits would accrue without compromising on the investment priorities of Government or its direct control over the activities of particular undertakings.

N B: This is an extract from the Chairman's Statement circulated to the shareholders with the Directors' Report and Accounts for the year ended December 31, 1978.


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Legacy of Bhutto

CONSIDERING the peculiar history of the relations between Pakistan and India, it was but proper that the government of India officially refrained from saying anything about the death sentence imposed by the Lahore High Court upon Zulfikar Ali Bhutto, its confirmation by the Pakistan Supreme Court by a 4 to 3 majority, the rejection of an appeal for a reconsideration of the sentence by the same court, and its eventual execution. It was clear that Zia-ul-Huq was bent upon physically removing Bhutto in order to ensure his and the army's continuation in power; it is even possible that the sentence of death was engineered and, one may argue, that the Pakistan Supreme Court's minority verdict was more sustainable in law than that of the majority; and it might be that the martial law administration has already made even the Bhutto regime, which was actually a martial law regime under a civilian guise, appear almost the very ideal democracy. But none of this warranted any interference by the government of India at the official level in what has been patently an internal affair of Pakistan. It was the people of Pakistan who secured the overthrow of the Bhutto tyranny; and the people who saw through the demagogy of Bhutto can be expected to more easily see through the bogus panacea of Nizam-e-Mustapha (rule of the Prophet) that Zia-ul-Huq is offering for the ills that bedevil Pakistan and overthrow him as well. To identify the democratic struggles in Pakistan with the personality and politics of Bhutto would be to defame such struggle, for Bhutto, as much as any other military dictator, was instrumental in throttling democracy and bringing the people of Pakistan to their present sorry pass. That in the process he also brought ruin upon his own head is altogether a different matter.

To say all this is not to ignore the reactionary nature of the military regime, or the dubiousness of its vaunted commitment to legality and the due processes of law. But the point is that such commitment to the 'due processes of law' has always been the pretension of bourgeois politicians, be they from a civilian background like Bhutto or Indira Gandhi, or from a military background like Zia-ul-Huq. It was not so long ago that another Zia in another part of the sub-continent hanged a political opponent, not because the accused had been personally held guilty of murder, but because he had led an insurrection; the 'trial' itself was conducted furtively and the sentence executed within days of its pronouncement; and yet, there was not a ripple of protest against the judicial murder of Abu Taher.

Of Zulfikar Ali Bhutto, it might be said that nothing became him so well as the way of his dying. By ignoring the many appeals for clemency and going ahead with the hanging, Zia-ul-Huq has laid the foundation for the emergence of a Bhutto myth in which the fallen Pakistani leader might well acquire the image of an ideal political leader whom the people of Pakistan were fortunate to have. Though the pro-government newspapers in Pakistan have started ascribing Bhutto's steadfast refusal to beg for mercy to his arrogant conviction that the martial authorities would never really hang him and to his being led to believe by his lawyers that 'international pressures' too would finally force Zia-ul-Huq to grant him executive clemency, it is not the image of a Bhutto, weeping and being carried away tied to a stretcher to the gallows which the Pakistan government media is trying to project that is going to take hold of popular imagination; what is more likely is that the memory of Bhutto's own crimes might fade away while the man who mounted the gallows in Rawalpindi District Jail in the dead of night is going to be remembered, in Bhutto's own overblown rhetoric, as a leader of the third world, the chairman of the Islamic Summit, the man who restored the morale of a dismembered country and a defeated people after the trauma of 1971 -- 'a poet and a revolutionary'.

That Zia-ul-Huq had good reasons to physically eliminate Zulfikar Ali Bhutto needs no stressing. That he has exploited the established institutions of Pakistan in as cynical a manner as Bhutto himself did when he was ruling the roast too admits no dispute. That in this endeavour, he was ably assisted by the ideologues of the Jama'at-e-Islami too is self-evident. But what is significant is that the subversion of State institutions to settle personal and political scores and the militarisation of politics actually began under Bhutto himself. Zia-ul-Haq is entirely the creature of Zulfikar Ali Bhutto, not merely in the sense that it was Bhutto who promoted him to the position of Chief of Army Staff over the heads of several other senior officers, but the system of martial law government which Zia has been presiding over was taken over almost entirely undisturbed from the one that existed under Bhutto. Even the 'Islamisation' of politics under Martial Law — the so-called Nizam-e-Mustapha

with the promised Nizam-e-Islam to follow — has only been a more purposeful continuation of measures introduced by Bhutto himself in the last days of his power, in an opportunistic move to appease the orthodox elements forming part of the Pakistan National Alliance with a view to splitting the opposition. If finally the army and the mullahs have successfully combined to eliminate Bhutto, the foundation for such an alliance was laid by Bhutto himself who even led it briefly; but as happens so often, the monster he created has devoured its creator.

It is necessary to recall some of these less savoury aspects of Zulfikar Ali Bhutto's personality and career, for in the undoubtedly genuine grief felt by many about the cruel end of a talented and clever politician who, occasionally, even showed signs of statesmanship, one might overlook the object-lessons Bhutto's life and death hold for any underdeveloped country and its people. Bhutto belonged to the classic lineage of leaders that these countries in Asia, Africa and Latin America have thrown up in the last half a century whose careers present a glaring contradiction between the promises they held forth and the actual legacy they left behind.

While employing demagogic rhetoric and gathering mass support, Bhutto was at the same time also fashioning alliances with repressive and reactionary institutions precisely with a view to contain the expectations he had himself roused; by definition, such a balancing act could not last long. That he finally met a fate far more grim than what has been the fate of many other leaders in the underdeveloped countries has been due to certain incidental factors, including possibly his actual culpability in the murder for which he was hanged, and also the tremendous self-assurance the man undoubtedly had in that four years later, he still left enough evidence of such culpability to enable his opponents to present a reasonably credible case before a court of law.

The Law

Imprisonment without Trial

LARGELY following a sustained campaign in the columns of *Indian Express*, attention was drawn recently to the question of the very large number of so-called undertrials who spend long periods of imprisonment in jails all over the country even before their cases come up for trial. The Law Commission too has devoted its seventy-eighth report, just released, to the subject of "congestion of undertrial prisoners in jail".

According to the Law Commission's report, on January 1, 1975 there were 2,20,146 prisoners in jails in India. Of these, as many as 1,26,772, or 57.6 per cent, were undertrial prisoners. In other words, the majority of those imprisoned were those whose guilt had yet to be proven. The Law Commission also collected some statistics of undertrial prisoners in selected central jails as on September 1, 1978. These present an even more appalling picture In the Central Jail, Ambala, out of 254 prisoners, the number of those who had been convicted and who were undergoing any sentence of imprisonment was only 23. Thus 90.9 per cent of the prisoners in the jail were undertrials. In the Central Jail, New Delhi, out of 2,373 prisoners, only 267 were convicted persons undergoing sentences of imprisonment The proportion of undertrial prisoners here was thus 88.7 per cent.

In effect what this means is that it is possible for the administrative and police authorities to arrest anyone, charge him with certain offences and, without infringing the due processes of law in any manner, keep him in prison for many months or even longer This is not just an abstract possibility, but something which happens again and again every single day of the year to large numbers of the poor in our villages and towns who have the misfortune of falling foul of the rich and the powerful

The large number of undertrial prisoners in Indian jails belong to one of the following three categories

(a) Persons charged with non-bailable offences, in respect of whom the courts have declined to pass orders for their release on bail

(b) Persons charged with non-bailable offences in respect of whom the courts have passed order for bail but who, because of the difficulty of finding appropriate surety or some other reason, fail to furnish bail bond.

(c) Persons charged with bailable offences, but who, because of the difficulty of finding appropriate surety or some other reason, fail to furnish bail bond.

It is a pity that the Law Commission fails to say how many undertrial prisoners in the country as a whole belong to each of the above categories. It is, however, certain that a significant proportion consists of those charged with bailable offences who ought to be released on bail as a matter of right. Statistics for the Central Jail, New Delhi, for instance, show that out of 2,106 undertrial prisoners as on September 1, [illegible] charged with [illegible]

The Law Commission's report is, of course, a most genteel document and it calls a spade anything but a spade. Nevertheless, it is possible to infer that if at any point of time more than a hundred and twenty thousand persons are imprisoned without trial in our jails, the reasons are largely, first, in the case of those charged with non-bailable offences, the tendency of the judicial authorities to use their discretion in the matter of grant of bail against the accused and in favour of denial of bail; and, second, in cases of bailable offences and of non-bailable offences where bail is granted, the inability of the accused to furnish the stipulated bail. The latter situation, in turn, is attributable as much to the poverty of a large number of the accused, as to the tendency of the judicial authorities to set the bail amounts high and to insist on sureties instead of releasing the accused on personal bonds.

These tendencies have a great deal to do with the basic attitudes of the judicial authorities when dealing with poor people, including those driven to petty crime by poverty and the lack of anything remotely resembling secure employment, as also with the extent to which the judiciary at the lower levels is subject to the influence of the police and the administrative authorities. That being the case, the Law Commission's recommendations — such as enlarging the list of bailable offences or urging the judiciary to observe the statutory requirement that the amount of bail bond shall not be "excessive" and to use its discretion more liberally to release accused persons on personal bond without insisting on sureties — cannot be expected to go very far The imprisonment of large numbers of poor people for long periods of time on relatively petty charges has to be accepted as yet another aspect of the inhumanity of the present social and political system, and the many-sided oppression which is the lot of the poor within it, and it is futile to seek to change this fact of life by changing the definition of bailable offences or tinkering with the rules governing grant of bail.

Politics

Pace of Realignment

Mohan Ram writes:

WHAT might turn out to be Indira Gandhi's last attempt at retrieving the political initiat ve before the scheduled 1982 general elections is in the

official [illegible] Youth Congress wing of her party with complete financial autonomy and with Sanjay Gandhi at the helm, and the move for a march on Parliament on May 16 with a charter of demands are part of the strategy. The fight is not to force a realignment of forces to bring the Janata government down before it completes its normal five-year tenure; it is against what she views as the political vendetta against her, her son and her Emergency lieutenants.

After breaking away from the Congress at the beginning of 1978, Indira Gandhi could win for her new party the states of Andhra Pradesh and Karnataka and a share (even if short-lived) of power in Maharashtra, at the March 1978 elections to state assemblies. Rattled by her show of strength a section of the official Congress fell for the unity moves which, after nearly a year's tortuous parleys, have now collapsed because Indira Gandhi wanted a united Congress to save her from the consequences of the Special Courts Bill. Meantime, the fiasco of her Save India Day (August 9) had convicted her of the need to enter Parliament to secure first the liquidation of the rival Congress and, later, the disintegration of the Janata party. But her Lok Sabha tenure ended within weeks of her election from Chikmagalur and with a week in prison.

The landslide of defections to her party from the rival Congress and the break-up of the Janata coalition she had expected have not materialised. While she seems reconciled to the continuation of the Janata government for the rest of its tenure, she is concerned with the fate of her party if she were to land in prison before the 1982 elections. With her political status she is assured of fair treatment in prison; but the same may not be the case with Sanjay Gandhi, who is supposed to have quit politics. The exercise of relaunching Sanjay Gandhi as the leader of the Youth Congress, ostensibly to fight the RSS challenge, is aimed at securing for him some political status so that he is not treated like a common criminal if and when he goes to prison.

But the relaunching of Sanjay Gandhi has had its adverse impact in her own party. The main opposition to it has come from Devraj Urs, the Karnataka chief minister who incidentally is being charged by Chenna Reddy's following in neighbouring Andhra Pradesh with trying to promote a lobby for himself in the Andhra Pradesh Congress(I). Devraj Urs has also [illegible] has even welcomed his Kisan budget. In contrast, Chenna Reddy is helping the relaunching of Sanjay Gandhi by staging a three-day Youth Congress camp at Nagarjunasagar in the first half of April.

With the collapse of the Congress unity moves, two distinct approaches at securing a realignment of forces are emerging. One is reflected in the Chandra Shekhar-Y B Chavan entente which aims at a Janata-Congress united front to meet Indira Gandhi's challenge on the streets, expected to begin with the projected May 16 march on Parliament. The lumpen urban youth who constituted the Youth Congress stormtroopers during Emergency are to be hired again — which is the reason why the revived Youth Congress had to be assured 'financial autonomy'. The secret funds earmarked for the political rehabilitation of Indira Gandhi and Sanjay Gandhi will surface through the Youth Congress.

Another line is reflected in the CPI's new posture. Its outright but belated condemnation of Indira Gandhi while supporting the Special Courts Bill came in wake of Alexei Kosygin's visit during which he avoided a political meeting with Indira Gandhi. The CPI's shift is intended mainly to appease the CPI-M with which it is desperately seeking an alliance in Kerala. Together with the CPI-M and the Congress third force (comprising Chandrajit Yadav, Priya Ranjan Das Munshi, A K Anthony and the like), the CPI thinks it can work on the progressive elements in the Janata party to bring about a new compact — a third force not aligned to either of the two Congress parties or to the Janata party. This suits the CPI-M fine because heading a winning combination in Kerala at the next elections is its almost sole political objective now.

The emergence of a sizeable pro-Soviet section in Janata party is another significant development. The pressure on the government for a strident policy towards China and for the recognition of the Viet Nam-installed regime in Kampuchea comes from a lobby which includes this section of the Janata party. The CPI is masterminding the operation and is happy to have established new bridges with the ruling party. It does not seem to regard the whole of Janata party as a threat on par with Indira Gandhi. Alongside, the CPI-M which at one stage regarded the whole of the Janata party as an ally in the fight to prevent the return of authoritarian tendencies has been [illegible] equivocating on this issue.

The pace of the realignment of forces depends on the speed with which the government can bring Indira Gandhi to trial and complete the judicial process and act upon the outcome of the prosecution. It also depends on the possible impact of the movement she is planning to launch on May 16, before the budget session of parliament ends.

Sugar

Tight-Rope Walking

THE 1978-79 sugar season is now 24 weeks old. The final figures for the 1977-78 season show that area under sugarcane had increased by 12 per cent and cane production by 18.5 per cent. According to the first crop estimate for the current season, issued on November 13, 1978, area under sugarcane has increased further by 5 per cent. Small increases in area have taken place in Bihar, Haryana, UP and Maharashtra and the crop was reported to be progressing well in most parts of the country. The first estimate covers 90 per cent of the area finally reported. Bearing this in mind, it can be safely said that the sugarcane crop this season will exceeed 190 million tonnes. On the basis of the experience of the last two decades it can be assumed that at least one-third of the cane crop will be crushed by the sugar factories. This gives a likely level of sugar production of about 6.3 million tonnes in the current seanson.

By successfully generating a crisis atmosphere all over the country, industry has managed to secure quite a few facilities from the government such as easy credit and the creation of a buffer stock of 5 lakh tonnes to be raised to 1 million tonnes, if necessary. In addition, from March 1, 1979, industry has been allowed to voluntarily restrict monthly sugar releases. The release for March was 4.5 lakh tonnes. As a result of these measures, the price of sugar has been pushed up to Rs 2.80 per kg. Wise management by government can certainly prevent any further increase in prices by compelling industry to release a sufficiently large quantity of sugar every month. On March 12 the Minister of State of Agriculture, B P Singh, assured Lok Sabha that government would not interfere with sugar prices so long as the interests of sugarcane producers and sugar consumers were safeguarded. The government is known to have indicated that it regards a price of Rs 2.75 per kilo as the ceiling below which sugar prices

should rule in the home market. In view of this the government has released an additional 40,000 tonnes for the current month.

In 1978 government exported 6.47 lakh tonnes of sugar. This cost the government Rs 33 crores by way of subsidy to the industry. The government has stated categorically that it would not subsidise sugar export in 1979. By February end, government had contracted for export of 1.92 lakh tonnes but had shipped only about 5,000 tonnes. As an incentive to export, government has permitted industry to export directly under advice to government. In spite of the International Sugar Agreement, throughout 1978 the world price remained far below the floor level of 11 cents per lb. Even at the time of writing it is around 8 cents. Since the cost of Indian sugar is high, export prospects are bleak.

K C Chatterjee

S K B writes:

K C CHATTERJEE, whose sudden death at the age of 65 in the early hours of March 28 in Bombay came as a shock to the large number of his friends, has left his deep impact on the country's pharmaceutical industry and on education and training in pharmacy.

A Fellow of the Pharmaceutical Society of Great Britain, Keshav Chandra Chatterjee — 'KC' even to those who could claim only relatively slight acquaintance with him — retired as Director, Research and Development, of Boots (India) in 1965. He had been instrumental in persuading Boots, England, to start basic manufacture of insulin in India and if today the country is self-sufficient in the production of insulin, albeit from imported pancreas, this is thanks largely to KC's pioneering efforts and perseverance.

As an independent consultant, after his retirement from Boots, KC made valuable contributions to the development of the pharmaceutical industry, the small and medium sector of it particularly. He was responsible for designing a number of small and medium scale pharmaceutical units which, without needless over-emphasis on sophistication, conformed to exacting standards of good manufacturing practices and quality control. In recognition of his outstanding services K C was awarded the Acharya P C Ray Gold Medal in 1974.

His retirement from Boots also gave KC the opportunity to devote himself to raising the standard of education in pharmacy. As a member of the Pharmacy Council of India, he had a big hand in formulating the Diploma Course in Pharmacy under the Pharmacy Act. He was also among the first to realise the need for changes in the pattern of pharmacy education and training in order to meet the changing needs of the country. KC was founder-principal of the Bombay College of Pharmacy, which was planned and executed by him in its minutest detail. He dedicated himself heart and soul to giving the College a structure, shape and character which will stand as a lasting memorial to his abilities as an educationist, as a pharmacist and as a visionary.

KC was an occasional, mostly anonymous, contributor to this journal on issues concerning the pharmaceutical industry. His clear-eyed assessment of the role of the multinational pharmaceutical companies, his faith in the country's basic capability to develop a national drug industry as well as his deep dissatisfaction with the present state of the industry are all reflected in the following brief extract from an article he wrote in 1976 :

> It is tantalising to speculate what would have been the state of the [pharmaceutical] industry in this country if the multinationals, by some fortuitous circumstance, had not made their debut here. India is not a country which did not have a pharmaceutical industry. Even in the days prior to the advent of the new drugs, the so-called 'wonder drugs', it did have a nucleus of a drug industry and, within the constraints imposed by an alien rule, had some wonderful achievements to its credit, particularly in the field of sera and vaccines. During the last war it had met most of the defence and civilian requirements, unaided by any foreign firm or even imported raw materials. Would India have been starved of the 'wonder drugs' or would it have had to import all of them all the while or would indigenous talent have somehow managed to meet the most essential needs of the country, devoid of the sophistication currently associated with the drug industry? Would a Bhabha not have emerged, as in the case of atomic energy? These are all speculative questions but the odds are that the country would have been more self-reliant, would perhaps have had more of indigenous medicines and would perhaps have developed more of sera, vaccines and other prophylactic medicines for which sophisticated technology has existed in the country for more than 50 years. The two public sector undertakings, IDPL and HAL, would have been expanded much earlier and, above all, the country would have been more selective in its choice of drugs in contrast to the state of chaos existing at present and would have learnt to stand on its own legs. In that case, the multinationals would have had no occasion to play the good Samaritans.

KC was a member of the Development Council for Drugs and Pharmaceuticals, the Indian Pharmacopoeia Committee and the Pharmacy Council of India and a Director of the public sector Indian Drugs and Pharmaceuticals Ltd.

For all that, there was so much more to KC than his deep involvement in the pharmaceutical industry. His many-sided talent expressed itself in music, painting, photography or just conversation. It was impossible not to be struck by the grace and elegance with which K C did the most ordinary things.

KC leaves behind his wife, Susheela, and a son.

China and Viet Nam

WHILE your editorial note "China and Viet Nam" (March 3) is convincing in its simple and straightforward analysis of the situation in Indochina, the article by GPD only obfuscates the real issues. GPD calls the present Chinese leadership "Han chauvinist", "revisionist" and "adventurist" at various places in this article. He even equates the Soviet intervention in and continued occupation of Czechoslovakia and the Soviet-backed Vietnamese occupation of Kampuchea with the Chinese counter-attack in Viet Nam. According to him, "not all these cases are identical... but the basic fact is the same".

GPD claims that Mao would have understood the significance of Viet Nam and comes out with the story of the old Buddhist temple and the four abbots Mao did understand Viet Nam and its leadership when he told a Vietnamese delegation in late 1975 that the people who fought against imperialism but do not fight against social imperialism will have to make another revolution in their country. However, Mao did not live to see the Vietnamese leadership sitting in the lap of social imperialism, enjoying its favours and acting as its pawn in Asia

The Chinese do not want to alter the situation in Kampuchea by the counter-attack, as maintained by GPD A statement by Chen Chu dated March 12 makes this clear: "Viet Nam's massive armed aggression and military occupation of Democratic Kampuchea is a question entirely different in nature from China being compelled to make limited counter-attack in self-defence as a result of wanton provocation of border conflicts on the Sino-Vietnamese border by the Vietnamese authorities. The former is Vietnamese aggression against Kampuchea constituted a gross violation of UN charter... the latter is a necessary action in self-defence taken by a sovereign state in accordance with the Article 51 of UN charter. Any attempt to confuse the two and treat them equally only serves to confound the right and wrong and condone the real aggressors" (*News from China*, March 21). This precisely appears to be GPD's intentions. As to "altering the situation in Kampuchea", it will be done by the people of Kampuchea themselves who are presently engaged in a war of liberation against the Soviet-backed Vietnamese occupation forces.

Finally, I agree with your concluding remark that the present tragic events taking place in Indochina are "the inevitable consequence of the Soviet Union's efforts, successful so far, to step into the shoes of the defeated United States and to emerge as the dominant superpower in the Indochina region".

LAJPAT RAI

Delhi
March 20

Automobile Industry and Social Responsibility

THE Union Minister of Industry, George Fernandes, has criticised the automobile industry for neglecting research and development activity. But what is even more regrettable is the industry's indifference towards its social responsibility. Consider, for instance, the case of Hindustan Motors.

This is the largest automobile factory in India. It employs nearly 16,000 persons. It has been in existence for about 30 years. But it has not made arrangements for the education of the children of its employees.

These children have to come daily from Uttarpara (where the factory is situated) to Calcutta, covering a distance of nearly 40 miles both ways. The children leave the colony at about 7 in the morning and return home between 6 and 7 in the evening. The factory has provided three buses for the transport of the children. But these buses are inadequate. They often break down, causing tremendous hardship to children and anxiety to their parents. It is amazing that Birlas have not thought of building a high school in the colony for which there is plenty of space.

Sales of Hindustan Motors in the year ended June 1978 totalled Rs 102 crores. Despite the hike in the price of petrol and in the excise duty on cars, the factory is bound to make more profits in the coming years. But it is a sad thought that the management has done nothing to alleviate the hardship caused to hundreds of children because of the lack of facilities for education in the Hindustan Motor colony.

C K MUKHERJEE

Uttarpara
March 20

Progressive Democratic Lawyers' Association

A CONVENING committee has been formed on February 10, 1979 at Hyderabad for the formation of a Progressive Democratic Lawyers' Association with P Venkateshwarlu, advocate, as Convenor for the following objects:

(1) To protect and propagate civil liberties among people.

(2) To help the people in their struggles for their rights.

(3) To review legislation and suggest suitable amendments in enactment and practice.

(4) To hold seminars, conferences and symposiums for the above purpose.

(5) To strengthen the democratic movement in the country.

(6) To publish magazines, journals, acts in Telugu.

The meeting decided to hold its inaugural conference in the month of April at Hyderabad. The meeting also adopted the following resolutions unanimously:

(1) AP Suppression of Disturbances Act, 1948, should be repealed forthwith.

(2) All political prisoners, including Naxalite prisoners, should be released and all cases against them should be withdrawn.

(3) In commemoration of late Shri Ravi Subba Rao, advocate, who championed the cause of civil liberties and democratic rights, memorial lectures would be arranged by this Association every year in the month of December

The Convenor invites all the advocates in the state to join this organisation to work for the above objects

P VENKATESHWARLU

Convenor,
Progressive Democratic Lawyers' Association,
H No 4-7-220, Esamiabazar,
Hyderabad.
February 20.

Cong (I) Crisis

Romesh Thapar

IF the ruling Janata Party has become synonymous with disarray, disaffection and despair, the party of which Indira Gandhi is the supposedly undisputed leader is in the doldrums. Mama Gandhi wants son Sanjay to be dressed up as a *neta* because she has been persuaded that this is the only way she can save him from a miserable future in jail. The entire so-called Cong(I) is being rocked by this mafia gambit.

The gambit has been developing over several months The build-up of the criminal cases against Sanjay Gandhi, and the GOI's lazy and intolerable acceptance of Cong(I) goondaism even within courtrooms, encouraged the notion that it is possible to neutralise the impact of criminal charges by demonstrations in the streets and symbolic jail-goings. Even the stage-managed 'upsurge' at the time of Indira Gandhi's jailing is used as an argument about the efficacy of the new agitational line.

Sanjay Gandhi, since the end of the Emergency, has been careful to operate behind the scenes. Only the inner caucus was taken into confidence, and this caucus includes publicists who prefer the son to the mother. The more open and desperate moves to give Sanjay the trappings of a *neta*, paralleled by his conviction in the *Kisa Kursi Ka* case, appear to have startled the Congress dumb-wits who were working for what they euphemistically call 'unity with Indira Gandhi'. The prospect of going to jail in solidarity with Sanjay was disturbing even to the elements gathered around the Cong(I).

Several weeks ago, having successfully prevented a whole regiment of *dadas* from the old Congress from swamping out his trusted cheer leaders, Sanjay Gandhi suddenly became active. From the news trickling through the conspiratorial atmosphere of the Cong(I), not only are the Chief Ministers of Karnataka and Andhra Pradesh made to realise who is boss, but the lesson is driven home to the satraps in other states where the party is nowhere near the levers of power. Very soon the country will be asked to accept Sanjay as the heir to Indira Gandhi, whatever that may mean.

The compulsions behind these developments have put the future of the Cong(I) in jeopardy, or at least its prospects of becoming the kind of party it was trying to be. The pushing into 'leadership' of Sanjay Gandhi, even under the cover of what is known as the 'Youth Congress', must inevitably condition the character of the Cong(I). The roughs and toughs gathered around the son will soon reduce mama to a totem. For their part, they are convinced that the people of this country are just waiting for their guidance and rulership.

It is against this background that Sanjay Gandhi launches his confabulations with Raj Narain on the Jan Sangh/RSS threat He must have a lurking admiration for the former Health Minister, but it is doubtful whether Raj Narain gains from the contact. However, the attempted polarisation of Indian politics on the question of the RSS and its links with the Janata party is not going to proceed at the level of the mobsters. Many serious and profound issues of policy and perspective are involved in a realignment of Indian politics It cannot continue as a familiar game of musical chairs.

The repercussions of the Uttar Pradesh Janata party crisis are being studied more carefully. In addition, the talks between Chandrashekhar and Chavan in Bombay on a possible Janata-Congress collaboration, the ideological rifts within the Janata leadership brought to a head by Madhu Limaye and George Fernandes, and the creeping crisis in administration now fully corroded by corruption and cynicism, are sketching a scenario which will demand a major shake-up of ideas and concepts. For a quiet beginning, it would be appropriate to study the way various parties are digging in at various points on the sub-continent. This jig-saw of political strength and weakness has to find a participative democratic frame at the Centre.

Significantly, the Rajya Sabha has passed the bill for a special tribunal not as a proposal expeditiously to deal only with the crimes of the Emergency, but as a new constitutional structure to curb the misuse of power by leading politicians and bureaucrats. The consensus around the bill isolated the authoritarians and reinforced the democratic sentiments of our society. This is not to suggest that the battle is won. Far from it. The gangster politician, interested only in expanding his power to get rich quick, is pushing his way into every party — for a political career is the best insurance There are too many of these gangsters around, even at ministerial level, for us to be complacent.

Another healthy development was Bhupesh Gupta's statement on behalf of the CPI admitting frankly that his party had been mistaken in supporting the Emergency and Indira Gandhi's destruction of the democratic frame This declaration so soon after the advice reported to have been given to sympathetic Congressmen by the CPI's international operators to work for the unity of the Congress party under Indira Gandhi, suggests that some fundamental re-thinking is under way Could it be part of the reconsiderations following the Chinese attack on Viet Nam and the visit of the Soviet Prime Minister Kosygin?

The CPI's muddled approach to events could be ending — and despite S A Dange's fawning before Indira Gandhi The other day, the party staged a most impressive rally of agricultural labour and poor peasants — a rally comparable to anything put on by Charan Singh's BLD. Any day now we expect the CPI(M) to bring the kisans to town. In fact, in the Capital every day is some sort of 'Day'. I am sure that all this activity is very costly and requires generous donations. If the politics are self-reliant, then surely this country has plenty of money for agitation. Here's a whole new field for our statisticians to graze on!

March 31

INTERNATIONAL AFFAIRS

One Battle in a Long War

G P D

"I am an old man and my ears aren't good. I can't hear anything you are saying." Deng Xiaoping to his critics on April 18, 1976.

IT is relatively peaceful now in our country. The series of 'condemn China' meetings jointly organised by the most unlikely people in the most unlikely company seem to be over. The euphoria over Kosygin's visit is also over. All is quiet on our progressive front. The suffering of Viet Nam or for that matter of China was never an issue for them. 'Condemn China' was the motive. The Chinese folly, suffering of some socialists on both of sides of the Sino-Viet Nam frontier and elation at all this by our socialists have been the marked features of the entire compaign. Now it is over, and it is time perhaps to take a second look at the hostilities.

It is clear by this time that what has happened so far is not the whole story It is only a battle in a larger war. It may be too early to say who has been mauled and who has been the victor. The plain and the painful fact is that the war is not yet over. It is also not quite true to say that the Vietnamese regulars did not join the war. At least one of their crack divisions was involved in the war. It is also a fact that the Vietnamese did withdraw about 30,000 men from Kampuchea. The moral is clear, or at least should be. It is going to be a protracted war, the outcome of which cannot be judged in terms of the casualties suffered. What is more important is that both the parties to the conflict are old masters of the guerilla-game. It would be foolhardy to predict the outcome of the war on the basis of one battle.

The reality is that a protracted war has begun. In a protracted war casualties in a single battle do not tell anything, except that conflict will go on. The negotiations have not begun because the Vietnamese are saying that the Chinese withdrawal is not complete. This means that it is not yet time for negotiations. Of course, the war will have to go on; by other means perhaps, but it has to go on.

The Chinese have made two points, no doubt at enormous cost. The Sino-Vietnamese border is now active and may remain active — again at enormous cost — for an indefinite period. Second, the Vietnamese will have to recognise, today, tomorrow and day after that the Chinese can continue to apply pressure almost endlessly 'till such time as the futility of the Soviet involvement in Indochina is crystal clear. Vietnamese intervention in Kampuchea was Soviet intervention. The Laotian government is increasingly behaving as a partisan on the Soviet-Vietnamese side in the Sino-Soviet cold war. The Chinese are not going to take it. No matter how long it takes, no matter what the costs are, the war against the the Soviet encirclement of China will go on. This time, and the first time in their history, the Vietnamese are fighting with an enemy who knows as much about the techniques of 'protracted war' as they do. The long-term objectives are clear : the Vietnamese should know that, as a Chinese proverb has it, water at a distance is no solution to the problem of fire. The Soviet armed might is scarcely the solution for anything. It is, in any case, useless against continuous pressure. That the Soviet Union is a superpower means two things. One is that it can threaten, can occasionally bring about a military coup and so on. The other is that, and perhaps this is relevant here, it would be very vulnerable against a battle of nerves It cannot cope with continuous military pressure. The Americans had a similar problem. The Soviets may have the same awaiting them in Indochina.

By this time, hopefully, all illusions in this country about similarities between 1962 and 1979 would have disappeared. What is happening in Indochina is very much a protracted conflict. One does not have to share the Chinese view of the world to see what they are aiming at in Indochina over a period of time. At any rate, the developments over the past few weeks have made it clearer. The Chinese are shouting from the housetops. So are the Vietnamese and the Soviets, to be sure. What is it that these peoples have said and what does it mean?

(1) The Vietnamese intervention in Kampuchea and the resultant downfall of Pol Pot was a Soviet-inspired and aided move.

(2) The government in Laos is the next actor on the scene. It is taking an increasingly anti-Chinese position in the not-so-cold war in Indochina. The Soviet-Vietnamese version talks about the Chinese massing troops on the China-Laos border.

(3) The question, therefore, relates to the Soviet presence in Indochina — a presence which for security and other reasons is unacceptable to the Chinese.

(4) The Chinese appear to be prepared to activate the Sino-Vietnamese and the Sino-Laotian borders to keep up pressure, typical of "protracted war" tactics, on the China-Indochina frontier.

There are two further aspects of the problem. The first is that the Chinese had not reacted so actively to their own encirclement earlier. Now they have. A government normally very conservative and cautious in military intervention, is unlikely to get involved unless it is quite ready for a 'protracted conflict'. Readiness here would presuppose a view of this war as a part of the war-negotiations-war syndrome against a superpower the (the Chinese would say an imperialist power). It is for this reason that the Indochina conflict threatens to be sordid and frightening. Secondly, the 'restraint' that the Soviet Union has shown — as some of its friends would describe its treatment of the conflict so far — will be tested over a period of time. One does not know exactly what the difference between 'restraint' and 'weakness' is. The Chinese will be interested in demonstrating that the Soviet Union is not a dependable ally; more particularly so because it has simply over-extended itself all over the world. What is restraint in a battle can be turned into a weakness over the whole period of war. The Vietnamese and the Chinese as well will pay a very heavy price for it. But the point can be made.

All this is a high drama of power. And when a power drama is enacted, the actors shout. What is worse is that the Chinese and the Vietnamese and the Laotians and the Kampucheans are not listening to each other at all. All of them are listening to everybody else except the direct adversary. This has been the fate of Asia and the Asians ever since the Second World War. One would have thought that the Asian socialists would be different. Obviously they are not. In the meanwhile, the guns boom. "I can't hear you" politics goes on. And, of course, people die. But who cares about them when the war is on?

BIHAR

Containing the Jharkhand Movement

A S

IT is well over 18 months since the agitation for a separate Jharkhand state began on a united front basis. In the beginning, at least half a dozen committees had made a confounding appearance; even leaders like Kartik Oraon, a former Congress MP, who had politically survived on the anti-separation plank, were found vociferously advocating Jharkhand nationalism. But such elements have retreated and there is now only one committee to stand in the field; the other, led by Janata ministers and legislators, is of little consequence. The united front which is tenaciously carrying on is the nine-party committee comprising the Horo-led Jharkhand Party, Marxist Co-ordination Committee, Jharkhand Mukti Morcha, CPI-ML (SNS), Birsa Seva Dal, Jharkhand Muslim Morcha, Hul Jharkhand, Revolutionary Socialist Party of India and the Congress.

Historically, this is the second era of the Jharkhand movement; the first (1939-1963), which was led by Jaipal Singh ended with the integration of his Jharkhand party with Congress on the 'advice' of Nehru. There is a world of difference between the two eras. In the first the tribals knew and relied upon only one organisation, Jharkhand party, and even more so, upon only one leader, Jaipal Singh. Today, there are at least 20 leaders, all important in their areas, however small. The single organisation Jharkhand party has split into a dozen groups, all interestingly, wedded to nationalism. In the first general elections, the Jharkhand party won 23 of the 34 scheduled tribe reserved seats. Today, the revived Jharkhand party, led by N E Horo, has only one MLA, and that is Horo himself. The other groups have none.

While the organisation has been shattered beyond redemption, Jharkhand can on the other hand boast of many changes in the new era. In the old one, the movement was fought only on paper. As Horo says, "that was a war of memorandums". There were occasional demonstrations no doubt. But never in the 24 years (1939-63) was any effort made to drive home the point by mass struggles. In the second phase, the movement has been two-dimensional; political battle for a separate state and economic war against the exploiters. Many of the organisations now forming the 'Alag Jharkhand Rajya Samyukta Morcha', like the Jharkhand Mukti Morcha, the Marxist Co-ordination Committee, Birsa Seva Dal and, of late, CPI-ML(SNS), have been organising economic and social struggles in their areas of influence. It is because of the mass bases of the parties of this united front that the state is so scared of the Jharkhand movement, much more than Nehru or the then Congress leaders might have been of Jaipal Singh-led agitation.

None of the organisations, not even the Jharkhand party, is in great haste to get a separate state. The reason for the revival of the movement, according to Horo, is to help the oppressed train themselves in mass struggles. Shibu Soren, the general secretary of Jharkhand Mukti Morcha, has a similar view: "Even if Jharkand does not come into being in my lifetime, why should I be bothered ? Our first concern is to chase away the blood-suckers and help the people lead a respectable, quiet and fraternal life." According to A K Roy, the leader of Marxist Co-ordination Committee and Colliery Kamgar Union who is experimenting with the application of Marxism-Leinism "in its true spirit" in Dhanbad area, the Jharkhand movement is important because "the emancipation of the working class is impossible unless it is linked with the aspirations of the subjugated nationalities of Chotanagpur". It is clear that if Jharkhand comes into being, these organisations, which will then form the government, will take steps to 'liberate' the people from the exploiters. But it is so that until Jharkand is attained, the 'liberation' should be postponed; what they would do as the government, the organisations are doing meanwhile, by mass struggles. That is where, as already pointed out, the current movement radically differs from Jaipal Singh's agitation.

To sum up, the current movement is basically for a political Jharkhand, and not for a territorial Jharkhand, though this aim is never to be lost sight of. This is proved also by the latest trend of the movement to take into its fold also the adivasis of 'Utaranchal' (North Bihar). A committee called 'Uttaranchal Bhartiya Adivasi Sangharsh Samiti' has recently been formed, under which banner the adivasis of Katihar, Purnea and other north Bihar districts are to organise themselves against the oppression of the landlords, moneylenders and the police. North Bihar is not to come within the boundaries of the proposed Jharkhand; and yet the leaders of Jharkhand nationalism have chosen to organise the adivasis in that area. The organisation came into existence in the wake of murders, rapes and pillage by landlords and police in Katihar and Purnea districts. In Katihar, the landlords had raped a ten-year adivasi girl. For the first time, on March 21, organisations supporting separation of Jharkhand had led a demonstration and a rally in Patna. The 30-point charter of demands that the demonstrators submitted to the state government concerned itself mainly with the atrocities against the poor in Chotanagpur and north Bihar. The demand for a separate Jharkhand state was 23rd on the charter.

No doubt, in the last 18 months, as also on every February 4 (Jharkhand Divas) since 1974, meetings have been held to reiterate the demand for separation. Hunger strikes, sit-ins, rallies, intellectuals' conventions and bundhs have been organised everywhere. District committees of the nine-party united front have been formed. In the beginning, the Jharkhand party also regularly submitted a memorandum to the Prime Minister. While all this has gone on, the main constituents of the united front have laid the real stress upon the work among the people. From a talk with their leaders it appears for certain that they have completely lost faith in petitions to the government or announcements by the government. Even when they hand over some charter to the government, they fully re alise that they are merely doing a formality.

The emphasis has been on real work, on militant, economic struggles, than on the campaign for statehood. Since the Janata party came into power, there have been four highlights of the economic movement: agitation against afforestation policy in Singhbhum, agitation against forest product purchase policy in Ranchi; agitation to reclaim the land grabbed by moneylenders in Santhal Parganas; and agitation against public sector projects under construction in Singhbhum and Ranchi. All these issues have seriously affected the lives of the original inhabitants; their economy and social life have been

shattered. [illegible] issues saw masses of people organise in the area on a wide scale.

In Singhbhum, the struggle was against the planting of teak trees in place of sal. Apparently, teak afforestation was intended to help any sections of society but the adivasis. Sal is a tree whose every bit—roots, skin, leaves, flowers, fruits and trunk— is used by the adivasis for food, extracting oil and so on. Forest, particularly the sal, is half the adivasi economy. The adivasis argued that the government could, if it desired, plant teak in empty lands: why was it uprooting the sal trees to substitute them by teak?

But policies for forests are laid down by the timber contractors in league with the forest officers. It is they who decide which trees are to be felled and which to be planted. In every district, the contractor-officer league has been denuding the forests at its will. If the government grants a contract for felling trees in ten hectares, the contractor denudes a hundred. When the adivasis started felling teak trees in Singhbhum, the contractors and forest officers were only too happy. They could now point the accusing finger at the adivasis, where as they themselves had in the past illegally cut the timber. Forest minister Lalit Oraon, came out with a ready estimate; the adivasis have 'destroyed' trees worth Rs 5 crores! Clearly, the management of the 'nationalised forests' takes the adivasis nowhere into account. For whom the forests exist and grow and vanish can be seen by the entry of the Swedish International Development Authority into Chotanagpur with the promise of an aid of Rs 45 crores to Bihar for 'community forestry'—a programme designed to use each adivasi family to grow trees.

In Ranchi, particularly in its Simdega sub-division, there was a mass fury consequent upon the government take-over of the trade in oil seeds, mainly of Kusum and Mahua (see 'Resurgent Adivasis', EPW, September 9, 1978). The purchase, after the take-over, was entrusted to the state forest corporation, with a view to "eliminating middlemen". The corporation appointed three agents to buy from the adivasi hats; two of them were traders of Simdega and the third, a local ex-raja. But there was no buying done even six weeks after the take-over. The adivasis, solely depending on the sale of oilseeds to have cash for buying some food, had to starve.

In Santhal Parganas, the biggest-ever campaign was mounted by the Jharkhand Mukti Morcha for repossession of plots fraudulently usurped by the moneylenders, traders, and landlords. The struggle was well-timed with the harvesting of paddy crops last Kharif. Called as 'dhankatni andolan' (paddy-harvesting campaign) the struggle saw the adivasis, harijans and backward castes cut the crops from their land illegally or legally grabbed by the moneylenders. This campaign created a great sensation in the whole of Santhal Parganas, resulting, as it was intended to, in hundreds of clashes. The struggle was launched as the legal machinery had completely failed to help the poor inhabitants made landless.

The forth highlight of the economic movement in the area has been the mass opposition to the pattern of 'development' which had completely dispossessed the original peasants. At Kamdara in Ranchi, where the Koel-Karo river valley project comprising two big dams and four power stations was in progress, the adivasis put up barricades so that no lorries could reach the site. In Chandil area of Singhbhum, where the Subarnrekha multi-purpose project was under construction, mass hunger strikes were organised to demand rehabilitation of the peasants of the 95 villages scheduled to be decimated by the project (see "Development *versus* People", *EPW*, May 6).

What has the democratic State done to the original inhabitants? Teak is planted and the people lose food for non-agricultural months; trade in forest products is taken over and the people find no buyer, a law that no land can be sold in Santhal Parganas is framed and the santhals go destitute in tents of thousands; big projects are undertaken and six lakh adivasis and harijans are uprooted in two decades. How can the people ever identify themselves with such a State?

In order to liquidate the movement in Jharkhand, government has pursued its well-tested, two-pronged policy of annihilation and assimilation. On one hand, it has packed Jharkhand with forces of CRPF, Bihar Military Police, Bihar Armed Police and others and has given them a free hand to "firmly deal" — to use the chief minister's phrase — with the "anti-nationals" and "anti-social elements"; on the other hand, it has set up three "autonomous development authorities" for North Chotanagpur, South Chotanagpur and Santhal Parganas, whose chairmen have all been Janata leaders who had been openly backing the separate statehood movement. Chotanagpur now has a 'mini-secretariat' at Ranchi, whereby the people of the area would be 'saved the trouble' of travelling to Patna for every application. Government has appointed as commissioner, tribal welfare commissioner and deputy commissioners those IAS officers who are 'sympathetic' to the poor. There is a spate of 'special plans', sub-plans and great plans, all oozing with sympathy for the adivasis and harijans. Journalists have been so ecstatic after a 'conducted tour' of Chotanagpur that one of them has talked of a "great economic revolution" in the region; he probably did not know that out of the Rs 75 crores allocated under the tribal sub-plan in 1978-79, only Rs 21 crores has been spent. And to know how even this sum was spent, one need not go to Chotanagpur.

It is not difficult to see what will happen to the three new autonomous development authorities. The now-dissolved Chotanagpur and Santhal Parganas Autonomous Development Authority, which was formed five years ago by the Congress government, did not help anyone except its deputy chairman Kartik Oraon, the then Congress MP. The newly created autonomous authorities are interestingly going on the same lines: over a year after their formation by state cabinet, they have not even opened their offices. As for the development of the region, the first act, for instance, of the chairman of the Santhal Parganas Autonomous Development Authority has been of building a two km-long road to link Bilari, his village, to Pathra Mod, the main avenue in Godda sub-division.

While the policy of assimilation seems to have been very successful in the case of Janata elements, it has miserably failed to appease the mass organisations and their leaders. For them, the state has let loose its armed forces. The armed forces have liberally used their weapons, attacked thirty villages when there was some trouble in one village, arrested hundreds of people even when only a few violated some section of the IPC, plundered village after village and humiliated the defenceless women. In Singhbhum, they took orders from the forest contractors and in Santhal Parganas from the moneylenders and landlords. At Goelkera in Singhbhum in November last, the police attacked and shot the people who were resisting extortions from the contractor of a local weekly hat. On March 17, a big landlord, moneylender and mukhiya of Pakaria village of Santhal Parganas called a CRPF party to shoot the supporters of an adivasi armyman, who was opposing usurpation of his 3-bigha plot allotted by the government three years ago. In the 18 months of current political and economic movements in Chota-

[illegible] the police has fired at ten places, killing an unspecified number of people. The police bloodshed and violence has scared the people of many villages away from their homes. After the March 17 firing at Pakaria, truck-loads of CRPF began raiding all the villages in the neighbourhood and picking out the adi[illegible] and literally flogging them a[illegible] destroying their meagre food stocks. The result has been that over 15,000 adivasis of 80 villages have fled their homes to take shelter at the Sundarpahadi hills, where they have been starving for weeks.

ASSAM

Explosion at Bargolia Colliery

Seema Guha

ON January 22, 1979, a major accident took place in the Bargolia coal-fields of the Upper Assam district of Dibrugarh. 12 miners died on the spot and 80 others had to be hospitalised. Among these, four more miners succumbed to their injuries bringing the death toll to 16 altogether. Most of the miners killed were young (three of them were recently married) and nearly all were the sole breadwinners of their families. A compensation of Rs 1,000 has been paid to each of the families of the deceased and the company has also promised to give employment to one member from each of the affected families. The Union Ministers for Labour and Energy, both of whom visited the site of the accident, held an inquiry as well.

According to several miners who were working inside the mine (D2, Brake O Level Main Siding, as the Company officials refer to it) around 8.30 that morning, they heard a zooming sound accompanied by a strong blast of wind. Moments later the entire mine was filled with a thick blanket of smoke making it difficult to see anything inside. A fire broke out and the haulage driver, trip driver and the tape lifter of the section of the tunnel received severe burn injuries. On seeing the smoke and the fire, and fearing being trapped in, the miners inside panicked and, instead of taking the usual route out, tried to rush through the nearest smoke-filled exit door. In the process many of the miners were injured. About 50 workers were found unconscious or semi-conscious inside the mine, probably overcome by noxious gases. The bodies of all the 12 dead men were found in D2 Brake, some of them being badly charred.

Immediately after the accident the haulage room of the South Limb mine revealed a number of burnt cables. Many of the cables were oozing out fresh bitumen. The plate of the bell transformer was discoloured probably due to the intense heat, the OCB was pushed to one side and the glasses in the ammeter and the earth leakage relay were shattered.

All these point to the fact that the accident was due to fire, caused either through a faulty wiring system or, more likely, through the ignition of methane gas inside the mine. A certain amount of methane, a highly inflammable gas, is present in all coal mines. It is essential for mine safety not to allow the percentage of methane to exceed a certain proportion. This is done by the use of exhaust fans which flush out the polluted air while fresh air is circulated inside by means of huge fans placed in strategic positions. On the day of the accident one ventilation exhaust fan inside the mine was not working properly. There was also a power failure (before the accident) twice that morning — once between 6.45 and 7.30 due to a fault in the over head line and again from 8.20 (about ten minutes before the fire broke out) to 9.40 due to a defect in the joint box of the feeder. The ventilation inside the mine was not adequate and left ample scope for a fire to occur.

Another version of the accident is that coalheads fell on an electric junction box breaking it and causing instant ignition — not an unlikely possibility in view of the large amount of methane gas present in the insufficiently ventilated mine.

The official version of the accident put forward by the Coal India officials from their regional headquarters in nearby Margherita says that "...in the second fall of the South Limb there is a splinter seam... this is probably the likely spot of the pocket of methane which was ignited. In the vicinity of the fall a cable had been damaged and revealed a puncture". Officials take pride in the fact that out of the 320 miners inside at the time of the accident, 'only' 12 were killed.

Coal in Assam was first mined by the British-owned Assam Railway and Trading Company in 1882 and was confined to five fields in the Dibrugarh area — Namdang, Bargolia, [illegible] and Jaipur. With nationalisation, [illegible] Assam collieries came under the control of Coal India. Coal miners in Assam are chiefly comprised of Nepalise, tea garden workers, labourers from Andhra Pradesh, Muslim 'Khan' who claim to have originally come from Afghanistan, and a few local people who, however, generally take jobs which do not require them to work underground. Even after nationalisation, the lot of the miners has not shown any appreciable improvement. True, the wages of the permanent workers (about 60 per cent of the total strength) has increased to around Rs 520 per month, and they are also eligible to free housing, medical facilities and education for their children. But in actual fact most miners are not provided housing for the simple reason that there are so few of them. The majority of the workers continue to live in miserable hovels. The schools meant for the miners' children are there more or less just in name. The management is unwilling to spend funds on schooling and would much rather hand over these responsibilities to the state government. According to Kul Bahadur Chetri, the Janata MLA from Margherita, when it came to arranging buses to take the children of the officers to high-priced schools and back the necessary arrangements were easily made, but when it came even to such basic things as the repair and maintenance of the workers' children's schools there was invariably a lack of funds.

But however unsatisfactory the living conditions of the permanent workers of Coal India, the lot of the miners who are employed through the contract system is much worse. Even today, nearly eight years after nationalisation, certain mines are still leased out to private contractors who operate them for the Company and who are free to directly recruit labour. Though officially these miners are supposed to receive the same wages as the regular miners, in actual practice they hardly ever do. Their wages depend on the availability of labour at the particular time and the whims of the individual contractor. Further, these workers receive no medical, housing or schooling facilities. Bonus is also naturally denied to them. As much as 40 per cent of the coal miners in Assam are such casual workers.

Though there are two trade unions in the area, one affiliated to the AITUC and the other to the INTUC, so far no one has taken up the cause of the casual workers. As the assistant Labour Commissioner in Gauhati hap-

pily asserted, labour-management relations in the mines here are 'excellent'. He pointed out that apart from two or three strikes (which were anyway part of nation-wide strikes) there had not been any instance of a strike in the Assam coalfields. As the official triumphantly said, "...the people are too simple to bother about unions".

KARNATAKA

The Dying of Kolar Gold Fields

George Mathew

BIJU PATNAIK, Union Minister for Steel and Mines, is reported to have said to labour leaders from the Bharat Gold Mines Limited (BGML) that wage earned without productive employment is a 'pension' and needs to be checked: He was referring to the wages of workers of the Kolar Gold Mines (KGF) which is today running at a loss. Indeed, BGML is said to be facing closure, and the population of KGF presents a picture of utter neglect.

Situated 100 km east of Bangalore, KGF with its rocky barren soil and hot dry climate was based on gold reefs running four to five miles north to south and dipping east to west. Primitive mining was carried on there during Tippu Sultan's time in the 18th century. Organised mining was begun about 75 years ago, by a British firm, John Taylor and Sons. In 1947, the then Mysore government took over the mines. In 1956, it became 'Kolar Gold Mining Undertaking' under the Government of India. In 1972, it was converted to 'Bharat Gold Mines Limited' (BGML).

The story of KGF — relating to the discovery, exploitation and dwindling of the yellow metal — is also reflected in the rise and fall of the mining town and its people. The one-time field of gold has today become a graveyard of obsolescence both of men and machines. People die like worms; the vast majority of workers in KGF today appear like walking corpses.

During British raj, because of the life style of the few managers, KGF was known as 'Little England'. The 'white man' had all the comforts of life and all possible recreational facilities. Now, these are enjoyed by Indian officers. But the present generation of workers — descendents of those who had converged on the gold town four decades ago, in the days of the gold rush, from Chittoor and Madanapalli in Andhra, Chingalpet and North Arcot in Tamil Nadu — are faced with declining gold yield and consequent stagnation and decay in human life. According to the 1971 census, the population of KGF is 1,18,861; but of this 42,749 were in the mining area and 76,111 in the non-mining area. Today there are 12,000 workers in the mines. In 1950, however, the mines employed 25,000 workers; by 1968 they were already only 22,791. Retrenchment is the order of the day. And life inside the mines is full of health hazards and accidents. Dusty and congested working areas make workers victims of mining diseases such as silicosis. Accidents, such as loose soil collapse and rock burst, were common and only recently have been brought under control.

The dwellings of the miners are those that John Taylor and Sons had planned 75 years ago. They are thatched hutments set up in rows of 120 units, and the area per family is limited to 12' x 10'. These single-room homes are, of course, without electricity, water, wash room, or toilet facilities. They are made of either bamboo thatti or asbestos sheets and, in some cases, even cement concrete slabs. The wind would find its way through the bamboo thattis if they were not plastered with cow-dung paste. The asbestos and cement slab huts become too cold in the winter and like a furnace in summer. Absence of latrines and drainage makes the area miserable. In the summer, the people have to trek miles for drinking water on the plateau. On an average, each row of 120 houses has one water tap. The congestion in the workers' colonies can be gauged from the fact that the average size of a family is 7.2, so that, approximately 840 people depend on one tap which runs for only a few hours.

In a sample survey of 424 families, it was found that 485 members are bread-winners and 3,100 are their dependents. Thus 6.6 persons are dependent on one earning member. There are no proper recreational facilities, no health education. Alcoholism is widespread in this sea of human misery.

When BGML had to retrench workers, a quasi-government concern was started to absorb the labour from BGML. It was to manufacture heavy vehicles — Bharat Earth Movers Limited. However, thanks to our 'market economy', this has proved to be a curse for the gold miners.

Only a very small percentage of the retrenched workers of the gold mines were absorbed in the BEML, because the latter required skilled workers. Besides, BEML offers excellent facilities to its workers, and their wages are much higher than those of BGML. A semi-skilled worker in BGML, a battery charger, said that with 22 years of service in the mines his basic salary was Rs 85 and DA Rs 160, aggregating Rs 245 per month. On the otherhand, even an unskilled worker in BEML gets in the beginning of his service Rs 400 per month.

The vast disparity in the earnings of people within the same locality or neighbourhood naturally has uneven economic implications. The high salary structure of BEML has driven the gold miners against the wall, because the workers from both BEML and BGML go to the same market. The prices of essentials have increased sharply in KGF after BEML came into existence. Consumer goods and textiles have thus become even more scarce for the miners. The prices of eatables in restaurants have increased by between 40 and 90 per cent. The mining workers are almost driven out of existence in the common markets of Robertsonpet and Andersonpet.

The deteriorating economic situation has pushed the miners more into the hands of the moneylenders. A survey has established that, while the average monthly income of the mining community remains Rs 218.86; their expenditure is Rs 321.33. Moneylending is the main business in KGF, next only to that of provision stores-keeping and cloth merchandising. At the first cross road of Robertsonpet, alone, there are 34 Marvari pawn shops, and in the neighbouring areas 50 such shops. The Marvaris in KGF control all the business, and the KGF population has no alternative market.

In KGF and in the mining areas, illicit distilleries are a household industry. The slums in the periphery of miners' settlements do a roaring business in the killer alochol. The Forum for Justice and Human Rights, an active voluntary organisation, is trying

through several dedicated social workers to bring about a reform in these areas. But since they are helpless to strike at the root cause of the evil, *viz*, material human misery and insecurity they are also unable to eradicate alcoholism.

According to the survey, the mortality rate in the last three years is high. It is revealing that most deaths are unwarranted by modern standards. The people who dig gold for the country, die for want of simple facilities of life and medicine.

The predicament of KGF is outlined by a survey report of 'Small Industries Service Institute' (1966). It says: "except for gold mines, this district (Kolkar) has a backward status in the industrial structure of Mysore state. The entrepreneurial talents are also limited due to poverty and unfavourable climatic conditions. Although some technically qualified persons do exist in the district, they have to remain unemployed" (pp 8, 18).

KGF's is a story of negligence and unimaginative running of the mine based on short-term economism. It was clear long ago that the gold deposit would decline, John Taylor and Sons had done a speedy job of carrying the gold of Kolar to England. When the Indian masters stepped into their shoes, they made little or no effort to ensure the future of the insecure settlement. Today, if the management is itself driven against the wall it is because of the *ad-hoc*ism they have pursued for several years even when it was obvious that the shafts should have to be closed in a few years.

The manifold problems and the utter degeneration of their lives forces the workers to resort to struggle and strikes Management on their part resort to anti-labour practices. For instance, the Nandidoorg mines workers went on a lightning strike on May 24 and 25, 1978, demanding at least an *ad hoc* payment from the arrears due to them. They were reportedly asked to sign on an agreement written in English without giving a translated copy and the agreement went against the workers' interests. The workers are now convinced that the management duped them by the settlement. In the absence of planning, managers of such losing concerns put down people's upsurges even more firmly in order to present an image of efficiency to their superiors in Delhi.

Several people were of the opinion that, indeed, BGML's history in the recent past has provided a convenient alibi for some to exploit the situation for their own ends. It is alleged that gold is being smuggled out of the mines, and that under cover of 'dwindling gold deposits' BGML has become a breeding ground for corruption: after all, if it can never be profitable, the extent of loss seems to be of little consequence. Workers at BGML are unhappy with their trade union leaders too. They believe that their leaders have betrayed them by underhand deals with the management. But people's struggle only intensifies when they become conscious of the exploiters and know that, in any case, they have nothing to lose.

LABOUR

Patchwork Settlement for Textile Workers

Timir Basu

THE industrywise tripartite settlement for workers in cotton textile industry arrived on March 14 is little more than a patchwork settlement, thanks to the left front government's timely intervention. The 55,000 workmen in about 36 mills encountered the same adversaries whom their counterparts in jute and engineering industries have encountered ever since the last tripartite agreement which ended on December 31, 1976. The Bengal Mill Owners' Association, the sole representative of textile interests in private sector in the state, took full advantage of Emergency to impose an enormous workload which has now been legalised through the present settlement.

As in the engineering industry, the strike in the textile industry was narrowly averted — because CITU did not want to resort to strike. Nine unions representing the workmen had served a strike notice on February 15, 1979 (to be effective from March 15) in support of their charter of demands which included among other things wage revision, wage differential, night-shift allowance, cheap canteen facilities and reduction of workload. Prior to the strike notice, a series of talks, mostly at tripartite level, over the charter of demands submitted in October-November 1977, had proved abortive. Against the backdrop of discussion held on December 13 and December 27, 1977, at the office of labour directorate, employers expressed in a letter dated January 1 addressed to the government their inability to concede any demand under the plea that the cotton textile industry was passing through a critical phase and that it could not bear any further wage increases which might render the textile industry in the state totally sick.

With a very good cotton crop and an assured market, coupled with a number of government subsidies, the cotton textiles industry has never had such a boom. The improved climate that was clearly noticeable even in early 1978 is going to be sustained for years to come. The industry was further enthused when the Janata government announced its new textile policy. The agrument that a meagre wage rise would render the mills sick makes little sense because one gathers just the opposite impression from what R N Mafatlal, Chairman, Indian Cotton Mills Federation, said at the 20th annual general meeting of the Federation held in Bombay on September 2, 1978: "I feel happy that the long awaited integrated textile policy for which my predecessors exerted untiringly has finally been announced and I foresee a bright future and sustained growth for this industry."

Coming back to the disputes which have been hanging fire for a fairly long time, fruitful discussions started at the initiative of the government only after the strike notice had been served. Meetings were held in the office of the Labour directorate on February 27, March 2, 6 and 8, 1979 and thereafter before the labour minister, government of West Bengal on March 12 and 14, with a view to arriving at a tripartite agreement patterned after the settlement in jute and engineering, to be valid for three years from the date of signing.

According to the agreement now arrived at, the basic wages of all workmen irrespective of designation — that is, whether time-rated or piece-rated — shall be increased by Rs 47.50 per month payable from March 1, 1979; this means that the long period uncovered by any settlement ever since the last tripartite agreement ceased to operate (from December 31, 1976) will be treated as holiday, as far as wages are concerned, for the employers. The monetary gains stemming from the new settlement do not compensate for the losses resulting from such delay.

The DA formula is the same as it is in jute and engineering settlement. Henceforth workers will have an increase of Rs 1.80 per month in addition to the normal DA: the enhancement is the result of the new basis of neutralisation at the rate of Rs 1.30 in place of Rs 1.15 for the rise of 12 points. 1960 will continue to be the base year, workers' repeated representations to change the same notwithstanding. The base itself is a source of substantial loss to workmen's income, let alone the manipulations in the formula. Again, as usual DA is pegged at 300 points which will be considered the floor, and for a rise or fall between 300 and 335 points, the adjustment shall continue to be at the rate of Rs 1.15 per point. But employers and government have other reasons to strictly adhere to this new formula which fails to correctly appreciate the Consumer Price Index numbers and proper neutralisation arising thereof. Actually the Bhoothalingam Panel recommendations have made their entry in DA formulation through the back door; and since the left front government and the central trade unions cannot avoid the embarrassment of being called vehicles for implementation of those black recommendations designed to curtail the existing rights of the workmen, all their earlier opposition and demagougy now sounds very funny.

The Janata government has really not abandoned its plans to implement the recommendations of the Bhoothalingam Panel Report; but in the face of stiff resistance from organised labour, it is now planning to implement the recommendations part by part, without of course uttering the name of Bhoothalingam. It has been done in the banks and in West Bengal all the recent industrywise settlements have derived from the Bhoothalingam Panel Recommendations — at least in the case of DA. The trick works; and if this tactic of piecemeal solution is not checked right at the moment it will be too late to look into the matter after three years.

The existing wage system comprises in the main a basic wage and a DA; and the basic wage is kept at such a low level that without DA employees cannot meet both ends. In fact DA is a major component of wage in almost all the organised sector industries and the cotton textile industry is no exception. Again DA is strictly regulated by the Consumer Price Index (CPI) numbers and the CPI 1960 series (on which DA is based) suffers from many defects and errors which were deliberately incorporated into it at the time of framing this series. The 1960 series is worked out on primary data collected 22 years ago and cannot reflect the present spending habit of workers. A scientific base with concrete appraisal of spending pattern and weightage diagram should be built up without further delay if the authority at all wants to render fair justice to workmen. It is strange that the unions agitate for increase in DA on every occasion without pressing the demand for introduction of a new series correctly reflecting the market.

The terms of settlement for house rent allowance are same as the terms agreed to in the settlement of the strike in jute industry. While house rent will continue to be paid as per the House Rent Allowance Act 1974, it is agreed that where quarters are at present occupied by more than one allottee, 'the existing practice' will remain in force. And what is this 'existing practice'? Four or five persons live in a room of a single allottee and *all* are subjected to rent deductions. Some collective bargaining!

But the most significant gains made by the employers have been in the fields of workload, grades and scales of pay, occupational wage differential of all categories of workmen and wage structures of workers in units mainly consuming staple fibre or multi-fibres. It is a matter of common knowledge how the managements in each industry, irrespective of the nature and hazards of work, increased the workload. In the new agreement, there is no provision to reduce the workload nor any proposal to rationalise the same; the question is to be referred to an expert committee which will be required to submit a report to the government within six months from the date of its formation, subject to final approval of the labour minister. Regarding wages, etc, another expert committee, along the same lines as the one on workload, will be constituted.

It is also possible that with the enforcement of new agreement, the existing canteen facilities will be withdrawn and managements will be free to run them on a 'no-profit-no-loss' basis. The terms of agreement on night allowance, somewhat vague, might lead to some complications. It is agreed (clause 5.8) that the labour department will intervene and exert its utmost to settle the case of night shift allowance amicably out of court. This can be no more than a pious wish. For instance, the workmen of Hada Textiles under the sway of Textile Workers' Federation had been entitled to get 10 per cent of the basic wages as night-shift allowance as per the award of the first tribunal, Government of West Bengal, made some four months ago; but the management has straightaway challenged the award in the High Court. The workmen cannot be expected to forego their rights stemming from a Tribunal award while the management is allowed to keep its options open.

On the top of it all is clause 5.11 which, more than anything else, is a pointer to how industrial relations in West Bengal will shape during the next three years — the period of settlement. Though it is the common practice to agree that the terms of a settlement can be terminated in writing by either side by serving two months' notice, the unions seldom repudiate the terms even though the employers frequently resort to flagrant violation of the same without officially announcing the termination of the agreed principles laid down in an agreement. Clause 5.11 reads: "The issues in union's charter of demands, not covered by this agreement are not pressed. Existing facilities will, however, continue." This means that while it is good-bye to longstanding demands for three years, it also means ('Existing facilities will, however, continue') that the employers will be free to enforce the present workload and other unfair labour practices. Indeed, with the withdrawal of the strike notice on March 15, 1979, the charter of demands too stands withdrawn.

The exclusion of NTC mills from the purview of the settlement is another disturbing element. Of the total Cotton textile workforce of about 55,000 in West Bengal the NTC employs about 22,000. Long before the strike notice, CITU and some persons in authority are reported to have asked the workmen of NTC mills not to join the proposed strike. The idea was that this perennially 'sick' public sector undertaking should be kept outside the ambit of any struggles for the time being. But coal is part of one of the biggest nationalised sectors and yet CITU has not been reluctant to resort to a strike in the coal industry, despite the industry's offer of Rs 70 in the form of a package deal.

That there would not be any strike in the cotton textile industry in West Bengal was clear enough even in June 1978 when the NTC unilaterally granted an *ad hoc* wage increase of Rs 30 to each worker. The Bengal Mill Owners Association, allegedly in con-

nivance with the government, was in fact buying time to settle the disputes within the framework of the same *ad hoc* increase as was done in NTC mills. The trade unions under the control of left front parties were equally eager for a settlement. During the discussions, two TU bosses who are directors of NTC reportedly said that industrywise settlement will also be binding upon the NTC mills. But it is now clear the authority has hardly any desire to honour the tripartite wage settlement for it is not the NTC but the Bengal Mill Owners Association which is a party to the said agreement. Meanwhile the NTC workmen have started agitating. The campaign was opened by AITUC-led Textile Workers' Federation with a telegram to the Union industry minister asking him to intervene. But the implementation of industrywise settlement will not be an easy matter in the NTC mills since the Union industry minister is waiting with a Bill to amend industry regulation which seeks a moratorium of 5 to 8 years on disputes in industrial units taken over or managed by the government.

IRAN

Another Showdown?

Asghar Ali Engineer

IT is unfortunate that the entire popular movement against the Shah of Iran is sometimes sought to be seen as a medieval revivalist movement led by a bigotted mullah. Some commentators even endorse the Shah's view that the 'black and red reaction' led the revolt to sabotage his programme of land reforms and modernisation.

The facts however are otherwise. A publication by the Organisation of Iranian Peoples' Fedaee Guerillas — OIPEG — ('Land Reform and Its Direct Effects in Iran') analyses the real character of these so-called land reforms. The so-called land reforms were cleverly designed to benefit only the upper classes in the rural areas and to introduce under State patronage capitalist farming on a big scale. The landless and the rural poor were left high and dry. Not only this, the measures upset the traditional rural economy and adversely affected the poor peasants. They were basically oriented to meet demands for cash crops and raw materials in the western market and brought windfall profits to the upper classes in the rural areas. The Shah's family also greatly benefited from this new orientation. No wonder the peasantry's anger was directed against the Shah precisely because of these fake land reforms, and Khomeini's call to revolt found ready response in these discontented peasants.

Many of these peasants uprooted from their land migrated to urban areas in search of jobs. But they succeeded only in swelling the ranks of unemployed. The Shah's industrialisation programme was no less hollow; it was equally elite oriented. These industries instead of catering to the needs of the common people, assembled automobiles or manufactured luxury goods required mostly by the rich classes. The oil revenues were either squandered away on ambitious programmes of armament or went into lining the pockets of the rich and the super-rich. The ostentatious living of the rich on the one hand and the increasing misery of the urban masses on the other created an explosive situation. The petty bourgeois urban classes were also economically ruined. To add fuel to the fire the Shah ruthlessly put down democratic and liberal opposition thus antagonising the intelligentsia as well.

Ayatollah Khomeini, a trenchant critic of the Shah's regime since early 1960s and exiled for his consistent anti-Shah stand, became the symbol of the revolt in Iran because he represented aspirations of the people of Iran by denouncing monarchy and also its blatant support to US imperialism. It would be wrong to maintain that the people of Iran rallied round the Ayatollah because of his advocacy of an Islamic republic. Only a small section of his conservative followers may have drawn inspiration from his Islamic principles.

It is also not true to say that the developments in Iran have been in the nature of a sudden eruption. Two guerilla organisations — *Chirika-e-Fidayeen-e-Kalq Iran* and *Mujahideen-e-Kalq Iran* — had systematically worked for years not only for armed struggle but also for spreading Marxist ideas among the workers and the intelligentsia. While the *Chirika-e-Fidayeen-e-Kalq Iran* (Organisation of Iranian People's Fedaee Guerillas, *OIPFG*) is purely Marxist in its orientation, the *Mujahideen-e-Kalq Iran* is an Islamic-Marxist organisation, though its theoreticians, while continuing to adhere to Islam, believe in its radical re-interpretation so as to ensure socio-economic justice for the toiling people. However, both the guerilla organisations have been co-operating with each other for a common goal. "The Socio-Economic Analysis of a Dependent Capitalist State" by Bizhan Jazani, a founding member of the *OIPFG*, makes a scientific analysis of the situation prevailing during the Shah's regime. According to Jazani, in the post-land reform period, feudal-bourgeois exploitation was replaced by bourgeois exploitation. "With the emergence of the bourgeoisie, the peasants had to endure exploitation by the feudalists as well as by the bourgeoisie, and indirect exploitation by imperialism. Therefore, with the dissolution of feudalism the way became open for the growth of bourgeois exploitation. Moreover, the budren of indirect foreign exploitation through the comprador bourgeoisie also fell on the peasants. This exploitation is generally effected in the two stages of production and exchange." Jazani analyses the impact of the so-called industrial revolution in Iran which led to the emergence in urban areas of a 'minority consumers society'. "Such a society consists of small and big bourgeoisie (comprador or the remnants of the national bourgeoisie) and the well-off section of the urban bourgeoisie. The proportion of this consumer society is twice the size of the previous ruling classes (the feudalists and the bourgeois) and is one-tenth of the intermediate sections (petit bourgeoisie, etc). Thus this society comprises a small minority (3 per cent) of the total population" Jazani also points out that "the proportion of consumption by this minority is far higher than that of intermediate sections and the form of consumption reflects the national progression of the system of dependent capitalism. This minority consumes 30 per cent of the total national income either directly (family income) or indirectly (i e, money spent on 'public' utilities such as tourist establishments, communication, health, education and entertainments: e g, airports, motor ways, beaches, ski resorts, hotels, casinos, de luxe hospitals, higher education and so on, that are in the main used by the consumer society)."

Jazani does not think that the prin-

cipal contradiction in Iran today is between labour and capital. According to him the Iranian capitalist system is a dependent capitalist system. "Foreign domination forms an important part of the prevailing system of exploitation in Iran, and since not all the exploiters and owners of the central capital are dependent on foreign domination, and even the interests and continuing existence of some or them, namely, the national bourgeoisie no matter how weak, is against the continuation of growth of foreign domination and comprador bourgeoisie; moreover, foreign capital, although exploiting us, cannot be regarded as part of the Iranian bourgeoisie. Consequently, it follows that the contradiction between labour and capital, with its social manifestation of the contradiction between the proletariat and the bourgeoisie, cannot be the principal contradiction of the system prevailing in Iran." According to Jazani, the situation is not ripe for socialist revolution in Iran as the national bourgeoisie has a progressive role to play *vis-a-vis* the foreign monopoly capital.

Jazani wrote all this before he was killed during the Shah's regime. Now that the Shah has been overthrown and the situation is fast changing, what are the new portents? The Marxists led by the *Fidayeen-e-Kalq* wield a great deal of influence over the workers in the oil and other industries. The workers in the oil industry did not resume full scale production despite repeated appeals by Ayatollah Khomeini after his triumphant entry into Iran. Highly politicised as they are, the oil workers demanded a ban on supply of oil to countries like Israel and South Africa. According to the latest reports the daily production of oil has been limited to 1.0 million barrels which, though more than double that of last ten weeks, is considerably less than the previous output peak of 6.5 million barrels a day before the beginning of the strikes last October.

The militancy of the oil workers is no isolated exception. A massive demonstration in Teheran by an estimated crowd of 50,000 Marxists on February 24 showed the strength of the Leftists and the support the oil workers enjoy. It was after this demonstration that the Ayatollah was greatly perturbed and got the interview which he has given to *Al-Ahram* of Egypt from Paris published in the newspapers. (Earlier this interview had been withheld from the press.) He is reported to have said in this interview that Iran will not be allowed to be "the Cuba of the Arab world". The Ayatollah called the demonstrating *Fidayeen-e-Kalq* as "anti-Islamic opportunists and enemies of the revolution".

In fact it was not the 'charisma' of the Ayatollah which brought about the end of Shah's regime. The Shah-appointed Bakhtiar government continued until the technicians from the Air Force, a large section of whom are under the influence of the Marxists, resorted to armed rebellion, only when the Bakhtiar government collapsed. Also, the large number of arms seized on this occasion have not been surrendered despite Khomeini's repeated appeals.

What about Khomeini's economic programme? Khomeini has so far failed to spell out the concrete measures for socio-economic justice in his Islamic republic. He has been talking very vaguely and his radical programme has gone no further than giving free water and electricity to the peasants.

The Marxists are demanding, among other things, total dissolution of the imperial army and its replacement by the people's army; people's courts instead of the secret Islamic tribunals to try members of the old regime; the return of all land to farmers with free rural electricity and water and interest-free loans; nationalisation of banks and foreign capital. The Marxists have also challenged Khomeini to reveal if his "Islamic revolutionary council", the supreme decision-making body of the regime, has on it any oil workers, trade union members, white-collar workers, soldiers or guerillas. The armed forces too have shown signs of dissent. Mehdi Bazargan was forced to withdraw his nominee for Air Force chief and name a new air commander.

Clearly, mere talk of an Islamic republic can no more enthuse the people of Iran. The time may not be ripe for a socialist revolution; but the *status-quoist* policies too will not be accepted by the people. The struggle against the Shah brought about a tremendous awakening which even Khomeini cannot lull back to sleep. It is quite possible that as pressures from below for radical changes grow, Khomeini might lean more and more towards the US. There is a precedent for this type of reaction in Iranian national movement, the leading Ayatollah of the Mossadeh period broke with Mossadegh and ended by backing the army of the Shah in the August 1953 coup.

Revolution in Iran

Jamil Rashid

Iran: Dictatorship and Development by Fred Halliday; Penguin Books, 1979, pp 348.

IN 1971, when the Shah celebrated 2,500 years of Iranian monarchy, some kind of a myth was sought to be created that he was the descendant of Cyrus the Great. In reality, he was the son of a junior army officer who had come to power by a military coup, and "has no more royal blood or princely heritage than King Kong".

Since the overthrow of the old kingdoms by the Arabs in 641 AD a great many things have happened in Persia (Iran). After centuries of internal rivalries among various regional overlords, the Safavids (1501-1722) established the Shi'ite religion and the power of clergy increased rapidly. The institution of Imamate and their Mujtahids founded religious schools which were of far greater significance in the socialisation process of Iranian society than their counterparts in Sunni world. This centre-piece of religious orthodoxy in which there was also a protest against the established order gave the Iranian people a different spectrum from that where religion was a part of rulers' ideology, in the neighbouring Turkish kingdoms.

For 63 years after the safavids, Nadir Shah and the Zands ruled the country. The Qajars then took over and ruled Iran between 1785 and 1906, keeping a balance between spiritual and temporal powers. Iran was in an advanced stage of feudalism, where nationalism was taking roots, when the contact with the western world was being established.

In 1890, a British businessman was granted tobacco concession, with the following rights: "All rights concerning the sale and distribution of tabacco inside Iran, and the export of all tobacco produced in Iran, were vested in the Imperial Tobacco Corporation, which in return was to pay the Iranian government £15 million a year." As a protest, merchants and ulema combined together and revolted against the arbitrary ruling of the monarch who overlooked the national interest. The concession had to be withdrawn. But in 1901, unnoticed, another foreigner was granted oil concessions, and the British government moved in, taking over all the oil interests.

Between 1906 and 1921, there was an uneasy relationship among the contesting groups: religious leaders, political groups, military officers and foreign vested interests. By 1925, Reza Khan, a junior officer, overthrew the Qajars with the help of Britain and declared himself the new Shah, with the dynastic name of Pahlvi. Shah remained in power till 1941 when he was replaced by his young and docile twenty-two-year old son. Reza Khan died in South Africa in exile, without any honours.

After the war, Iran managed to show its vitality and until 1953 some of the political institutions played their role in the spirit of the 1906 constitution. However, with the overthrow of the Mosadeq government in a CIA-directed coup in 1953 Iran became the complete monarchist state. The SAVAK (Sazmani-i-Etelaat va Amjniate-i-Keshvar or the National Information and Security Organisation) and the armed forces were organised, trained and consolidated by the US through the CIA and other similar institutions to carry out the overseas domination. For all appearances, the Shah was the strong, benevolent dictator; in essence, the imperialists retained control and the Shah's powers were mostly illusionary. The recent events have shown that the empire which the Iranian monarch hoped to build was laid on shallow foundations, and not all the might of the American empire could save the King of Kings when the rural-urban masses rose against the tyranny of the State.

In the first part of the book on the Iranian State, Fred Halliday puts forward a theoretical framework. According to him, "the most fundamental point about the Iranian State is that it is a capitalist one ..." Later, he goes on to say, "Iran is probably the only country in the world where the State has combined the vigorous promotion of capitalist development with a fully constituted monarchist regime". The monarch consolidated his position through the well trained armed forces, and the terrorising SAVAK network. Halliday constantly emphasises, "it is the Shah who controls the armed forces, symbolically and actually, and not the other way round".

From this scenario, the Shah not only appeared but also convinced his foreign masters that he was a benevolent dictator who upheld the material interests of the bourgeoisie, and intelligently used the coercive forces at his command. In fact, the monarch was blamed for going through his modernisation programme too rapidly. The so-called White Revolution put forward six points to consolidate the Shah's position with the rising middle class and aspiring bourgeoisie: land reforms, nationalisation of forest lands, sale of State-owned industrial enterprises to private enterprises, profit sharing in industry, votes for women and the establishments of an education corps to go into the villages. In spite of these rapid developments and a rise in the number of privileged groups, the Shah retained his dictatorial powers: "it is the Shah who holds full executive power in a rapidly developing capitalist State, and that he has been able to increase his strength as this development has unfolded".

According to Halliday, the Shah was able to retain his position because he was able to sell in some form the national mythology of 'great past' and stability through monarchy: "The causes of Iran's political and economic problems lie not in the psychology of its ruler so much as in the character of Iranian society. Monarchism and nationalism are carefully used to reinforce each other here, since the constant theme is that Iran is only strong when it has a strong Shah." Similarly, Halliday believes that like all monarchs, the Shah had benefited from the fact that it was more difficult to challenge a King than a civilian dictator, since the only legitimate challengers were those from within the royal family, and the Shah had no such rivals. However, what Halliday finds rather striking is that Iranian monarch was able to strengthen his position as capitalist development had continued, because normally the capitalist development would lead to the transfer of power to the rising bourgeoisie. In Russia (1917), Turkey (1923), Iraq (1958), Afganistan (1973), Ethiopia (1974), Egypt (1952) and Libya (1969), the process of capitalist development was the cause of monarchs being overthrown. Of course, he can now add

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Iran too to the list, but would he still equate developments in Iran with the developments in these other countries?

Halliday finds Pahlvi monarchs to be somewhat different from the classical dictators of our times: "The ideological mythology which the Iranian regime has fostered may well be artificial, but there is no doubt that the Pahlvi monarchs have been able to establish a much more stable imperial system than one which an individual dictator could have done. This is because they have been accepted as their representatives by the dominant classes and because of their use of the monarchical tradition in Iran for quite novel purposes." In the same vein, the author goes on to say that from 1960 onward the Shah completely dominated all the groups in Iran: the civilian politicians, the army, the Majlis members, the Press, and the intelligentsia. This was possible because the Shah had kept them dependent on his personal favours, slaves to the system which he had created from oil revenues. "Beset by personal insecurities, mistrustful of themselves and their fellows, and cynical about the motives of all persons and the outcome of all programmes, the elite respond by coping with the system, not by attempting to alter it in fundamental ways. And the process of coping consists, basically of learning to operate within its norms while maximising the benefits that can be derived from it" (p 57).

Thus, Fred Halliday comes to the conclusion that Iran was ruled by a monarchist dictator who managed to make the aspiring socio-economic-political groups subservient to his system. Although the US role was important in training his armed forces or in advising SAVAK, the Shah was independent enough to control internal and external events "because of the Shah's position as an effective monarch it is not a military dictatorship of the Greek, Chilean, Brazilian or Indonesian kind... In historical terms the army was dominant before the US intervened..." (P 101).

Does such an analysis adequately explain what actually happened in Iran? Halliday puts forward five crises, between 1905 and 1963, which gave rise to his type of monarchist dictatorship: constitutional crisis (1905-11), rise of military power (1919-25), fall of Reza Khan (1941), nationalisation of oil and Mossadeq period (1951-53), and land reform crisis (1960-63). Although he mentions the international aspect of the Shah's regime, most of the time he underplays it. A deeper analysis will show that in each of these crises, the 'foreign-power' was the common factor, and internal crisis was the off-shoot of that. Halliday however is ambiguous and explains very little when he says: "the question of the role of foreign influences in Iran is one that has traditionally lent itself to imprecision — to both exaggeration and under minimisation. In fact, the Shah has been neither as independent as he himself claims nor as reliant on foreign assistance as most of his enemies allege".

This constant emphasis on the 'uniqueness' of Iran and the monarchist dictatorship crumbles when tested against the overwhelming presence of the US till the last days of the Shah, when he was advised to take a long vacation. It is important to see the contradictions which emerge from such a dominating imperialist role in a third world country, as a whole. Even Fred Halliday agrees: "There is no such thing as a specifically "Asian" political system, nor is it of any value to invoke concept of 'Asiatic despotism' to illumine Iranian history. The whole model of a specifically Asiatic economic, social or political system is unfounded, and has done more to obscure than to clarify the study of social formations in the third world."

So revoluation in Iran was inevitable, in the same way as the French Revolution was in the making from the later days of Louis XIV, reaching its destiny in 1789 in the time of Louis XVI. The circumstances in this century are different, but the trends have similar bearings in the conditions of pre-capitalist State formation when the middle class, particularly professionals, becomes disenchanted, and the rising bread prices give rise to mass rebellion.

The real problem is, to find out how the imperialist domination of a rapidly developing third world country created antagonistic relationship between the masses and the imperialist agent who posed to be a strong ruler. Our starting point is 1953 when the United States directly took over the responsibility of imperialist interest in Asia from the diminished British power even as within Iran itself there had developed a conscious middle class aware of national interest. Now it is well known that the CIA engineered the coup of 1953, and brought back the Shah from his 'vacation' in Europe. It has also come to light that the CIA connection of Irani generals used SUMKA (Nazi Party of Iran) to create confusion on the streets. According to a recent publication, "Aside from the Party's (SUMKA) connections with the court, there is strong evidence that the SUMKA co-operated with the retired army officers' group, especially Generals Muzayani and Zahedi, and with Shams Qantabadi, then the leader of the Mujahidin-i-Islam, and anti-Mosadeq, member of the Majlis... The party fought the Tudeh in the streets, criticised Mosadeq, and defied the police..." In any case, Halliday himself has recorded (pp 64-102) eloquently how the Armed Forces and SAVAK, with US help, established a new structure in Iran:

> Following the coup, the main instrument of repression was the Military Governate of Teheran, headed by General Teimour Bakhtiar, and under Bakhtiar were two specialised intelligence units: one, the Military Intelligence, had as its main responsibility the removal of opponents from within the armed forces, the other, Police Intelligence (Aghai Kar) was used for dealing with opposition parties, trade unions, and publications. At this time Bakhtiar was helped by US advisers, and when in 1957 a new intelligence unit was set up, these became a permanent secret US mission attached to it...

At the same time, the Arab nationalism under Nasser also threatned the US interest, west of Iran. Israel, a faithful ally of the US, was at hand to supplement the Iranian power. According to Halliday, "the two foreign agencies with which SAVAK has co-operated the longest have been those of the US and Israel".

Once the US position was secured in Iran, interest shifted to the surrounding areas. Iran was self-sufficient through its oil revenue, and the US did not have to spend any funds by way of aid. Halliday notes the two new developments between 1964 and 1972. Iran began to develop a regional foreign policy, and US arms policy shifted away from the direct aid to sale of arms on credit. This was also the period of the so-called Nixon-doctrine, according to which client states like Iran were to pay for safeguarding the imperialist interest.

In 1973, US policy underwent another change. The headquarters of the CIA operation in west Asia was, moved from Nicosia to Teheran. Richard Helms, the former head of the CIA and a schoolmate of the Shah in Switzerland, was sent to Iran as ambassador. SAVAK developed closer co-operation with Israel's intelligence service MOSSAD, and increasing number of Army officers were trained in Israel. The close co-operation with Israel can also be seen from what Halliday records: "Though both states are supplied mainly by the US, Israel

has provided Iran with Soviet equipment it captured in 1967, whilst Iran has acquired arms for Israel that the latter has not been able to get for itself because of embargoes from France etc...." It is also not without significance that in the past few years, SAVAK developed ties with other intelligence services in Pakistan, Jordan, Egypt and until the April 1978 revolution, in Afganistan. Information was exchanged and common enemies were kept under observation. "In 1973, when guerillas in Pakistan province of Baluchistan, which borders Iran, started operating on a considerable scale against the Pakistan army, Iran sent around thirty Chinook helicopter-gunships to assist the Pakistan armed forces... Iran has also provided economic aid in support of the Pakistan's army's military campaign and civil action programme in the province ... ."

After retiring as Director of SAVAK in 1978, General Nassiri was sent to Pakistan as ambassador, where the regime accepted him with open arms. As Halliday writes "General Nassiri's new position was an extremely important one, given joint Pakistan-Iranian concern about the new revolutionary government in Afghanistan and the danger this posed to the military regime in Pakistan". The Shah was able to discharge his duties, directed by the imperialist masters, by engaging in counter insurgency operations in the third world countries. As Halliday notes: "No third world state has a record of intervention outside its frontiers comparable with Iran's in the period since the mid 1960s. South Korea, Indonesia, Zaire, Israel, Brazil and Saudi Arabia have all intervened, directly or indirectly, in support of counter revolutionary forces beyond their frontiers, but none have done so on the scale of Iran ...".

With all this evidence and analysis provided by Fred Halliday himself, how can he still insist that "the Shah is not an 'agent' because he has challenged the US and because many of his actions applicable in terms of the interests of the Iranian State, as much as in the interests of the US"? The interest of the rulers in a bourgeois set-up is not the same as the interest of the people; it was basically the interest of the Shah and his family which he posed as the interest of the Iranian people. *The Shah was the State.*

Halliday accurately observes that the Sixth crisis (1978/79) (that is, the current crisis) is more deeply rooted in Iran's socio-economic structure than any previous ones. This structure emerged from the foreign domination from 1905 onwards, culminating in the complete repression of 1953-78 and the final collapse of February 1979. Even the President of the United States has been baffled and has criticised the CIA for failing to foresee the revolt of the Iranian masses. Fred Halliday completed his book before the February events, and so has only a general comment in passing over the more recent developments; "The events of 1978 showed that there is the basis in Iran for a new popular movement evoking Islamic ideology to emerge, as it has done in Turkey, Pakistan and some of the Arab countries." But it should be pointed out that a comparison between Pakistan, a neo-feudalistic society, and Iran cannot be easily sustained. On the surface, it would appear that Islamic leaders have been the main force behind the Iranian revolution. However, deeper analysis would show that the seeds of revolution were sown the day imperialists imposed a dictatorial structure in Iran; the religious forces have worked as a catalyst, while the mass base of Iranian *revolution has been broadly secular.*

It is necessary to look a little more closely at how the internal dynamics of this revolution worked. Oil revenues accounted for 38 per cent of the GNP in 1977-78 compared to only 17 per cent in 1967-68; in 1977 it accounted for 77 per cent of government revenue and 87 per cent of foreign exchange earnings. At the same time, as Halliday points out, "on its own oil has no development effects, i e, it establishes no significant linkages with the rest of the economy. It has no 'backward linkages' in that it employs a tiny labour force, and acquires its capital and technology from abroad; nor does it establish 'forward linkages' in that most of its product is exported." In 1977, there were only 55,000 oil workers out of a total employment force of 10.25 million. The key positions in oil production were held by foreign professionals, in spite of a locally available highly educated labour force. As Halliday points out, a rent-based economy encourages the service sector at the expense of the production sector. This was evident in Iran, where dramatic changes took place between 1959 and 1976: the share of agriculture in GNP (excluding Oil) dropped from 36 per cent to 15 per cent and that of services increased from 45 per cent to 55 per cent. The gulf between rural and urban income also widened. In 1976, output per capita in rural Iran was $251.4 while for urban population it was $3,079. With the spread of capitalism in agriculture from 1960 onward, unemployment in agriculture further increased and migration of rural workers to the urban areas also increased rapidly. (See, M A Katouzian, 'OIL versus Agriculture, A Case of Dual Resource Depletion in Iran', *The Journal of Peasant Studies*, April 1978.)

Under such a situation, three factors emerged: increased unemployment in rural-urban workers; increased number of students, professors, petty bourgeoisie and other professionals, and, finally, rising prices affecting all classes *except the foreign workers and the* Shah's associates in important positions. The clergy in Shi'ite Islam has closer links with the rural workers, and student population of the old established institutions like the one in Qom and other religious centres. Over the past few years, the Shah was spending much of the oil revenue on non-productive goods, mainly buying expensive military hardware from the West. The result was inflation and a sharp decrease in the real income of the middle classes. At the same time bread prices increased rapidly. Traditionally, and more so recently, the religious leaders had links with the Bazaar people; and it was these people in the Bazars who mobilised the masses and financially helped the movement; the suppressed intellectuals and students in Teheran University and the exiled Iranians gave the movement its theory.

Backward Class Benefits and Social Class in India, 1920-1970

Lelah Dushkin

India has had more experience than any other country with systems of preferential treatment for ascriptively defined groups. Beginning with the British and some princes long before Independence and continuing to the present day, such treatment has been the principal means of addressing the problems of the lowest ranking castes and the tribal populations.

Today its suitability and effectiveness in addressing these last problems are the subject of both street violence and constitutional debate. "Who really benefits?" it is asked. "What price is paid, and who pays it?" "Is there any better way of addressing the problems?" These are only some of the questions being argued and to which I would like to contribute some observations in this paper.

In making my observations, I will be drawing on two bodies of material: the history of the Non-Brahmin movement and Backward Class provisions in the former Princely State of Mysore during the three decades before Independence, and the present-day provisions for the Scheduled Castes in India as a whole.

INDIA has had more experience than any other country with systems of preferential treatment for ascriptively defined groups. Governments have coped with grievances and resolved problems of their own many times in this manner. For example, the British used this mode, not only to meet Muslim fears of Hindu domination but in a classic application of Divide and Rule, when they granted separate electorates in 1906. Some Princely States in the South used it, when they found their administrations overwhelmingly staffed by Brahmins, to get more appointments for Non-Brahmins and thereby to strengthen support for themselves among the great majority of their subjects. Beginning with the British and some princes long before Independence and continuing to the present day, it has also been the principal means of addressing the problems of the lowest ranking castes and the tribal populations.

Today its suitability and effectiveness in addressing these last problems are the subject of both street violence and constitutional debate. "Who really benefits?" it is asked. "What price is paid, and who pays it?" "Is there any better way of addressing the problems?" These are only some of the questions being argued and to which I would like to contribute some observations in this paper.

It should be noted at the outset that in the type of arrangements we are discussing there are typically three political actors: a category of actual or potential beneficiaries, a category which feels threatened by or otherwise opposed to the system, and those in power who grant the benefits for their own reasons and have their own priorities for distributing them. In addressing the question, "Who benefits?", we can assume that those in power see some political advantage to the system or they would not have adopted it. Thus we will discuss the issue with respect to the category of beneficiaries, but will return to this point at the end.

In making my observations, I will be drawing on two bodies of material: the history of the Non-Brahmin movement and Backward Class provisions in the former Princely State of Mysore during the three decades before Independence, and the present-day provisions for the Scheduled Castes in India as a whole For those unfamiliar with these terms, let me sort them out. "Backward Classes" are ascriptive groups (castes, tribes, religious groups) officially recognised as eligible for certain benefits on ground of their relative disadvantage. In Mysore, from 1921 until well after Independence, the BC included everybody except the Brahmins and those whose mother tongue was English: some 96 per cent of the population. Thus the term is synonymous with "Non-Brahmin" in its broadest sense. In modern India the Backward Class category has three main components: the Scheduled Castes (called Untouchables, ex-Untouchables, or Harijans) who comprise over 90 million people or one seventh of the Indian total; the Scheduled Tribes (called Aboriginals, Adivasis or Girijans), about 43 million; and the Other Backward Classes, a catch-all category whose size is probably about the same as that of the Scheduled Tribes.[1] They are eligible only for educational benefits and, in a few cases, economic ones.

After doing a good deal of work on the Scheduled Castes some years ago,[2] I turned to the Non-Brahmins in Mysore.[3] In the course of studying the Backward Class provisions there I developed some notions which I would like to apply to the present day Scheduled Caste provisions. The essential idea is that if we are to answer the question, "Who benefits from a system like this?" we have to ask, first, "from what kind of provisions?" There is a dimension of social class within the ascriptive category of beneficiaries that has to be taken into account. Sometimes this is completely ignored and the Scheduled Castes or the Non-Brahmins are spoken of as if they were homogeneous. Often the class dimension is alluded to, but mainly in order to criticise the system by claiming that a small middle class or elite group within the category is monopolising all the benefits. I submit that this, too, is a distortion

Indeed, to oversimplify for a moment, both in the US and in India the confusion between the inherited-group nature of some problems and the socio-economic classes of the individual beneficiaries of efforts to solve those problems has produced intense controversy, but in opposite direction over time. The US, which

TABLE 1: GAZETTED AND NON-GAZETTED APPOINTMENTS IN MYSORE STATE SERVICES: PER CENT BRAHMIN IN SELECTED YEARS, 1918-1957

Year	Gazetted Posts	Non-Gazetted Posts
1918	64.86	69.64
1930	69.67	54.13
1936	61.32	49.65
1947	46.89	37.50
1957	35.72	27.65

Note: Gazetted posts comprise the top 2 to 3 per cent of posts in the years covered.

Sources. 1918-36 Gazetted: Progress Report of the Central Recruitment Board, Mysore, 1930-1936. Appendix IVa, p 14.
1918-36: Non-Gaz: Mysore Secretariat "C" Statements.
1947: Report on the Working of the Rules of the Public Services in Mysore for 1948-49. Appendices X, XI.
1957: Report of the Mysore Public Service Commission for 1956-57, pp 82, 85.

assumed that the unit in the system is the individual, 'discovered' in the 1960s that some problems associated with inherited group identities are so intractable that various preferences were adopted for racial/ethnic minorities and women. Now these "affirmative action" provisions are under increasing litigation. In India, by contrast, the assumption has been that the unit in the system is the group and the 'discovery' has been that the beneficiaries are, of course, not groups but individuals. Individuals act, at least partly, in their own self-interest and this together with their diversity by class has led to an increasing rhetoric of outrage at the system even by those initially favourable to it.[4] Since it has always had its enemies and is today subject to increased public attention, this seems an appropriate time to try to sort out the factors of class and caste.

LEVELS OF BENEFITS

We begin with the simple point that different kinds of provisions appeal to different kind of people. Moreover in a situation of scarcity they also threaten different kinds of people. If we are to evaluate the suitability and effectiveness of the provisions in meeting the needs of different classes of beneficiaries, we have to sort out the benefits by social class. I have, accordingly, found it helpful to divide the Backward Class provisions into three kinds. I will first describe and evaluate them with references to Princely Mysore and will then turn to the Scheduled Caste data at the national level.

Elite Benefits

The first kind I call "elite benefits" in the sense that they are of concern only to a small elite within the category, and also in the sense that they involve things that the elites in the society at large want for themselves and their own offspring. These are: Class I and II administrative government posts, admission to the universities and, especially, the medical and engineering colleges, seats in Parliament and the state legislatures, and nominations to high office. For the Scheduled Castes (SC) the first three are provided by reserving percentages for them, usually in proportion to population, but for the first two, if there is no "qualified candidate" available the seat or the job goes to someone else. This happens frequently.

In Mysore reservations were adopted for the first two — government jobs and university education — but not in proportion to population. No reservation was adopted in politics, but spokesmen of minority Non-Brahmin communities were nominated to the Representative Assembly if nobody from the community could get elected. What the elite from within the Non-Brahmin community wanted was power. Not jobs, power, and for a few years they sought it through appointments to decision-making civil service posts, as one of them candidly stated in a 1921 debate:[5]

> Our parents saw how Brahmin literates were getting on in life and therefore thought that if we were educated we too could get on well. Some of us were educated accordingly. But what was the result? We were about 7 or 8 graduates and when we went to the authorities and asked for appointments, they offered us Rs 20 and so on. Twenty rupees we could earn by having a cow. If we passed high exams it was because we hoped for high appointments...

It was only for about a decade that persons like this relied primarily on BC benefits to get what they wanted for themselves and their own offspring. By the late 1920s their close relationship with the Durbar was eroding as they put more and more emphasis on the electoral route to power, on constitutional changes, and on agitations to mobilise supporters. At the end of 1937 they made common cause with their former foes, the Brahmin nationalists, by forming the Mysore Congress against the Durbar and its British backers. And they took power at Independence.

Middle Class Benefits

The second kind of benefits I call "Middle Class Benefits". These consist of appointments to Class III (clerical) posts and a variety of scholarship schemes to assist high school and college students. The above gentleman spurned this kind of clerkly job and never needed the Rs 3, 4, or 5 per month that was paid out as a Backward Class scholarship. But like all politicians, he was profoundly concerned with how such benefits were distributed, and sought to obtain them for his own supporters. Since these benefits are numerous but those who meet the modest qualifications for them even more numerous, they lend themselves to the political pressures for "distributive justice"[6] or, in the words of the Durbar, "adequate representation". Politicians served on the Central Recruitment Board, an advisory body, and on the District Backward Classes Scholarship Committees. The pressures in this situation were to cut more and more component groups in on the deal and to disperse the benefits as widely as possible within the category for maximum political support. Particularly with the BC Scholarships, which were almost infinitely divisible, Mysore developed the most intricate system I know of for the fine-slicing of a modest financial "pie".

Lower Class Benefits

The third kind of benefits are "Lower Class Benefits" for the poor. These include Class IV posts as labourers and office peons,[7] primary and middle school fee remissions, books, slates, and midday meals, and a wide variety of economic programmes of which loans and grants for housing and house sites are the most important. Except for the Class IV jobs and some school assistance in the towns, these schemes developed after Independence and are not to be found in Princely Mysore's Backward Class system. Those who were, in fact, concerned about poverty and rural problems did not think of solving them with Backward Class benefits. Instead, they called for drastic overall changes in economic policy,[8] which they believed would come with Independence and a Congress government.

EFFECTIVENESS IN MYSORE/KARNATAKA

Well, how do these three types of provisions work to benefit the different

TABLE 2: CENTRAL GOVERNMENT SERVICES*, OF INDIA: PER CENT SCHEDULED CASTE BY CLASS OF SERVICE, SELECTED YEARS, 1951-1975

Class of Service	1951	1958	1966	1975
I: Senior Administrative	0.55	1.17	1.77	3.42
II: Other Administrative	0.84	2.38	3.25	4.98
III: Clerical	3.15	6.95	8.86	10.34
IV: Attendants, Peons**	9.37	17.24	17.94	18.64

Notes: * Combined Permanent and Temporary.
** Sweepers are included for 1951 and excluded for 1958-1975.
Source: Reports of the Commissioner for Scheduled Castes and Scheduled Tribes (RCSCST) for the years: 1956/57, II, pp 160-161; 1960/61, I, pp 277-278; 1966/67, p 15;1974/75, p 82.

TABLE 3: MEDICAL COLLEGE ENROLMENTS — TOTAL NUMBER AND PER CENT SCHEDULED CASTE, BY STATE, 1972-73. SCHEDULED CASTES AS PER CENT OF STATE POPULATION, 1971

State	Medical Colleges			Population
	Number*	Enrolment**	Per Cent S Caste	Per Cent SC
Andhra Pradesh	6	5042	8.25	13.27
Assam	2	1901	6.21	6.24
Bihar	2	1057	7.10	14.11
Delhi	4	1682	5.53	15.64
Goa	1	280	—	1.93
Gujarat	3	2142	9.24	6.84
Haryana	1	709	2.40	18.89
Jammu and Kashmir	1	611	4.75	8.26
Karnataka	7	6601	2.94	13 14
Kerala	3	2829	4.74	8 30
Madhya Pradesh	4	1364	9.68	13.09
Maharashtra	8	5228	4.93	6 00
Manipur	1	78	2.56	1.53
Orissa	1	789	9.63	15.09
Pondicherry	1	385	12 21	15.46
Punjab	2	1613	9 30	24.71
Rajasthan	5	2932	3.31	15.82
Tamil Nadu	6	3736	15.60	17.76
Uttar Pradesh	5	3035	2.64	21 00
West Bengal	4	1928	10.01	19.90
India	67*	43942	6.59	14 60

Notes * Colleges for which data are available. No data on additional 30 colleges.
** For some colleges, only first-year figures were given.
All percentages computed.
Sources RCSCST, 1971-73, Appendix VII, pp 280-285
"India, A Reference Annual", 1975, pp 7, 98.

classes of potential recipients according to the experience of Princely Mysore and modern Karnataka, its successor state since the late 1950s?

Elite Benefits

For elite benefits the record is uneven and the difficulties of implementation are formidable because of the many forms of resistance to them within and without the government. In politics, as already noted, the Mysore experience suggests that the best way to build up power is through electoral support, if you belong to a "dominant caste". If not, it is difficult. The small communities that used to be represented by nomination lost this privilege in the early 1940s, and their non-representation in politics has been a grievance of theirs ever since.

In government jobs, the contrast between the elite "gazetted" posts and the middle-ranking non-gazetted posts as regards their responsiveness to reservations is apparent from Table 1. In the first 18 years, the proportion of Brahmins at non-gazetted levels was significantly reduced, while that at gazetted levels was hardly affected. This was for two reasons: those already entrenched in the administration had many ways to resist recruitment of Non-Brahmins to these posts, and many of the posts were filled by promotion, which takes several years. By 1947 the position had begun to change, and by 1957 the Brahmin percentage had fallen to 36 per cent, a reversal of its 65 per cent in 1918.

The most conspicuous case of the ineffectiveness of reservations concerned admissions to medical and engineering colleges, the most politically sensitive area of all. There were not many such seats and they were extremely valuable to elites in the society at large. The growth of private medical colleges, financed by the "capitation fee" system, did not ease the situation but put even more premium on money power. When, in 1974, a friend told me with delight that she had paid a capitation fee of "only" Rs 40,000 for her neice, and the college had been kind enough to give her a receipt for it, it occurred to me that any effort to counteract the power of money and class advantage by adopting reservations was doomed to be subverted. Stories of payments to upcountry authorities for caste certificates suggest amounts considerably less than Rs 40,000.

Middle Class Benefits

If any type of provisions is going to work to promote the social mobility of those eligible and interested in them, it would appear to be the middle class type. Of course, these provisions also work to the political benefit of those in power who influence or control the distributions. The Mysore experience bears out both of these statements. Mysore collected extraordinarily detailed caste data on the distribution of educational enrolments and appointments to services. Over the years they show not only that the proportion of Non-Brahmins went up markedly, but that posts were rather widely distributed among the different castes.

Over time, however, particularly after Independence, the lion's share of the posts and educational assistance tended to go either to the largest communities or to those who were well situated to take advantage of them. Gradually in the 1950s and 1960s spokesmen of some groups came to feel aggrieved that, for one reason or another, they had been left out of this distribution system, yet financially and educationally they were quite badly off.[9]

Thus in 1972, when Devaraj Urs challenged the Organisation Congress, in which the two dominant castes were very prominent, he did so in part by building support among these "Other Backward Classes" and the Scheduled Castes. He did this by practising what he called "distributive justice":[10] distributing the Indira Congress ticket among more communities and, as soon as he won the election, appointing a new Backward Classes Commission to revise the lists and recommend a new system of Backward Class benefits.[11]

Lower Class Benefits

As noted already, pre-Independence Mysore made little use of Backward

TABLE 4: PUBLIC SECTOR UNDERTAKINGS IN INDIA — PER CENT SCHEDULED CASTE BY CLASS OF SERVICE, SELECTED YEARS, 1965-1975

Class of Service	1965	1971	1975
I: Senior Administrative	0.20	0.52	1.44
II: Other Administrative	1.07	1.54	3.02
III: Clerical	0.92	5.49	18.78
IV: Peons, etc, excl sweepers	11.28*	15.96	26.29

Note: * 1966/67 percentage, computed from incomplete data.
Sources: 1965: Report of the (Elayaperumal) Committee on Untouchability.... 1969, p 275
1966/67: RCSCST, Appendix I, pp 91-97.
1971: RCSCST for 1973/74, p 138
1975: RCSCST for 1974/75, p 93.

TABLE 5: SCHOOL ENROLMENT AND PER CENT OF AGE GROUP IN INDIA, 1973-74 — SCHEDULED CASTES, TRIBES, AND GENERAL POPULATION

Category	Standards I—V	Standards VI—VIII	Standards IX and Up
Scheduled Castes			
Enrolment ('000)	6,895	1,216	575
Per Cent of Age Group	68.9	22.1	11.5
Scheduled Tribes			
Enrolment ('000)	2,845	409	189
Per Cent of Age Group	59.3	15.7	7.9
Remaining Population			
Enrolment ('000)	53,453	13,064	6,711
Per Cent of Age Group	90.7	40.4	23.4

Source: RCSCST, 1973/74, p 75.

Class preferences to cope with poverty, whether urban or rural. Thus I will save my remarks on this level until the next section.

EFFECTIVENESS FOR SCHEDULED CASTES IN INDIA

Elite Benefits

Turning now to the Scheduled Castes in India as a whole, we begin, again, with the elite level of benefits. The all-India statistics, which are published annually in voluminous detail by the Commissioner for Scheduled Castes and Tribes, indicate that reservations and related concessions have begun to work more effectively than they used to at this level. But not much more: there is still much resistance in the system here, and implementation takes continual political pressure. After nearly three decades the percentage of upper level job-holders has slowly increased (Table 2). Starting in the late 1960s, pressures were brought to bear on the medical colleges in the states and the national Institutes of Technology to admit more Scheduled Caste students. Figures for 1973, for 67 of the 97 medical colleges in the country, show that these efforts have been successful in several states, and that my experience in Karnataka may be atypical (Table 3). There is, however, no information on what happens to the students after they are admitted and whether they actually graduate.

The reasons for the pressures to implement benefits were brought to bear in the late 1960s are suggestive of a point about the effectiveness of reserved seats. The mere existence of a bloc of reserved-seat holders in Parliament may not itself confer power. Only during one period did it do so. This was during 1967-71, when Indira Gandhi's majority depended on them and they were led by an experienced politician who demonstrated in August 1967 that he could and would defeat the government if sufficiently provoked.[12] During this period many new provisions were adopted as well as stronger efforts to implement those already on the books. Following Indira Gandhi's electoral victory in 1971, those in power in the Centre and the states sometimes decided that delivering the goods to SC voters was in their self-interest and sometimes did not. Whether they did or not does not seem to be directly correlated with the number of SC reserved-seat-holders in their legislatures.

Middle Class Benefits

The middle level benefits do "work", at least to get jobs and scholarships for people who would not otherwise get them. Here there is a contrast with the Mysore situation in one respect: the main reason the Non-Brahmin proportion in the non-gazetted posts changed in Mysore was that large numbers of people of various castes got the education necessary to apply for them. The change would have occurred anyway at this level, even without reservations, though not quite as rapidly.[13]

For the Scheduled Castes, however, a mere increase in the number of persons with the necessary educational qualifications is not enough. The best example of this is the contrast between the Central government services and the nationalised industries in the mid-1960s (Table 4). The industries had the same number of employees but did not reserve any jobs for the SC. The disparity is most marked at the Class III level, where the SC percentage in the services was almost ten times that in the industries. When these figures were made public, under the political conditions described above, considerable pressure was put on the industries to adopt the same provisions as the services. In only a few years, these bore fruit, as Table 4 shows.

Education is the main item of expenditure on the Scheduled Castes, accounting for over three fifths of the total. States pay for various schemes assisting pupils up to matriculation from high school, and the Centre provides post-matric assistance. Both of these have had their administrative problems, but by comparison with other expenditures on Scheduled Castes, they constitute a success story. The post-matric scholarships scheme, which I would put in the "middle class benefits" category, has been in operation since 1944 and now assists roughly 350,000 students It pays only a portion of their costs, but the policy is that all who are eligible and apply will get help irrespective of budget limitations.[14]

Lower Class Benefits

If there is any Scheduled Caste welfare programme that reaches sizeable numbers of the rural poor, it is pre matric education. In recent years, the Education Ministry has begun compiling figures of enrolments at different levels in comparison with the estimated populations of the respective age groups (Table 5). In 1973/4 nearly 7 million SC pupils were enroled in primary school, roughly two-thirds of the SC children in that age group What proportion of these were assisted by their state governments I do not know; presumably it was a good share of the total. The numbers and proportions drop off at middle and high school levels, but are still significant.

Of appointments to Class IV jobs as peons and attendants, there is little to say except that the Scheduled Caste

percentage in the Central Services reached the 17-18 per cent range twenty years ago and has remained relatively stable (Table 2). It has increased steadily in the nationalised industries to more than a quarter of the total (Table 4). These figures omit the sweepers and scavengers, who are virtually all Scheduled Caste. Whether this picture represents genuine mobility is questionable. If one is impoverished and unemployed, a steady job as a government peon looks very good. So good, in fact, that what seems to be developing as a result of the magnitude of the Class IV category and the relative success of the reservations for jobs as clerks and schoolteachers at the Class III level, is a pattern of government clientage. Studies available to me[16] suggest that approximately one-eighth of all SC households have a member working for government at some level or another (state and local as well as national). If this holds true throughout the country, it is a major feature of the condition of the Scheduled Castes today, and its implications should receive careful study and attention.

Other lower class benefits, besides those in education and lower-level government employment, do not seem to have any discernible impact on the conditions of the Scheduled Castes, and it should not be forgotten that the overwhelming majority of the SC population is in this lowest stratum. The main reason, it seems to me, is that the major problems faced by the poor are structural. Governments are unwilling to take steps to re-structure relationships, and where they try to do so, these are instantly and strongly resisted by those in the dominant positions. In this situation, doling out a few economic benefits may help this or that individual but does not cope with the problem. Although there are a large number and variety of schemes administered by the various state governments, they are almost all small and scattered, and rarely do they reach more than a relatively few people.

There are some exceptions to this last point, but they are temporary. When those in power really want the electoral support of the poor, the BC set-up provides a very convenient mechanism for delivering the goods quickly with a minimum of legal complications. With the pipeline already in place, a great deal can go into it in a hurry if there is the political will to do so, as the recent histroy of both Andhra Pradesh and Karnataka illustrate.[16]

But in most of the states most of the time the pattern is very different and raises the question of whether we are, in fact, dealing with a case of "preferential treatment" for backward classes at all. The Scheduled Caste welfare schemes are supposed to supplement the economic programmes for the general population, which are intended to benefit the SC along with others. But often they tend to replace those programmes, and when this happens the claim that assistance is being given is fraudulent. The Scheduled Castes are not benefitting from preferences but being deprived of what is rightfully theirs.

For example, in Haryana, Scheduled Caste persons applying for loans from the general departments are taunted as "sons-in-law of government" and told to go to the "Harijan Department" where, in fact, little is available. Scheduled Caste politicians, lacking the power to determine how much goes into the pipeline, are nevertheless positioned (on the key District committees) to determine how the pipeline is distributed, a process which tends to be highly politicised. In this situation, the so-called beneficiaries have to have a great deal of stamina and political expertise.[17] Haryana may be an extreme case, but the pattern, in one form or another, is not at all unusual.

Conclusions

Yet it is widely believed, everywhere, that the "Harijans" are being well taken care of by government today. We have seen that in fact the record is very uneven, not only by state and time period but by the type and level of provisions. The middle class benefits are much more successful than either of the other two types at assisting the relevant class of Scheduled Castes and at winning their political support. But the belief persists, and this gap between reality and public perception suggests some final considerations: namely, what, in fact, is the price being paid for this system, and who pays it?

Who Pays?

It is generally assumed, whenever a system of "preferences" exists for members of an ascriptive category, that the price for it is paid by everyone else: by persons who do not belong to that category but who must pay the taxes or forego the jobs or scholarships that now are given to the category in order to right historic wrongs against them. This assumption is universally made in India, yet, as we have seen, there are grounds for examining closely to what extent it is true.

Taking the lower stratum of provisions first, it is only in connection with Class IV appointments that the assumption may have some truth to it, and this is slight enough. In the Central services, the Scheduled Castes' share of appointments has stabilised at a figure (17-18 per cent) not very different from their proportion of population (14 per cent). Not very different, in other words, from what they would be getting if there were neither preferences for nor prejudices against them. In education what the Scheduled Castes get is not very different from what others get under other headings, and where different, the concession is actually a step on the way to universal free compulsory education for everyone. In the area of those economic benefits that are of such great importance to so many people, we have already seen that most of the time it is the Scheduled Castes who pay the price: in exchange for a small benefit under a "SC Welfare" heading they are, in effect, deprived of much more substantial assistance under a general heading.

The middle-class level of provisions presents an intermediate situation, in which the benefits do seem to have produced results, others may be giving up something so that the Scheduled Castes can have their share, but the arrangement is generally accepted by public opinion. In a situation of scarcity where there are so many more qualified people than there are jobs, it seems to be accepted as reasonable that these be distributed according to communal and other pressure groups. There are grumblings and grievances expressed here and there, but as noted already, the pressures in the situation are to cut more and more groups in on the deal. Thus in recent years there have been more and more agitations to grant more benefits to "Other Backward Classes", to show more preferences for native sons rather than outsiders, and so on. The politicians who make policy and influence its implementation must become practitioners of the fine art of "distributive justice". Where successful, they derive their own political benefit from it.

At the elite level, like the lower class, we have a case where the benefits on paper differ from those in practice, where the distributions are far less than they are believed to be, but

unlike the lower-class level, there is strong hostility expressed in public opinion. In other words, the general public in the class concerned believes itself to be paying a far greater price than it actually is. Since this is an articulate class, the vocal protests (to *say nothing of the covert resistance*) against the alleged injustices are loud and continuous. This is where we are given the argument that the SC beneficiaries are not really "backward". If they were they would not be in a position to apply for admission to medical and engineering colleges or posts as Class I probationers in the first place. This is also where we are told that after all what is needed among doctors, engineers, and top decision-makers is competence, the implication being that if such a person is Scheduled Caste he must be incompetent.

This is also where we hear innumerable tales of persons being deprived of appointments in favour of people who ranked lower than they did in the relevant examinations. No doubt this does happen, but if all these people were, in fact, paying the price for appointments to Scheduled Castes, there would be many more SC persons appointed than there actually are. To illustrate: supposing that 300 people qualify for ten posts available. The top nine are appointed on merit but the tenth is reserved, so the authorities go down the list to find a SC applicant. They find one at number 140 and he is appointed. Whereupon all 131 between him and the merit list feel aggrieved. He has not taken 131 posts; he has taken one, yet 131 people believe they have paid the price for it. Moreover, the remaining 159 often also resent the situation, believing that their own chances were, somehow, lessened by the existence of SC reservations.

What is the Price?

Most analyses of this system address themselves at some point to the question of what price is paid for it. Our material suggests that the price actually paid may be different from what is commonly cited. I suspect that the heaviest price is not that it perpetuates the stigma of untouchability by forcing benefit-seekers to call attention to their caste status. This has always loomed much larger in the writings of sociologists than in the statements of the scheduled Castes themselves. Nor is it that it encourages weakness and dependency on the part of recipients and introduces incompetence and corruption into public life, as so often asserted in editorials and private conversations. Such assertions can be treated with a good deal of scepticism. The main problem may well be that it introduces complacency and resentment into public life which are injurious to the Scheduled Castes.

I said at the outset that there were three political actors: the category of potential beneficiaries, those who feel threatened by the system and oppose it, and those in power who adopt it for their own reasons. There is a fourth, non-active category: those non-beneficiaries who do not oppose the system and may be vaguely supportive of the government's policies. What seems to have happened over time, with the widespread belief that the system is showing much more favouritism to the SM than it actually is, is that this category has increasingly joined the opposition. Such people acquiesce in the system but feel increasingly resentful of what they think it is doing.

In the course of my visits to India over two decades I have noticed an erosion and virtual disappearance of a liberal-minded public opinion supporting private efforts to improve opportunities for the SC. Of course, educated people are against untouchability itself. But the kind of people who might have translated this into action to assist SC individuals and support private programmes are inactive now, on the ground that government is doing it all and nothing more needs to be done. As for everybody else, I find varying degrees of resentment and resistance, reinforcing whatever caste prejudices they may also feel. In the circumstances, one can understand the apprehension expressed by Scheduled Caste leaders that if the system is abolished there will be a wave of reaction and they will lose what little they have obtained.[16] This problem may be built into any system of so-called "preferential treatment" wherever it occurs in the world, but it seems particularly marked in India today. The price paid in public opinion — the animosities, mistaken beliefs, and their behavioural consequences — may be the greatest price of the system, and it is being paid by the Scheduled Castes.

Notes

1 SC and ST figures are from the 1971 Census. OBC comment is in the nature of a "guesstimate" based on extrapolations from earlier censuses of communities still on the OBC list (Nomadic and Seminomadic and former Ex-Criminal Tribes on lists of several states, Non-Brahmin communities still on the BC lists in the South, early OBC lists published elsewhere) and estimates of those religious converts from the SC and ST who are entitled to BC benefits in certain states. In the early 1960s this OBC category was about equal in size to the Scheduled Castes, but now, with revision and reduction of various lists, it appears to be less than half that size. On the legal history of this category, see Marc Galanter, "Who Are the Other Backward Classes?", *Economic and Political Weekly (EPW)* XIII : 43-44 : October 28, 1978 . 1812-28.

2 Dushkin, Lelah, 1961. "The Backward Classes", *Economic Weekly* XIII : Oct 28, Nov 4, 18 : 1665-68, 1695-1705, 1729-38.
—— 1967. "Scheduled Caste Policy in India: History, Problems, Prospects", *Asian Survey*, VII : 9 ; September: 626-36.
—— 1972. "Scheduled Caste Politics", J M Mahar, *ed*, "The Untouchables in Contemporary India" (Tucson: University of Arizona Press) 165-226.

3 Dushkin, Lelah, 1974. "The Non-Brahmin Movement in Princely Mysore", Ph D dissertation, University of Pennsylvania.

4 Innumerable articles might be cited in support of this point. To give but one illustration, see V T Rajshekhar Shetty, "Reservations Blessing or Curse?" *Sunday Statesman Magazine*, February 19, 1978 He expresses similar opinions in portions of his book, "Dalit Movement in Karnataka" (Bangalore: Christian Literature Society, 1978)

5 M Subbaiya in *Proceedings of the Mysore Representative Assembly*, Oct 1921, 102-103.

6 The phrase was used with precisely this meaning by the present Chief Minister of the State, Devaraj Urs, in 1972. (*Deccan Herald* February 6, 1972). The Durbar's phrase was used in the name of the committee appointed in 1918 whose report led to Mysore's basic BC policy document, a GO issued in May 1921, namely, "Committee Appointed to Consider Steps Necessary for the Adequate Representation of Backward Communities in the Public Service", Sir L C Miller, Chairman. The phrase is used several times in the Report (1919) and later documents.

7 Class IV also includes sweepers and scavengers, but the Scheduled Castes do not need any reservations for these jobs because nobody else will do them. Thus, when Class IV figures are computed, the sweepers and scavengers are normally excluded.

8 Mysore's reputation as a "model state" was built largely by good public relations and by investments in the towns. The rural areas were relatively neglected as regards many items of economic development and social overhead. This imbalance in the state's priorities was a constant theme of Congress rhetoric during the 1930s and

1940s in Mysore. See Dushkin, *op cit*, 1974, esp chapters 1 and 6. See also James Manor, "Political Change in an Indian State", Mysore 1917-1955. Australian National University Monographs on South Asia No 2 (New Delhi; Manohar Books and Columbia Mo; South Asia Books, 1977), passim.

9 The largest such caste groups were the Kuruba shepherds (nearly 7 per cent of the state's population) and Beda "hunters" (nearly 5 per cent). Also aggrieved were several relatively small (1 to 2 per cent of the population) communities such as the Vodda earth-workers, Yadava cowherds, Uppara saltworkers, Agasa washermen, and Lambani "gypsies". See Dushkin, *op cit*, 1974, 302-304. For an example of the communal understandings which had developed, see the data on the distribution of merit and BC reserved seats in Mysore Engineering Colleges cited in the law case, *Vishwanath* vs *State of Mysore*, AIR, 1964, Mysore 132 at 137, 139.

10 Devaraj Urs in *Deccan Herald*, February 6, 1972.

11 L G Havanur, Chairman. *Deccan Herald*, October 31, 1972. The Commission's Report was published in four large volumes in 1976. See esp *Indian Express*, April 28, 29 and 30, 1976, and *Deccan Herald*, May 18 and 19, for its major recommendations and its political reception. Also both papers, November 20, 1975. Havanur is now the Law Minister of Karnataka.

12 *Deccan Herald*, *Deccan Chronicle*, and *The Statesman*, August 9, 1967.

13 The detailed caste data on educational enrolments during the 1940s and 1950s are summarised in Dushkin, *op cit*, 1974, 289-296. A comparison of the communal distribution of government jobs just before and just after States Reorganisation at the end of 1956 is instructive; there is almost no change in Brahmin-Non-Brahmin proportions, yet the major group of officials to join Mysore came from the Bombay districts, where there had been few if any reservations for BC, compared to princely Mysore, where there had been many.

14 *RCSCST* for 1973-74, p 83.

15 Chandidas, R, "How Close to Equality Are Scheduled Castes?", *EPW*, IV: 24: June 14, 1969: 975-980. See also the discussion of Chandidas' data in R A Schermerhorn, "Ethnic Plurality in India" (Tucson: University of Arizona Press, 1978) pp 55-58. P C Aggarwal and M S Ashraf, "Equality Through Privilege: A Study of Special Privileges of Scheduled Castes in Haryana" (New Delhi: Shri Ram Centre, 1976) p 125.

16 The reference to Karnataka is derived from my own observation during the year 1975-76, numerous Press clippings and interviews, as well as correspondence since my departure. James Manor discusses related matters in: "Structural Change in Karnataka Politics", *EPW*, October 29, 1977: 1865-1869; and "Where Congress Survived: Five States in the Indian General Election of 1977", *Asian Survey*, XVIII: 8: August 1978: 785-803. For Andhra Pradesh, see the Governor's address to the Legislature reported in *Deccan Chronicle*, March 22, 1977. This picture is supported by field observation in one reserved constituency by Janet Benson, personal communication 1978 and "Political Activity in a Parliamentary Constituency of Andhra Pradesh in the 1977 General Election: Why Congress Won", *Asian Survey* XVIII: 8: August 1978: 804-816.

17 Aggarwal and Ashraf, *op cit*, 1976, pp 168-173.

18 The reaction may already have begun, with or without the removal of SC reservations and other benefits. *Cf*, *New York Times* February 18, 1978 on the vengeance being taken since the ouster of Indira Gandhi and victory of the Janata in the North. The Indian Press is full of items of escalating rural violence against Scheduled Castes, to say nothing of the periodic urban riots over BC benefits, the caste-communal implications of renaming a university, and so on.

Union Budget, 1979-80

B B Bhattacharya

The Central government Budget for 1979-80 is conservative as far as public investment and resource mobilisation are concerned. The additional taxation measures are designed more to make up for the loss of revenue on account of concessions granted to a certain class of the rural population than with any overall objective of resource mobilisation.

Given the political and economic conditions prevailing in the country today, some of these features of the Budget are likely to retard the process of long-run growth with social justice and, therefore, need serious consideration.

THE Union Budget for 1979-80 seems to be more concerned about the transfer of resources between different segments of the private sector than about the overall resource mobilisation for planned development. Even if we ignore the usual ritualistic excitement about increases and decreases in tax rates on various commodities, we cannot ignore some of the long-term implications of the budget. However, it may be mentioned at the outset that the basic features of the budget like the attempt to shift production as well as benefits of development more and more to the agricultural from the non-agricultural sector have been inherent in some previous budgets as well. This budget has only accentuated these tendencies with consequent implications. Nevertheless, given the political and economic conditions prevailing in the country today some of these implications may retard the process of long-run growth with social justice and, therefore, they need serious consideration.

The main features of this year's budget are: (a) additional taxation worth Rs 665 crores mainly through increases in excise and customs revenues; (b) major tax concessions on various agricultural inputs like fertiliser, light diesel and power tiller; (c) no basic change in income tax structure, particularly corporate tax structure, except for reduction of tax concessions for long-term saving and investment in the organised sector; (d) increase in tax concessions for agricultural credit and investment as well as further direct and indirect tax concessions for agricultural income from the cultivation of tobacco, mushrooms, etc; (e) further increases in agricultural and non-agricultural subsidies with no efforts to control them; and (f) large-scale deficit financing in spite of a high dosage of additional taxation, and modest increase in Plan size.

TABLE 1: TRANSFERS FROM CENTRE TO STATES

(Rs crores)

Year	Transfers through Finance Commission		Plan Assistance		Other Transfers	Total Transfers	
	Amount	Per Cent (a)	Amount	per cent (b)	Amount	Amount	Per Cent (c)
1974-75	1730	27	1112	30	478	3320	37
1975-76	2118	28	1428	30	546	4092	30
1976-77	2206	27	1756	35	737	4699	30
1977-78	2400	27	2576	44	743	5719	34
1978-79 (Revised)	2646	26	3692	50	1542*	7880	40
1979-80 (Budget)	3688	32	2967	41	956	7611	37

* Includes Rs 555 crores as special grant for clearing state government overdrafts on 31-3-1978.

(a) Per cent to gross tax revenue of Centre including states' share.

(b) Per cent to gross capital formation out of budgetary resources of the Centre.

(c) Per cent to gross revenue and capital receipts of the Centre (inclusive of states' share in tax revenue).

CENTRE-STATE TRANSFERS

Before we analyse the implications of all these features let us turn our attention to one factor, namely, the recommendations of the Seventh Finance Commission, and its effects on Central government revenue, expenditure and budget deficit. The Seventh Finance Commission has recommended much larger devolution of Union taxes to states, increasing their total share of the net divisible proceeds of income tax from 80 to 85 per cent and of basic excise duties from 20 to 40 per cent, except the electricity duty introduced in last-budget which is to be transferred 100 per cent to states. The Commission has also recommended much higher grants for relief of natural calamities as well as for debt relief. As a compensating factor the Commission allocated a smaller amount for statutory grants-in-aid from Centre as all but eight small states were expected to cover their revenue deficit through additional tax receipts from Centre. The transfers from Centre to states as per Seventh Finance Commission recommendations in 1979-80 budget is Rs 3,688 crores, which is substantially higher than Rs 2,646 crores as per the revised estimate for 1978-79. Transfers from Centre to states as a proportion of the gross tax receipts of Centre are 32 per cent in 1979-80, the first year under the Seventh Finance Commission recommendations. During the Sixth Finance Commission period, 1974-75 to 1978-79, the proportion varied between 26 and 28 per cent.

However, it would be improper to analyse the burden on the Central budget in terms of the direct effect alone. Total financial transfers from Centre to states consist of: (a) transfers through Finance Commission, (b) transfers for state Plan expenditure — Central and centrally sponsored schemes as well as state plan schemes —, and (c) other non-Plan transfers, including overdraft facilities. The Finance Commission's recommendations do not affect other transfers directly, but they indirectly influence the volume of such transfers, for Centre takes an overall view of the financial needs of the states in budget allocations. When the Finance Commission awards larger devolution of resources to the states, the Centre's commitment to provide assistance for Plan and non-Plan expenditures of states declines as states are expected to be more self-sufficient financially. In this year's budget as against an additional devolution through the Finance Commission worth Rs 1,042 crores, Central assistance for state Plans declines by Rs 725 crores, entirely on account of state Plan schemes. The total transfers budgeted this year is Rs 7,611 crores which is about 37 per cent of gross tax and non-tax revenue of the Centre (revenue plus capital account). The revised estimate of transfers in 1978-79 is Rs 7,880 crores (including Rs 555 crores as special grant for clearing overdrafts) which is 40 per cent of the revised estimate of gross revenue in 1978-79 (37 per cent excluding special grant). In the earlier period covered by the Sixth Finance Commission recommendations this proportion varied between 30 and 37 per cent (Table 1). Even if we take states and union territories together, the total net transfers (net of recoveries of loans) in 1978-79 and 1979-80 are Rs 6,532 crores (excluding special grant) and Rs 6,938 crores, respectively. The ratio of net transfers to gross receipts of Centre comes out to be 33.5 and 33.6 per cent, respectively, indicating almost no change. Therefore the overall impact of Seventh Finance Commission recommendations on the Central deficit financing in the first seems to be negligible.

The actual deficit financing of the Centre may still be larger than what is budgeted. Budgets for 1979-80 of 10 important states presented so far do not show any substantial effort at resource mobilisation. Nor do they show enough revenue surplus as anticipated by the Seventh Finance Commission. Several of them are still showing revenue deficits apart from overall deficits on revenue and capital accounts. This would definitely put additional burden on the Centre either for increasing Central assistance for state Plan schemes (or transferring some of them to Central account as suggested as a compromise) or grants and loans for state government overdrafts. If neither of these happens then actual Plan outlay by states may go down, leading to a reduction in the real content of the draft Plan 1978-83.

RESOURCE MOBILISATION

Let us now turn to the basic features of the budget. Various new tax proposals are expected to yield an additional net tax revenue worth Rs 665 crores, the highest budgeted so far. As a proportion to gross tax revenue, this is however far short of some of the previous efforts — 5.8 per cent against 13 per cent in 1971-72 and 7 per cent in 1974-75. Considering that the industrial climate is now much more optimistic than in the last few years the additional tax resource mobilisation does not seem to be very impressive. Not only tax but domestic non-tax resource mobilisation this year is no better than last year as would be revealed by Table 2. Measurement of resource mobilisation through Central budget should not be judged in terms of aggregate national income alone, but also in terms of various other factors like the aggregate saving ratio, domestic saving-investment gap and the relative growth of agricultural and non-agricultural output. Almost all these factors are now much more favourable than before. Aggregate saving ratio (gross) has continued to increase in the last few years, thanks to large scale foreign exchange remittances, and now stands at approximately 23 per cent of GDP. As against this, gross domestic investment ratio stands at 21 per cent — two percentage points short of the saving ratio (*Economic Survey, 1978-79, p 65).* It would have been more appropriate for this budget to boost public investment substantially to bridge the gap between domestic saving and investment

TABLE 2: DOMESTIC RESOURCE MOBILISATION BY CENTRE

(Per Cent of National Income)

Year	Tax Revenue	Non-Tax Current Revenue	Market Loans	Small Savings, Provident Funds and Other Funds	Total
1970-71	9.3	2.6	0.4	1.9	14.2
1971-72	10.5	3.0	0.8	1.5	15.8
1972-73	11.2	2.8	1.2	1.1	16.3
1973-74	10.0	2.3	0.9	1.1	14.3
1974-75	10.7	2.5	0.8	0.9	14.9
1975-76	12.4	3.4	0.8	1.8	18.4
1976-77	12.4	3.2	1.3	2.7	19.6
1977-78	12.1	3.7	1.8	1.6	19.2
1978-79 (Revised)	13.4	3.7	2.2	2.9	22.2
1979-80 (Budget)*	14.3	3.9	2.2	1.9	22.3

* National income in 1979-80 is assumed to be 5% higher than 1978-79 which in turn is assumed to be 3.5% higher than 1977-78.

through additional resource mobilisation, but not necessarily through taxation. Non-tax resource mobilisation measures this year are rather disappointing. In fact, except for the continuation of the Compulsory Deposit Scheme, which would yield an additional revenue of Rs 160 crores, no other significant non-tax resource mobilisation measure is proposed in this budget.

Another factor needs to be highlighted in this context is that as against Rs 7,750 crores additional tax receipts proposed for the Centre during the period 1978-83, about Rs 5,000 crores are already realisable in terms of additional tax measures taken during the first two years. Last year's additional tax proposals would yield about Rs 2,400 crores over a period of five years while this year's proposals may add another Rs 2,600 crores over the next four years, which means about two-thirds of the potential increase in tax receipts during the Draft Plan 1978-83 is already accounted for by the first two years' budgets. As against this the real Plan outlay of the Centre, states and union territories in the first two years is only about Rs 23,500 crores (in terms of 1977-78 capital goods price) which is about one-third of the target for the entire Plan period — Rs 69,380 crores. In other words, Plan outlay in the public sector is not keeping pace with the additional taxation in the Central budget. If the Draft Plan 1978-83 public sector Plan outlay is to be fulfilled, then even further tax and non-tax efforts are necessary on the part of the Central government. This is further strengthened by the fact that as against the Draft Plan target of additional tax resource mobilisation by states of Rs 5,250 crores, so far states have mobilised not more than Rs 500 crores in the first two years — about Rs 70 crores by all states in the first year yielding Rs 350 crores in the five years and about Rs 30 crores by 10 major states in the second year yielding about Rs 120 crores in next four years. Since the Centre plays the key role in overall fiscal policy of the nation, the burden on the Central budget of additional resource mobilisation is likely to be greater than stipulated in the Draft Plan. Failure to do this would imply a drastic cut in real content of the Plan with corresponding adverse effects on growth of income and tax as well as non-tax revenue. The fall in revenue would lead to either rise in deficit financing or further reduction in Plan outlay. If deficit financing is carried beyond a limit then it would reduce the real value of the investment through the inflationary mechanism. Either way, the system would be caught in a vicious cycle of low public investment, low income, low tax and non-tax revenue and back to low public investment.

PRO-RURAL SHIFT OF INCOMES

A particularly disturbing element in this context in this as well as in the last few years budgets is the attempt to shift production and income more and more towards the rural sector without any corresponding effort at resource mobilisation from the agricultural sector. At present the bulk of resources for public investment is mobilised from non-agricultural income. Public investment is, however, needed not only for non-agricultural but also for agricultural sector development. In fact, much of the recent development in the rural sector, particularly the introduction of new technology, has originated from public investments in irrigation, fertiliser, pesticides and various other facilites. Need for such investment has not diminished; in fact it will grow over the years. If rural sector has to develop faster with corresponding increases in public investment in that sector then it implies that either overall resource mobilisation has to be stepped up or investment in the non-agricultural sector has to be reduced relatively. The latter option has some serious implications and it may not help long-run balanced growth of agricultural sector itself.

Critics of agricultural taxation usually put forward the argument that the disparity of agricultural income is smaller than that of non-agricultural income. With a relatively larger population depending on agriculture for their livelihood, the taxable surplus for direct taxation is relatively low. Further, they add that direct and indirect taxation of agriculture is not very small in comparison to the benefit from public expenditure in the rural sector. Direct taxation of agricultural income has limited scope and may be operationally very difficult. The Raj Committee, after an elaborate exercise, confirmed this view. Similarly, it may be also conceded that per capita public expenditure in the rural sector — developmental as well as non-developmental — is smaller than in the urban sector.

Benefits from recent agricultural development, particularly through the adoption of new technology, have not been evenly distributed among all income earners. By and large, big farmers with relatively greater resources, either in terms of direct ownership or in terms of indirect control through the lop-sided institutional structure, have reaped relatively larger benefits. Over the years the disparity of income in rural sector has, therefore, increased. The disparity has also increased as between regions. As we know, the new technology is used more intensively in the wheat cultivating area of the northern-agricultural belt. The marketable surplus in this area has, therefore, increased relatively faster than in other areas. A comparison of state-wise public procurement of foodgrains wefore and after the introduction of the new technology would confirm this.

The present as well as some previous budgets, instead of trying to mobilise some of these surplus resources from the agricultural sector, particularly

TABLE 3 : KG/HA (NUTRIENTS) PER HECTARE OF RICE CULTIVATED AREA

Size Class in Hectares

Zone	0-1	1-2	2-4	4-10	10 and Above
West Central	9	12	11	10	15
North-East	21	24	26	26	47
Southern	100	105	104	97	92
Northern	58	61	68	72	115

Source: Based on NCAER study on fertiliser demand in 1975-76. Derived from Ray, Cummings and Herdt "Policy Planning for Agricultural Development in India", forthcoming, Tata-McGraw Hill Publishing Company.

from the relatively prosperous farmers, have given further direct and indirect tax concessions to them. The agricultural sector's contribution to Central revenue is mainly through indirect taxation of agricultural inputs and other finished products consumed by agriculturists. Direct tax as well as non-tax revenues from agriculture are insignificant. Public sector undertakings dealing with agricultural inputs hardly make any profit. More often they make heavy losses putting a further burden on the Central budget. Excise and custom duties on agricultural inputs and other products consumed by them become the basic source of resource mobilisation from agriculture. The present budget has announced substantial tax concessions on various agricultural inputs — fertiliser, power tiller, low speed diesel, etc, adding up to a net revenue loss of more than Rs 100 crores (fertiliser alone would contribute Rs 76 crores excise and Rs 30 crores customs of this revenue loss). Subsidies on fertiliser would also go up by another Rs 150 crores. Total subsidies on food and fertiliser alone would now exceed Rs 1,000 crores or about 10 per cent of total current revenue of the Centre. Excise on tabacco and income tax on income from mushroom cultivation have been completely withdrawn, adding further to revenue loss. In addition some direct tax concessions have been announced for rural investment, like donation for rural development, exemption for commercial bank loans to agriculture with a high possibility of bad debt.

BIG FARMERS MAIN BENEFICIARIES

The crucial question is who are the main beneficiaries of these concessions. Rural society is not homogenous. It can be broadly divided into: (a) big farmers, (b) small farmers, and (c) landless labourers and artisans, blacksmiths, etc. Fiscal concessions hardly benefit labourers. Some small farmers may benefit from reductions in taxes on power tiller and fertilisers. However, bigger farmers, being more intensive users of subsidised inputs would benefit more. Table 3 shows use of fertiliser in rice cultivated area by size of holdings. It may be observed that on an average application of fertiliser per hectare is highest in the biggest size of farm. Reductions in fertiliser price would benefit proportionately large farmers more *vis-a-vis* small farmers. For all crops, use of NPK (kgs per hectare of gross cropped area) in 1976-77 was 20.1 for all India; but for Punjab it was 61.6, Haryana 26.6 and UP 31.7, which shows that at the regional level also the tax concession would have differential impact.

The excise on fertiliser has been continuously reduced since 1975-76, such that after the recent budget concession, the effective price of fertiliser would stand more or less at the same level as that in 1974. Procurement price for foodgrains in the meantime has increased steadily. The input-output price relationship for foodgrains cultivation has thus become more favourable for farmers. Bigger farmers with relatively higher proportion of marketable surplus would benefit more at the expense of food consumers through these fiscal changes. Domestic as well as import costs of fertiliser also increased during this period, resulting in more subsidies and further transfer of real resources to big farmers.

The regional aspect of this transfer of resources also needs serious consideration. The benefits of public expenditure in rural areas are not distributed evenly between states and regions. Given the present economic and institutional set up, benefits of public expenditure in rural areas would also be concentrated in already developed areas. It is essential, therefore, that to develop relatively backward agricultural areas, income generated from public investment — direct as well as indirect, subsidies, etc — in relatively prosperous agricultural areas should be rechannelled into the public exchequer for further investment. This should be done, if not by direct taxation, but by other measures like gradual reduction in tax concessions and subsidies, and introduction of borrowing measures for mopping up rural saving.

Another aspect which needs to be considered seriously is the choice between *increasing public expenditure in* rural areas in the form of loans to small farmers for purchasing inputs or direct capital transfers for investment by small farmers *versus* general increase in subsidies and tax concessions on agricultural inputs. From the budgetary angle both would increase expenditure without any increase in revenue; however, the former has an advantage over the latter in that it can be directly related to the welfare of small farmers and the landless class by judicious selection of schemes, while the latter may benefit more rich *vis-a-vis* poor farmers. The Finance Minister could have increased public expenditure in rural areas on selective projects which benefit poor farmers instead of reducing excise on fertiliser, etc. This way he could have served the interests of the rural poor better.

RELIANCE ON INDIRECT TAXES

As far as additional taxation is concerned this budget has relied heavily on indirect over direct taxation. Out of Rs 665 crores net additional taxation, Rs 606 crores would come from excise (Rs 455 crores) and customs (Rs 151 crores). The ratio of indirect tax to additional tax receipts works out to be about 92 per cent, substantially higher than the ratio in the total (74 per cent). Out of the remaining, Rs 54 crores may come from income tax and Rs 4.5 crores from corporate tax.

The gross additional tax receipts from excise and customs is Rs 756 crores, against which there are reductions in excise and custom duties on various items amounting to Rs 150 crores. Excise cut on fertiliser and corresponding countervailing effect on customs duty alone contribute Rs 106 crores to the revenue loss. Other major items contributing to revenue loss are light speed diesel, half the consumption of which is in agricultural sector, and drugs. If we include additional excise worth Rs 116 crores imposed on tobacco manufacturers to compensate for the complete exemption of excise on tobcaco cultivation, the total indirect taxation of non-agricultural output is about Rs 875 crores.

A commodity-wise breakdown of indirect taxes shows that roughly Rs 321 crores have been imposed on consumer and consumer durables, Rs 198 crores on intermediate and capital products

Table 4: Percentage Distribution of Public Sector Plan Outlay

	5th Plan	Draft Plan 1978-83	1978-79 Budget	1979-80 Budget
Agriculture and allied	11.8	13.7	15.0	15.0
Irrigation and flood control	8.7	11.5	10.0	10.0
Power	17.9	22.7	18.9	19.5
Village and small industries	26.0	2.0	1.9	2.3
Industry and minerals		19.2	20.7	20.0
Transport and communication	17.5	15.3	15.4	17.0
Water supply and sanitation	2.4	2.3	2.9	3.4
Welfare of backward classes	1.7	2.0	1.9	0.75
Education and scientific research	4.3	3.7	4.8	2.2
Health and family planning	3.0	3.0	3.3	3.1

and about Rs 242 crores on unspecified items, details of which are not readily available. Relatively greater reliance on consumer in comparison to intermediate and capital goods is a welcome change from last year's budget which relied heavy on intermediate products, notably coal and electricty. Indirect taxes in general are carried forward, pushing prices. Manufacturing output prices in India are determined more by cost push than by demand factors. In the case of indirect taxation of intermediate products, the increase in the final product price - is much higher than the initial rise in intermediate product due to cascading of taxes at different stages of production. The inflationary impact in terms of cost push through indirect taxation as a result of this budget may be less in comparison to the last year's budget; however it may still be quite significant. Even if we assume that at least Rs 100 crores of the additional revenue from unspecified commodities would come from intermediate products, then the total additional taxation of intermediate products would be of the same magnitude as last year. In addition there would be the additional indirect tax burden on consumer goods. The rise in indirect taxation of intermediate product as well as increase in railway goods freight charges may push up the prices of manufactured products next year, though, on a quick assessment it does not seem that such price rise will be very large.

After changes in excise duties, collections from various broad groups of commodities would rise as follows: food and beverages by Rs 13 crores or 5 per cent of earlier tax receipts; tobacco Rs 55 crores or 11 per cent, petroleum products Rs 210 crores or 16 per cent; jute and textile manufactured goods Rs 10 crores or 1 per cent; other manufactured goods Rs 4 crores or 1 per cent and machinery and transport equipment Rs 45 crores or 8 per cent. Collections from metal and metal products as well as from vegetable oil and fats would be unaffected, while collections from chemicals would go down by Rs 33 crores or by 6 per cent. Collections from unspecified items would go up by Rs 106 crores or by 60 per cent. In the case of customs, collections from petroleum products and unspecified items would go up by Rs 56 and Rs 96 crores, respectively, as a result of countervailing effects of increase in excise duties, while collections from chemicals would fall by about Rs 36 crores. One area in which there is considerable scope of additional taxation is the consumer durables sector. The total collection of excise on various consumer durables at the last year's rates is about Rs 200 crores. Changes in excise duties this year may push it up by Rs 16 crores or about 8 per cent, which is very marginal. Consumer durables are now purchased significantly in prosperous rural areas. Besides a large proportion of such purchases in urban areas is paid for through unaccounted incomes. A further increase in excise duties on consumer durables, with corresponding improvement in tax machinery, would have mobilised a significant amount of revenue from both urban and rural areas without any adverse effect.

The budget makes marginal changes in corporate and non-corporate income tax rates. For the corporate sector changes in tax rates at various slabs would be insignificant. For non-corporate income tax the highest marginal rate goes up from 69 to 72 per cent. The highest marginal income tax rate, which had been reduced from the one-time peak of 97 per cent to 66 per cent two years back, was pushed up to 69 per cent last year. Increase in income tax rates without corresponding improvement in tax collection machinery leaves net collection unchanged. This is confirmed by many theoretical and empirical studies. A problem may arise from the reduction in tax concessions on long-term investment in organised sector and increase in tax concessions for investment in the unorganised sector. The revenue implications for such concessions are not very significant in the short-run, but they have long-term implications regarding resource allocation. At present income-tax concessions are given for reinvestment of capital gain in long-term approved securities. Withdrawal of tax concessions may not only affect revenue by way of underreporting, but may also divert resources underground. Each illegal transaction gives rise to another and a vicious cycle of black income and wealth may originate from this. Further, since tax concessions are now extended for some rural investments like donations for rural development which are very easy to manipulate, a chain reaction of illegal income and wealth transactions may follow from this budget. Growth of illegal income not only affects government revenue but also distort resource allocation.

Plan Outlay

This budget virtually makes no change in Plan allocation between sectors. The total Plan outlay of Centre, states and union territories shown in the Central Budget for 1979-80 is Rs 12511 crores against Rs 11649 crores in 1978-79. This marks an increase of about 7.4 per cent at current prices. If next year's Plan outlay is deflated by increase in capital goods price in 1978-79, approximately about 5 per cent, the real increase in Plan outlay is only about 3 per cent. The Plan outlay in the current budget is however underreported by reclassification of expenditure of about Rs 835 crores. Even if we adjust for this, the real increase in Plan outlay is about 9.5 per cent. The last few years' budgets had made much larger increases in Plan outlay. Considering this, this year's budget seems to be very conservative, particularly in view of the fact that

with this Plan outlay the total in first two years of the Draft Plan 1978-83 would be only about one-third of the total outlay of Rs 69380 crores for the five years.

As regards sectoral allocation, this budget does not make any significant change in comparison to the last year as would be seen from Table 4. The noticeable changes in sectoral allocation are not in regard to agriculture, irrigation and allied sectors. There is a relative increase in outlay on village and small industries in comparison to industry and minerals. Allocations for power, transport and communication, water supply and sanitation have all gone up at the expense of health, education and welfare of backward classes. If Plan allocation is any indication then there seems to be a distinct bias against long-term infrastructural facilities and welfare measures in urban areas without any significant attempt to cut the growth of the large-scale manufacturing sector, as feared in some circles earlier. However, it may be mentioned here that the budget, cannot alter significantly the sectoral allocation of Plan outlay without concurring support from the Planning Commission. To that extent the revealed bias in this budget may not reflect the true bias of the budget-maker.

Inflationary Impact

Several critics of the budget have highlighted the possible adverse impact of deficit financing of Rs 1355 crores in spite of heavy additional taxation. Like additional taxation the absolute amount of deficit financing is the highest budgeted so far. The fear of this amount of deficit financing causing large scale inflation is however exaggerated. The absolute amount of deficit financing should not be treated as the yardstick to judge the inflationary content of the budget. The proportion of total expenditure to be financed through deficit financing in 1979-80 is about 7.3 per cent. The revised estimate for 1978-79 puts it at 8 per cent. Actual deficit financing in 1979-80 may be larger than budget provision for various reasons. First, government expenditure in general rises faster than revenue, leading to a wider gap, as has happened so often in the past. Secondly, post-budget indications regarding increase in salary and wage bill on account of price rise and deficits in state budgets also suggest further rise in Central deficit financing.

The concept of deficit financing used in the Central budget is misleading from the point of view of monetary expansion. Deficit financing as defined in the Central budget refers to direct expansion of currency plus government's short-term debt to the banking system. Government's long-term debt to the banking system in terms of rupee securities are clubbed under market borrowing. The monetary expansion, or more appropriately high-powered money expansion, is consequently usually larger than the amount of deficit financing. On the other hand, if governments deficit expenditure arises in relation to foreign payments — government import bill and foreign debt repayment being higher than net foreign exchange receipts on account of aid and capital transfers — then high-powered money would decline even though deficit financing may be positive. The exact composition of government's transactions with banking system, particularly, regarding the foreign exchange, is not published. One has therefore, to guess the monetary expansionary effect of total deficit financing.

Assuming a money multiplier equal to 1.8 (average for the last few years), Rs 1,355 crores of deficit financing has a potential of increasing money supply by Rs 2,439 crores which is about 12 per cent of the outstanding money stock in January 1979. If a part of the deficit financing is used for foreign exchange payment then the actual rate of growth of money may be even less. With lesser expectation of external financing in 1979-80 as compared to 1978-79, the government's foreign exchange liability is going to be comparatively higher. The monetary expansionary effect of this budget is therefore not very high, particularly if we consider actual rate of growth of money in the last few years. The rate of growth of money supply in 1975-76 was 11.3 per cent and in the following years 20.3 per cent, 14.7 per cent and 12.0 per cent, respectively.

The last few years experienced relative price stability in spite of the fact that money supply increased much faster than real output. This has belied the expectations of all old fashioned quantity theorists. A clue to this riddle may be found in a structural analysis of inflationary behaviour in India. When agricultural output, particularly that of foodgrains, rises faster than non-agricultural output, prices of agricultural commodities are depressed. Further, if the purchasing power of the main food consumers, rural and urban labourers, fails to keep pace with foodgrains growth, food prices as well as the general price level remain stable. This is the main reason why in the last few years prices remained stable in spite of big gaps between growth rates of money supply and aggregate output. Given the current rate of growth of money supply, food stock with government and expected growth of agricultural and non-agricultural output, the inflationary potentiality of the budget is not very high.

To sum up, the Central government budget for 1979-80 is rather conservatives as far as public investment and resource mobilisation are concerned. The additional taxation measures are designed more for compensation of revenue loss on account of concessions to a certain class of rural people than with any overall objective of resource mobilisation.

Record Growth in Priority Sector Advances

Renewed Commitment for Rural Development and Employment Generation

Shri P.C.D. Nambiar, Chairman of the State Bank of India, stated at the 24th Annual General Meeting at Kanpur on March 30, 1979, that there was a record growth of Rs. 379 crores in advances to the priority sectors in 1978. He added that measures launched in earlier years for promoting rural development and entrepreneurship and for providing equity support to small entrepreneurs were expanded and intensified. So were those for the enlargement of employment opportunities both in the urban and the rural areas.

The Chairman described the opening of the Bank's 5000th office in February 1979 as a landmark in the history of banking. The quick and purposeful expansion of the Bank in recent years had made it the largest commercial banking branch network of its kind in the world.

Shri Nambiar assured the shareholders that the growing size of the Bank had had very little effect on its organisational and operational efficiency. If anything, it had conferred a number of advantages. Indeed, plans were already on hand for managing and controlling a much larger network.



Shri P. C. D. Nambiar

Shri Nambiar said:

It gives me great pleasure to welcome you to the Twenty-fourth Annual General Meeting of the State Bank of India. Kanpur has never been the venue of the Bank's Annual General Meeting so far. In keeping with our policy of holding these meetings at Local Head Offices not covered in the past, it was decided to hold this year's meeting at Kanpur, the most important industrial centre of the largest state in the country. The Annual Report, including the Balance Sheet as at the 31st December 1978 and the Profit and Loss Account for 1978, is already in your hands. You will find that the year 1978 witnessed a significant growth in the Bank's deposits and advances, especially advances to the priority sectors and the weaker sections of the society. Profits were also higher than in 1977.

Dividend

The Bank had declared an interim dividend of Rs. 12 per share for 1978. By declaring a final dividend of Rs 11, the total dividend for the year amounted to Rs 23 per share. This is in line with the policy we have adopted consistently since 1961 in declaring dividends.

Overall Performance

The Bank's Overall performance during 1978 can be viewed with satisfaction. In the field of deposits, the Bank improved on its performance by mobilising a sum of Rs 1,194 crores as against Rs 830 crores in 1977. The rate of growth of deposits at 24.5 per cent was better than that of 16.9 per cent in the case of all other scheduled commercial banks.

In keeping with the Reserve Bank's policy of consolidation, the number of offices opened during 1978 at 314 was lower than 426 in 1977. The Bank, however, intensified its efforts for upgradation of sub-offices into full-fledged branches and opening of more Agricultural Development Branches, in order to increase the flow of credit to the priority sectors. Accordingly, 402 sub-offices were upgraded and 65 Agricultural Development Branches were opened in 1978 as against 198 and 52 respectively, in 1977.

Your Bank achieved a record growth of Rs 379 crores in priority sector advances, thereby raising their share in total advances from 31.25 per cent at the end of 1977 to 32.28 per cent at the end of 1978. If the advances granted under the Ship Acquisition From Abroad Under New Scheme, which have no resource implications for the Bank, were to be excluded from the total advances, the ratio would rise to 33.70 per cent which would exceed the norm of 33.33 per cent to be achieved by March 1979. Under the Differential Interest Rates Scheme, our lendings increased by Rs 6.5 crores taking the percentage of such advances to total advances as at the end of the previous year to 0.97. Nearly 40 per cent of DIR advances have been extended to members of the Scheduled Castes and Scheduled Tribes.

Agricultural and rural development have all along been receiving the desired attention in our corporate policy and the performance of the Bank is in keeping with the importance attached to this activity. During the two-year period ended June 1978, the number of farmer's accounts and the amount of direct agricultural advances of the Bank increased by 8.81 lacs and Rs 243 crores as against the combined increase of 7.68 lacs and Rs 267 crores respectively reported by all other public sector banks.

Progress under Special Schemes

When I last addressed the shareholders, I had mentioned some important measures initiated by us for promoting rural development and entrepreneurship and for providing equity support to small entrepreneurs. I would like to apprise you of the progress made by

us in implementing these measures. The Integrated Rural Development Programme launched by us on a pilot basis, is being actively implemented in 214 villages selected for the purpose. Over 26,000 villagers have been provided with financial assistance of the order of Rs 2.96 crores to support their productive endeavours. A number of non-financial activities of a social character like removal of illiteracy, improvement of sanitation, provision of medical, library and recreational facilities, supply of drinking water, etc., have also been undertaken. The plan to promote entrepreneurship, especially in the backward areas, has got off to a good start and so far ten programmes have been conducted in various lead districts of the Bank covering about 250 potential entrepreneurs. We are providing the necessary financial and consultancy support to eligible entrepreneurs to help them in their ventures. The progress in conducting the programmes is expected to gain further momentum during the current year. Although initially the disbursal of assistance from the Equity Fund of Rs 1 crore was slow, with adequate publicity and special drives launched by the Bank, the scheme has generated enthusiastic response and, so far, assistance has been extended to 25 units. Having regard to the prime need to provide equity support to small entrepreneurs for promoting self-employment, we have strengthened the Fund by transferring a further sum of Rs 2 crores.

Capital Funds

In order that the Bank's balance sheet should, to the extent possible, reflect its intrinsic financial strength, we have, from 1974, followed a policy of improving the ratio of published capital funds to deposit liabilities, generally known as 'Capital Funds Ratio'. Apart from regular transfers from profits, inner reserves have also been mobilised to the extent of Rs 70 crores up to the end of 1977 for strengthening the capital funds. In furtherance of this objective, additions to capital funds of the order of Rs 31 crores — Rs 7 crores from the current year's profits and Rs 24 crores from the inner reserves — have been made in 1978. By effecting these transfers, the capital and reserves improved from Rs 27.53 crores as at the end of 1973 to Rs 154.85 crores as at the end of 1978, resulting in the Capital Funds Ratio improving from 1.1 per cent in 1973 to 2.2 per cent in 1978.

In the context of the increasing and diverse needs of India's foreign trade, banks in India are being called upon to provide sophisticated financial support of a larger magnitude. The expanding overseas network of Indian banks and the need for improving their profits often require raising of sizeable resources in the international market. The international banks invariably evaluate the risk element involved in such transactions by assessing the financial strength of banks, particularly in terms of their Capital Funds Ratio. At present, the average of this Ratio obtaining in the banking system in India is 1.1 per cent as compared to 4 per cent to 6 per cent in the case of international banks. Despite best efforts, the State Bank of India has also not been able to improve upon its ratio of 2.3 per cent reached in 1976. In fact, notwithstanding the transfer of a total sum of Rs 31 crores to published capital funds in 1978 as against Rs 16.4 crores in 1977, the Bank's Capital Funds Ratio declined marginally to 2.2 per cent.

The need to strengthen the financial position of the banking system is, therefore, obvious and the ideal way to achieve this objective, undoubtedly, is not only to maintain but to improve its profitability. In reality, however, profitability of most banks has been showing a declining trend and the scope for improving it appears to be limited. The reasons for this are not far to seek. The rapid expansion in the branch network especially in the rural areas, high cost lending to priority sectors, rehabilitation of sick industrial undertakings — all these are activities which subserve national objectives, but they do make inroads into the profitability of banks. The problem has been further accentuated by the rising staff costs. The banks are firmly committed to support the programme of rural development, which postulates opening of a large number of rural offices in the underbanked regions of the country, and to meet the credit needs of priority sectors, they have also to support, on an increasing scale, the needs of industry and foreign trade. It is, therefore, imperative that the erosion in the profitability of the banking system should be stemmed and the banks' capabilities for undertaking developmental tasks improved by building up their financial strength. I would, in this context, suggest a study in depth of the causes leading to the decline in profitability of banks and the adoption of remedial measures. In the interim, I would submit that suitable fiscal and other reliefs should be afforded to the banking industry in the light of the findings of the Working Group on Banking Costs, Operational Efficiency and Profitability of Banks set up by the Reserve Bank of India.

Opening of the 5000th Office

An important landmark in the history, not only of your Bank but also of branch banking, was the opening of the 5000th office of the Bank in February this year at Satbarwa, a small tribal village in Bihar. With the quick and purposeful expansion of the Bank in recent years, it can now claim to be the largest commercial banking branch network of its kind in the world. While it took 7½ years to add 500 offices to the 477 inherited from the Imperial Bank of India in 1955, the last 1,000 have come in just 2½ years.

Size and Efficiency

A view has been expressed that limiting the size of banks is essential for maintaining their efficiency. Let me assure you that the growth in the size of your Bank has had very little effect on its organisational and operational efficiency. If anything, our size has enabled us to take in our stride the increasing costs of developmental activities and to continue to maintain the profitability of our operations. The growth in size of the Bank has been well supported by the systematic strengthening of the organisational set-up through decentralisation of functions and delegation of authority. In 1970, we conducted a thorough review of the Bank's organisational structure with the help of management experts and carried out suitable modifications in order effectively to sustain a growth in size up to at least 5000 offices. As the Bank rapidly approached this level, we initiated, again with the assistance of management consultants, a detailed review of the organisation which would enable us to manage and control about 7,000/8,000 offices, thus taking care of our growth over the next 7/8 years. The report of the Review Team has been received and is under consideration.

The Bank modified its scheme of delegation of powers as far as in 1964, again in 1972 and more recently in 1977 to suit the demands of the growing size and diversity of its operations and to facilitate quicker decision making. The structural reorganisation of the Bank and the resulting decentralisation and delegation have also enabled

us to combine the advantages of size with purposeful and effective involvement in local development. In fact, from our experience, it would be quite in order to say that the hazards and difficulties of developmental banking, especially those of rural finance, are best faced through the resources of large banks with suitable organisational innovation for control and delegation.

It would not be out of place here to draw attention to some significant data. The market share of your Bank in the deposits of all scheduled commercial banks improved from 20.4 per cent in June 1969 to 24.0 per cent in December 1978. The share of priority sector advances in the total advances of the Bank went up from 18.54 per cent in June 1969 to 32.26 per cent in December 1978. While the advances to priority sectors have recorded a more than eight-fold rise, the number of persons assisted has increased 65 times indicating the Bank's concern for the small man. Innovations like village adoption, Agricultural Development Branches, scheme of Integrated Rural Development, liberalised scheme of financing small industries, the scheme for assisting technically qualified entrepreneurs, special Entrepreneurial Development Programmes, free technical consultancy services and a sizeable Research and Development Fund and an Equity Fund, have enabled us to improve our service to the weak and the needy both in qualitative and quantitative terms.

There are also many other important advantages of size. To spell out a few, I may mention the area of international banking where, over the last few years, we have established our reputation and prestige, our financial strength and resilience, in addition to our wide network of offices, have made it possible to have the State Bank's name and commitments accepted all over the globe. We have thus been able to mobilise resources in the international markets on the best possible terms for meeting the country's diverse requirements. Again, our size has helped us to develop common services like computer facilities and management information systems, and to reap the advantages of economic and statistical research, organisation and methods, management science, etc. All these are necessary inputs for dynamic banking in a developing economy.

The quality of customer service is a problem of the banking industry as a whole and not one related to the size of any bank. We are well aware of the problem and have initiated a number of measures to overcome it. The measures include implementation of the recommendations of the Working Group on Customer Service in Banks, improvement in systems and procedures, and training and orientation of staff. We have every hope that with a greater degree of cooperation and involvement of all sections of the staff, customer service in your Bank will be further improved.

Banks and Employment

The draft Sixth Plan envisages the creation of employment opportunities of the order of 49.26 million person-years. In this task, banks have been assigned an important role for providing credit to bankable schemes. Targets have also been fixed by the Government for providing assistance to self-employment ventures by each bank office.

Banks have been fully alive to this vital problem and have taken a number of measures to improve their lendings under the employment-oriented schemes and the Half-a-Million Jobs Programme. These schemes which aim at promotion of self-employment in agriculture, small and village industries and small business, have achieved a fair measure of success. To illustrate, at the end of 1978, the number of accounts of the State Bank of India under the Employment-oriented Shemes stood at 12.2 lacs with outstanding assistance of Rs 408 crores. The number of persons employed in activities financed under the schemes was 16 lacs. These statistics refer to units directly financed by the Bank, but the extent of overall employment created would be of a greater magnitude if we take into account the multiplier effect of the activities generated through the working of assisted units.

The problem of unemployment and destitution is a multi-dimensional one and has to be tackled systematically in all its aspects; credit support from banks is just one of the important inputs. The other aspects are those relating to identifying potential entrepreneurs, motivating and training them to take up self-employment ventures, preparing bankable projects suited to the capabilities of the entrepreneurs, and providing them with support in areas of production, management, marketing, etc. It is our experience that the viability of many of the schemes submitted to the banks would depend on a suitable package of inputs, application of proper technology and appropriate grass-root organisation to implement them; but these are often wanting. Banks have initiated some promotional measures and among those initiated by your Bank, as I have mentioned earlier, are the Equity Fund, the Entrepreneurial Development Programmes and free consultancy services. Having regard to the dimensions of the problem, however, it would be difficult for banks alone to achieve significant results. The Working Group on Role of Banks in Promoting Employment has identified the specific areas where banks' efforts would have to be supported by other agencies. Such supportive action would call for a concerted approach on the part of all the concerned agencies, namely, the Central and State Governments, the various corporations and bodies engaged in developmental work and the financial institutions. I suggest that a suitable machinery, preferably at the State level, be set up wih a view to achieving co-ordination, removing bottlenecks, if any, and continuously monitoring the progress in the implementation of the Working Group's recommendations.

I would like to touch on another related problem which needs attention. Under the various measures taken by the agencies connected with promotion of employment opportunities, a number of industrial units are set up with credit support of banks. The quantum of employment generated is at present assessed on the basis of number of such units started without due regard to their mortality rate. When a self-employment programme which generates expectations fails, its adverse impact is significant in that it becomes a demotivating factor both for the banks and potential entrepreneurs. Further, the cost to the society of industrial units which fail is also high. There is, therefore, an imperative need for providing new industrial units with assistance on a continuous basis by all the concerned agencies. In my view this kind of nurturing should receive priority in the policy and programmes of developmental agencies.

The problem of rural unemployment is of great importance and its solution lies mainly in diversification of activities through promotion of minor irrigation, allied agricultural activities, rural industries, etc. Your Bank has been laying special emphasis on providing financial support to these activities which generate additional employment opportunities both for the unemployed and the underemployed. The target groups for these activities are the small and marginal farmers, landless labourers and rural artisans. The approach so far

adopted in this area being largely sectoral in nature, without provision of proper backward and forward linkages, it did not produce the desired impact on employment generation. In this context, the new approach towards integrated rural development through block level planning with focus on employment is a welcome move. I would take this opportunity to commit our full support to the success of the programme not only in our lead districts but also elsewhere.

Staff

I believe that the real inner strength of a dynamic organisation like ours lies in its staff resources. We have, accordingly, been laying great emphasis on increasing the involvement of the staff in achieving our corporate goals by endeavouring to create an environment in which they take increasing interest in our social obligations and improve their contribution to the growth of the organisation.

The noteworthy progress made by the Bank in various spheres, especially in discharging its developmental role, would not have been possible but for the sustained and dedicated involvement of its large and talented workforce. During the year, the staff continued to display commendable zeal and enthusiasm in implementing the objective of helping the weak and the needy through imaginative and innovative schemes in keeping with our high traditions. I have great pleasure in placing on record, on behalf of the Board and on my own behalf, our sincere thanks and appreciation to the staff for their fine performance.

Changes in the Board

It is with deep regret that we have to record the death, in January 1979, of Shri R. P. Tamta, Member of our Kanpur Local Board.

The concept of workers' participation in management was given a concrete shape in the Bank in 1978 with the nomination of one representative each from officers and workmen staff on the Central Board. I welcome Shri R. N. Godbole and Shri N. C. Choudhury who joined our Board in April 1978 representing officers and workmen staff respectively.

Tube Investments of India

TUBE INVESTMENTS OF INDIA's public issue merits attention of genuine investors. The new shares are being issued at par, though the book value of the ten-rupee share is Rs 23. Moreover, the subscription list will open on April 16, but the new shareholders will participate in the final dividend for 1978 which is to be announced after allotment of shares under the public issue. The company has already paid six per cent by way of interim dividend. It has good past record in performance and dividends. It has paid 10 per cent equity dividend continuously for the past 20 years. Despite the closure of the cycles division for nearly 9 months, it has shown better results for 1978 due to improved performance of other units. Although sales were lower at Rs 21.51 crores, against Rs 26.07 crores in 1977, gross profit was higher at Rs 2.66 crores against Rs 1.91 crores. Since its reopening in the last quarter of 1978 after a productivity-linked payment agreement with workmen, production at the cycle division has improved substantially. The order book position is good and the tube, strip and metal section units are also performing well. It can, therefore, be expected that the company will be able to pay reasonable dividends on the enlarged capital. Meanwhile, the company has undertaken a project to manufacture 'Z purlins' at Avadi near Madras where its engineering complex consisting of cold rolling mills, ERW and CDW tube mills and metal section units are located. Z purlin is a structural member, fabricated of CR strips and used by the construction industry for roofing of sheds used as warehouses, factory sheds, community centres, etc. The company will have an installed capacity of 6,000 tonnes per annum. Production is expected to commence by early 1980.

Masterpieces inspired by Indian Dyes



MADHUBANI

Paintings in the characteristic Madhubani style are today much sought after all over the world Loose-limbed, exaggeratedly vertical figures almost naively drawn, but nevertheless with a reserve of strength in their forms dominate the compositions Foliage and flower are stylized and elaborated into extended decorative patterns

In Madhuban and its neighbouring villages in the southeast of India this style of painting was used traditionally for murals on the outside of huts Today the designs are being adapted on fabric and paper

The Madhubani murals were executed only by women who obtained all the colours used from natural sources Sensuous scarlet and deep sienna from the Kusum blossom, bright yellow from turmeric soft gold from a compound of banana leaf juice, milk and lime rich black from encaptured smoke, these were then mixed with goat's milk and Bakul tree gum as binding media

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LANGUAGE POLICY AND CASE FOR NEPALI

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AHARASHTRA: GENDARME OF THE BOURGEOISIE

EEC'S BRAND OF NEO-COLONIALISM

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THE most notable thing about the Committee on Industrial Licensing, copies of whose report have been printed and circulated "with compliments from the Convenor and Members" of the Committee, is that it had not been, to begin with, a Committee on Industrial Licensing at all. The Committee was appointed by the Minister of Industry in October last year to (a) review the existing *procedures* relating to grant of letters of intent/industrial licences, approvals for foreign collaboration, import of capital goods, registration with DGTD, etc; and (b) suggest ways and means of improving these *procedures* to eliminate avoidable delays and to make recommendations in this regard. The terms of reference of the Committee clearly did not permit it to pronounce upon the desirability or otherwise of, and make recommendations about, the government's policies and objectives in regard to industrial licensing and a whole host of related matters. However, this is precisely what the Committee has done. At no point after the Committee's appointment were its terms of reference formally enlarged, though the convenor of the Committee claims in his letter of transmittal to the Minister of Industry that the Committee had extended the scope of its enquiry "thanks to the encouragement given by you and your senior officials".

What lends special significance to this whole episode is, of course, the composition of the Committee. As originally appointed, the Committee consisted, with one solitary exception, entirely of industrialists, the majority of them from large Indian business houses and multinational corporations. Within a few weeks, the sole non-industrialist member resigned, leaving the Committee completely homogenous in its composition. At the beginning of its report, the Committee expresses its belief that "government, in appointing it, has, in fact, recognised the immense contribution that liberalisation in industrial licensing can make towards rapid economic growth . .". This belief may have some basis, but it would be no less true to say that the way the Committee nonchalantly enlarged its own terms of reference reflects the confidence of businessmen and industrialists that the government is just now especially amenable to pressure to modify its economic policies.

The setting up and rapid growth of a whole range of low priority industries, the continuance and worsening of regional disparities in industrial development, the minuscule growth of industrial employment and the accentuation of concentration of economic power, to mention only some of the outstanding features of the pattern of industrial development in the country should leave no room for any residual optimism that the government's economic policies can achieve the goals set for them. So no tears need be shed over the fate of these policies. The only reason for critically viewing demands for their relaxation and dilution, such as those made by the industrialists' Committee, is to get an insight into the thinking of businessmen and industrialists on economic issues and the relationship they would like to see prevail between industry and government.

The Committee expresses the hope that its report will not be construed as recommending a state of *laissez-faire*. There is no danger of such a misunderstanding arising. In fact, the best way of summing up the Committee's report would be to say that it would like business and industry to have the best of both worlds. On the one hand, it would like industry to be left free to pursue profit maximisation untrammelled by any attempt to regulate industrial investment and production according to any considerations of social desirability or priority. Hence the recommendation that projects with "value of assets" upto Rs 15 crores should be exempt from licensing. That should make it possible for most luxury and semi-luxury goods industries to be set up and expanded without the formality of seeking government approval. On the other hand, in respect of industries still subject to licensing, it is recommended that the Ministry of Industry and the concerned administrative ministries should commit themselves to growth targets for each financial year in advance. Once they make this commitment, the Committee hopes, the concerned administrative Ministry will become, in the interests of achieving the target, "an active instrument in chasing industrial licences sought by applicant companies". Though the Committee does not say this explicitly, it is no doubt its hope that, in addition, the Ministry will also lobby for lower excise duties, larger export incentives, more liberal finance from the financial institutions, and so on. The Committee also recommends an active role for the Development Councils for different industries, composed jointly of representatives of government and business and industry, but invariably with the latter in a majority. Such is the closer collaboration

between industry and government envisaged by the Committee, in the interest of faster industrial growth.

The snag, of course, is that all this, while undoubtedly making for larger freedom and profits for business and industry, may still not result in a higher rate of industrial growth. The reason is that the Committee's basic proposition that the low rates of industrial growth in recent years have been on account of the rigours of the licensing system is false. In fact, since the beginning of the seventies there has been a spurt in the number of licences issued every year. The number rose from 1,420 in 1969 to 6,032 in 1974 but what has been the impact of this on industrial investment and growth of capacity and production? Further, if the Committee is to be believed, the main victims of the licensing system have been the large business houses. However, every time this question has been systematically probed in the past — for instance, by R K Hazari in 1966 or later by the Dutt Committee — it has been shown that far from being starved of licences the large business houses have managed to secure licences without any intention of implementing the projects in question, purely to pre-empt licensed capacity and protect their oligopolistic positions in the particular industries. This is perfectly rational, profit-maximising behaviour on the part of industrial units in an economy where oligopoly and concentration of market power are the rule. In such conditions pursuit of profits by business houses will as often as not take the path of manipulation of prices and supplies and prevention of competition and shutting out new entrants into the industry. The climate for successful manipulation of this type should on the whole improve further with the closer collaboration between business and industry and the government recommended by the industrialists' Committee.

Politics

Uses of Religion

THE surest way of keeping the system going in India is to have the oppressed at each other's throats; and what better way can there be of ensuring this than having a communal riot at fairly regular intervals?

Thus, in Jamshedpur, the annual recurrence of a festival; a religious procession which insists on taking a particular route because other people living in that area would not want the procession with all its aggressive noise in front of a 'place for worship'; ditherings on the part of the civil administration which, after vowing that it would never allow such a provocative gesture on the part of the 'majority community', finally allows it to be made; brickbats and other missiles thrown at the tailend of the process which, miraculously, never cause any serious damage to the processionists but which invariably lead to instant and widespread 'retaliation' which goes on uninterrupted for two to three days during which many people are killed, many women dishonoured, and much property looted and burnt, before the administration announces that it is taking 'firm action' to control the situation; curfew, relaxation of curfew, and more killings; calling out of the army; visits by VIPs and anguished statements by the dozen; mohalla peace committees and relief camps; charges and countercharges and threats of resignation by ministers; and, finally, inescapably, the appointment of a judicial commission of inquiry whose report, when submitted in good time, is as inevitably going to be put away on the shelf — till the whole exercise is gone over again when a fresh wave of killings begins on the occasion of yet another birth anniversary of Lord Rama or Lord Krishna.

There is indeed nothing unique about the killings in Jamshedpur; it is yet another instance of the organised attacks against the national minorities that has continued under both the previous and present dispensations; some of the most horrible killings of Muslims took place under the regimes of Jawaharlal Nehru and Indira Gandhi. In fact, even while using every outbreak of communal violence to shed crocodile tears in sympathy with the Muslim community, both wings of the Congress party have also been opportunistically supporting that most reactionary and patently Hindu communalist demand for a total ban on the slaughter of cows of all ages and descriptions.

Which brings one to Vinoba Bhave, that selective conscience-keeper of the nation, who even as the killing of Muslims is taking place in Jamshedpur, has not merely not said a word about them, but is on the point of engaging himself in a task which holds the prospect of further intensification of communal antagonisms. The demand for a ban on the slaughter of cows is not merely misconceived and mischievous but is also hypocritical in that this demand is sought to be justified on allegedly sound principles of animal husbandry and dairying.

What is sickening about the threatened fast by Vinoba Bhave is that the leaderships of all political parties seem to be holding their breaths in fearsome anticipation of what the future would hold if the sarkari swami at Paunar really goes ahead with his fast and dies in the process. This is plainly an impossible situation. It is open to the government to arrest anyone who seeks to go on a fast unto death in public on cognisable charges spelled out in the Indian Penal Code and the government has arrested people in the past who threatened to undertake coercive fasts. But the government's conscience too in the matter of such fasts has always been selective. What is deplorable is that even the chief ministers of Kerala and West Bengal have allowed themselves to be overwhelmed by the threatened prospect and have failed to address themselves frankly and forcefully to the basic issue involved in the question of a ban on the slaughter of cows of all ages and descriptions — that the demand is clearly a communal one, that it seeks to impose cultural and religious prejudices and food habits of a section of the Indian people over others who do not share them, that to pretend that the demand is acually dictated by principles of animal husbandry is the crassest kind of hypocrisy.

Clearly, such demands seek to further sharpen differences among the people to the advantage of the ruling classes. It is difficult as it is to unite the masses on basic economic and class issues, and the unity achieved over years of common struggle so often seems to breakdown at the first instance of communal tension. Jamshedpur itself, an industrial city with a history of organised working class struggles, provides a telling instance of such fragile working class unity.

Paper Industry

Facade of Control

NO less a person than the Industry Minister himself has begun to issue 'stern warnings' to the paper industry about its failure to arrest the 'spiralling prices' of paper. This is not the first time such warnings have been issued. Along with warnings, there have been also promises of other measures to control and regulate paper prices — it has been said that government would import 75,000 tonnes of

paper, [illegible] to eliminate the nexus between manufacturers and agents which, as is widely known, is at the root of the organised blackmarketing that exists in the paper trade, that it would enforce the provisions of the Paper (Regulation of Production) Order, 1978; that it would bust the racket of 'new nomenclatures' by which device creamwove paper becomes 'optically bleached creamwove' or 'super bleached creamwove' or 'jumbo creamwove' and is promptly sold at much higher prices, and that it would limit production to the one or two most widely used varieties of paper and import the other kinds.

None of these promises, or even 'threats' are new; and yet the paper industry, while being unrelenting in its attacks on the requirement that binds mills with an installed capacity of 25 tonnes or more per day to produce 'white printing paper' to the extent of at least 30 per cent of its total production and further to sell this paper at the rate of Rs 2,750 per tonne to the DGS and D and recognised educational institutions, has also perfected a wholly profitable way of functioning even as it seemingly conforms to these requirements. First of all, it is doubtful if the requirement that paper mills produce a certain amount of white writing paper and sell it at a fixed price to recognised agencies has ever been enforced. The requirement has however been a rather welcome 'restrictive' measure for it has provided industry with a permanent grievance which can be, and has been, used to extract many other kinds of concessions. Admittedly, the selling price of this white printing paper to recognised agencies is considerably less than the cost of production, and the so-called black market — that is, open market — prices are almost double this official price. But the very fact that such a black market flourishes suggests that the required amount of white printing paper is not manufactured and that the 'official' sale of even what is manufactured is inevitably tied up with the long-standing alliance of paper manufacturers and traders — so much so that even the government, the largest consumer of paper, has to take recourse to special imports if not actually enter the black market. Further, the 'punitive' requirement is not without its advantages, since it allows industry complete freedom to fix prices of other qualities of paper. Out of a total production of a little over nine lakh tonnes, only two lakh tonnes are at present officially expected to be available at the predetermined price. Industry can thus make a killing even while groaning and moaning about the burden of the 'punitive' requirement.

It is not as if government is unaware of these practices: they have all been extensively reported and commented upon even in newspapers. If the paper industry is nevertheless allowed to constantly gripe about the allegedly punitive requirements imposed on it and at the same time make good profits by seemingly adhering to such requirements, it has to be because of government's own accommodation to such a mutually advantageous arrangement.

Nuclear Policy

With Soviet Encouragement

Mohan Ram writes:

THE US decision to stop economic aid to Pakistan on the grounds that it is setting up nuclear facilities which can be put to military uses confirms the Indian assessment that there is going to be an 'Islamic Bomb' in the near future. But official reaction has been limited so far to explaining why India did *not* accept the Pakistani proposal for a multilateral declaration against non-acquisition of nuclear weapons by Pakistan, India and some other countries. The proposal had been made in Zia-ul-Haq's reply to Morarji Desai's letter, parts of which were leaked after the US had decided to stop economic aid. Indian rejection of the proposal, to go by 'informed opinion' in New Delhi (euphemism for official sources who do not want to be quoted) was based on its understanding that Pakistan is making an Islamic bomb and not a Pakistani bomb. Oil-rich Arab countries who have been underwriting the Pakistani programme have all the more reason to continue their assistance after the Egypt-Israel pact. The Islamic bomb is supposed to be a deterrent against a Israeli nuclear arsenal made possible by clandestine shipment of fissile material from the United States. India is not the sole factor in Pakistani calculations behind the bomb move. Zia's letter (to go by the leaked excerpts) also points out that India is going ahead with plans for a bomb and that having carried out the Pokhran test India cannot argue against Pakistan going ahead with its own nuclear explosions.

Zia's suggestion for mutual or multilateral inspection of each other's nuclear facilities is seen by India as a trap, a plan by proxy for full-scope safeguards that the US is insisting upon. The Indian view is that if what Pakistan is going ahead with is an Islamic bomb, a joint declaration or inspection programme would make little sense because the bomb could still be developed and exploded in, say, Saudi Arabia while, technically conforming to the requirements of a nuclear free zone in South Asia.

A fall-out of the Pakistan nuclear programme has been renewed US pressure on India to accept full-scope safeguards. The US argument is that Pakistan can be dissuaded from making the bomb only if India accepted such safeguards. In this context, it is worth recalling two recent statements by the External Affairs Minister. Early in February he had told an interviewer that India had not foreclosed its weapon option for all time to come. About a month later he told Parliament that the decision on the nuclear option would be under constant review depending on Pakistan-Libya moves for a bomb. Morarji Desai might seek to explain away these statements, which contradict the repeated official assertions that India will never make a bomb, as the personal views of the External Affairs Minister; but such an explanation will carry little conviction.

It is also possible that there is tacit Soviet support to India keeping its nuclear weapons option open. For instance, during his recent visit, Kosygin did not refer even once to the non-proliferation treaty; instead, there was the Soviet offer of nuclear co-operation, albeit for 'peaceful' purposes.

What is even more significant is the stepped up Soviet campaign about Chinese encouragement and help for Pakistan's bomb, though India itself does not have any information on it. Soviet propaganda has been suggesting that the main encouragement to Pakistan's nuclear designs is from China and not from the Islamic bloc that is emerging with the disintegration of the CENTO and the collapse of the Shah regime in Iran. This bogey of a Chinese nuclear threat to South Asia (even if Pakistan did not make the bomb) is being built through inspired reports in the Indian Press. In the Soviet calculation, an Indian bomb is the only deterrent to China's nuclear threat to South Asia.

In the past, India had expected the world to accept its word that while its nuclear programme was entirely 'peaceful', there was no question of its signing the NPT or accepting full-scope safeguards because they were discrimi-

natory. Now, if Pakistan says the same thing, India cannot take exception either.

It is now virtually impossible for India to accept full-scope safeguards as the price for Tarapur fuel. But the question is: will India reopen its bomb option because it is assumed that Pakistan will carry out its first explosion, if all goes according to plan, in two to three years? In suggesting an India-Pakistan joint declaration, the United States might have been trying to forestall a Pakistani bomb; but if it is going to be an Islamic bomb, there is little the United States can do. Stoppage of economic aid is no deterrent and even getting India to accept full-scope safeguards would not prevent such an Islamic bomb. If a Chinese bomb was no reason for India to reopen the bomb option, can an Islamic, or even a Pakistani bomb, be one? The encouragement for a possible Indian bomb has thus come, so far, from only one quarter — the Soviet Union.

Cotton

Contrary Pulls

THE 1978-79 cotton season has entered its eighth month. Before the season began, cotton growers had started campaigning for high support prices in view of the very high carryover stock and the prospect of bumper production.

The first forecast of the current season's crop shows that area under cotton has increased by 4 per cent. Calculating on this basis, it can be stated that the crop will be about 7.2 million bales or more, though it is unlikely to exceed 7.5 million bales. The best estimates put consumption at 7 million bales. This means that stock will increase further.

As a result, the demand for a ban on imports and maximisation of exports has gathered momentum. In addition, pressure was put on the Reserve Bank to permit liberal credit to both the textile industry and the cotton trade. In 1976-77 and 1977-78 exports of cotton were negligible. Imports of cotton on the other hand, had soared to 8.20 lakh bales in 1976-77 and were still substantial at 3.80 lakh bales in 1977-78. Even at present the textile industry is pressing the government to permit imports of good quality foreign cotton.

The marketing season starts — in November and reaches its peak about February-end. Prices, which had receded by 3 to 4 per cent by the end of October 1978 had fallen further and faster by March 1979. According to trade estimates, by February-end 4.86 million bales had arrived in the market, i e, 6 lakh bales more than in the corresponding period of 1977-78. *The Economic Times* index of cotton prices had declined from 200 in March 1978 to 175 in March 1979. With market arrivals ebbing, the index rose 13 points to 199 on April 2. From now on prices should be expected to move in a much narrower groove. At the moment of writing, traders and growers are unwilling to sell in expectation of a higher price during the remaining months of the season, while purchasers are hesitant to enter the market which is expected to fall.

West Germany

Providing for Egypt

Ramesh Jaura writes:

DESPITE mounting domestic and foreign pressure to provide massive economic aid to help Egypt steer clear of the economic and political consequences of the threatened total boycott by Arab states, West Germany is not willing to go it alone. In talks with President Sadat, who visited Bonn towards the end of March, Chancellor Schmidt left no doubt that West German aid would be in conjunction with its western European allies, the US and Japan.

With both France and Great Britain unwilling, the lion's share of such aid from within the EEC will, however, have to be borne by West Germany. Western aid which Egypt expects amounts to as much as 15 billion dollars stretched over a period of five years. This would mean that Bonn alone will have to give something between three and five billion dollars.

At present, despite being the second largest recepient of West German concessional aid, Egypt does not receive more than 250 million DM annually. West German assistance includes training of scientific and technical personnel as well as aid for agriculture development. Particularly in the latter, experts belonging to the state-owned German Agency for Technical Co-operation (GTZ) are engaged.

West Germany has in fact earned a good reputation in Egypt, and a former West German finance minister has been acting as a special adviser to the Egyptian finance ministry. A member of the ruling SPD, Alex Moeller, now heads the so-called Egyptian lobby in West Germany which pleads for giving as much assistance to President Sadat as possible.

While West German aid to Egypt may exceed the present level of 250 million DM, it is unlikely it will ever amount to three to five billion dollars. West Germany will find it difficult to provide even one billion dollars, for the money is just not there. Bonn has already taken upon itself the task of co-ordinating western aid to Turkey in which the West German share is likely to be anything between 800 million and one billion DM.

It would however be wrong to believe that lack of funds is the only reason why Bonn is not in a position to respond to Cairo's expectations. Being prone to terrorist attacks, West Germany fears reprisals if it were to go all out to assist President Sadat. Hence Bonn's insistence on a comprehensive solution to the Palestinian problem.

In asking for a comprehensive solution, Chancellor Schmidt is not only backed by the EEC resolution but also feels himself strengthened by UN Secretary-General Kurt Waldheim. Two days after the peace treatey was signed in Washington, Waldheim addressed a press conference at Bonn where he expressed his scepticism about the agreement which does not involve all the parties to the conflict. He went even a step further, proposing a multilateral, Geneva-type solution.

Another reason for caution on the part of West Germany is the country's heavy dependence on oil imports from the Arab countries which have joined the boycott against Egypt. The need to ensure imports to meet the domestic energy demand has been further highlighted by recent developments in

Iran. [illegible] in view that Bonn has been playing a notable role in promoting the Euro-Arab dialogue.

An equally important reason, is Bonn's keenness not to strain its relations with the Soviet Union which has unequivocally condemned the Egypt-Israel accord. This has to be seen in the context of current controversy in West Germany on the country's role in safeguarding detente and peace in Europe and the world. It is also possible, that Chancellor Schmidt does not want to oblige President Carter, who played a crucial role in the peace agreement, by taking upon himself a responsibility which usually rests with a big power.

LETTERS TO EDITOR

Mess in Coal India

THE scandalous state of affairs in Coal India and its subsidiaries is seen from the fact that, in spite of a colossal capital outlay of about Rs 600 crores during the last three years, annual coal production has remained at a static level of 89 million tonnes against ever increasing demand. As a result, a whole spectrum of industries — steel, power generation, textiles, cement, etc — have been seriously affected During the first three years of nationalisation production went up from 70 to 90 million tonnes with a capital outlay of Rs 311 crores. The total capital outlay on Coal India today stands at a colossal Rs 900 crores The cumulative losses of Coal India also stand at about Rs 400 crores against an authorised share capital of Rs 750 crores.

In order to prop up sagging morale, especially at the top levels, it has now become customary for Coal India to claim record production at the end of each financial year, which is done by inflating or over-reporting production Last year S C Verma, Secretary, Ministry of Energy (Coal), had warned chairmen-cum-managing directors of all the subsidiaries of Coal India against such unethical practices. Yet it appears that this practice continues.

Monthwise production statistics of the pre-nationalisation period show that once production was increased it was maintained and seasonal variations in production were minimal. By contrast, Coal India's production statistics for the last four years show erratic variations. Most interesting, after reaching record levels of production in March each year, there is a steep drop in the following month. This drop in production was 2.25 million tonnes in 1976, 2.01 million tonnes in 1977 and 2.28 million tonnes in 1978.

Coal India's average productivity is about 0.65 tonnes of coal per man shift. Going by this, to increase coal production by about two million tonnes per month, it would require an additional manpower of about 1,20,000. CIL's statistics do not show this. On the contrary, it is found that the total strength of workers (Wage Board employees) has come down by about 42,500 in the last three years, out of which the drop in the last year alone was more than 20,000

It is apparent that the present management of Coal India is not capable of meeting the country's requirements of coal or creating new employment opportunities or safeguarding the capital outlays. Such a state of affairs would not have been tolerated anywhere else, but in this country critics of inefficiency in the public sector are promptly dubbed as opponents of nationalisation and stooges of the private sector. About two years ago I had warned in my book "Save Coal India" (Satyameva Jayate Publications, Polo Grounds, Chindwara) that the autocratic and bureaucratic administration of Coal India, with technical and managerial incompetence at the top levels, was leading the coal industry to ruin and that there would be a coal famine. All of this has come true today.

The seriousness of the situation can be seen from the fact that in the last year 2,300 MW of new thermal generation capacity has been added over the whole of the country. If this additional capacity is to be fully utilised an additional 10 million tonnes of coal will be required for power stations alone, apart from the fact that many new cement, chemical and other plants are about to go on stream, which in turn will raise the demand for coal. All this demand can be met only if Coal India maintains a steady production of over 9 million tonnes per month, that too in every month of the year, and produces 110 million tonnes of coal this year.

This is impossible considering the present state of affairs in Coal India. Instead, to mislead public opinion, almost all the subsidiaries of Coal India, except Western Coalfields, have started claiming that in view of the unmanageable build-up of coal stocks they will be curtailing coal production from April onwards.

B P PAI

Nagpur
April 4

DVC and Flood Control

THIS has reference to the article "DVC and Flood Control" by K V Subrahmanyam (November 11, 1978). The article was in the context of the 1978 flood in the DVC system, which was the record flood since the inception of the system. The writer seems to have confused issues relating to water management and is misinformed about what happened on the crucial occasion. The dams at Maithon or Panchet were not full to the brim at the time of arrival of the flood waters. There was also no resort to panicky discharge of the waters stored behind the dams at any stage. When flood waters started coming into the reservoirs, the levels were lower than even the normal planned storage levels and discharge was effected following predetermined guide curves. The guide curves have been worked out years earlier and approved and adopted after thorough technical examination and discussion among the technical experts of the participating governments.

The DVC dams were planned and constructed as multipurpose dams and they are being operated as such. The suggestion that the dams should be treated and operated as only flood-control dams will hardly be acceptable to anybody. For multipurpose dams like those of DVC, if the water is not stored to the predetermined level when it is available, other planned benefits like supplying irrigation requirements, meeting the demand for domestic as well as industrial use, maintaining draft for navigation and meeting the requirement of hydel generation cannot be secured. In any integrated system of power supply, hydel power is essential to stabilise the system load and cannot be abandoned.

R J PRASAD

Dy Chief Engineer (C)
DVC, Maithon

Bhutto and After

Romesh Thapar

FOR how long will the politicians of the world, and the subservient press linked to them, keep us hooked on sentimental stories about Zulfikar Ali Bhutto? The facts which are highlighted do not capture the sordid record of Bhutto, the power-wielder, or of the psychopathic fanaticism of General Zia-ul-Haq, Pakistan's martial law administrator. The horrendous killing of Bhutto, who was himself a savage politician, is projected in such a way that the trauma of Pakistan hardly gets across.

From all accounts, the people of Pakistan suffered grievously under Bhutto despite all the populist propaganda about a brilliant man devoted to the poor. Anyone who bothers to uncover the sordid story would realise that in comparison Indira Gandhi and her son were angelic during the long months of Emergency. Taking a Pakistani view, Bhutto was perhaps the only politician who was able to challenge the regime of the generals now hiding behind the Koran. After his hanging, even if elections are held, there seems no prospect of any coherent politics, let alone the structuring of political formations. The country is at the mercy of a Punjabi-dominated military establishment which is fast losing its credibility.

Religious Charlatans

The killing of Bhutto, for that is what such 'judicial' hangings amount to whether in Pakistan or in Iran, puts a question-mark over the stability of the State and its capacity to make a transition to a more sensitive, federal polity — for General Zia's Islamic aberrations can be no alternative to the frenzied populism of Bhutto. The people of Pakistan are deeply troubled that all manner of religious charlatans might be gathered by a double-talking, compromised military machine to impose a backward-looking regime on the country. For the first time, Pakistanis are able to look upon India's experiments in democracy without the usual blinkers — and Indians are able to share the anguish of Pakistan.

This re-discovery of each other has to be cultivated with great care on both sides of the border, and at a time when the US for its own purposes is again viewing Pakistan as an important military pawn in the drifting politics of the Islamic world (and that despite the symbolic aid-cutting over nuclear developments). We have to employ every persuasion to prevent a renewed arming of Pakistan, and at the same to reassure the people of Pakistan that India is terribly serious about a no-war pact. Our effort in both directions is listless. We underestimate the speed with which situations can be transformed, distorted and twisted.

The destabilisation of Pakistan is to be fought whoever rules in Islamabad. It has to be fought directly and otherwise. We need to make careful assessment of all that we can do to reduce the despair of the people of Pakistan — and this remedial action covers a wide field, from the abolition of entry visas for Pakistanis visiting their families in India to trading agreements which may for sometime favour Pakistan. A wait-and-see attitude at this critical juncture is tantamount to abandoning Pakistan to Islamic guerillaism and opportunist international alliances with serious spill-over effects on the sub-continent.

It is strange how a global reaction is orchestrated on the Bhutto trial and hanging, and no protest worth its name develops around the effort of various Islamic juntas to impose seventh century 'legal' systems in the name of the Prophet. The brutality inherent in public floggings for legal offences, and in chopping off fingers and hands for thieving cannot but open these societies to larger brutalities. Postures on human rights do not seem to be very pronounced when mixed up with oil politics. Even the antics of Pakistan's rulers are slurred over in the context of Islamisation.

Fight Revivalist Trash

India, very much a part of the so-called Muslim world and responsible for a Muslim population as large as that of Pakistan, cannot behave as if it has no interest in the reactionary trends which are making themselves visible from Morocco to Indonesia and the Philippines. The influence of India must be asserted in the struggle for the modernisation and enlightenment of the Muslim world, or else we will give comfort to the propagators of revivalist trash in our own country — a development with repercussions on all communities, particularly the exclusivist and conspiratorial sections of the Hindus. We seem at the moment only interested in the gains, political and economic, which opportunism brings.

Crisis of Muslims

The crisis of the Muslim communities can only be tackled effectively if Muslims themselves begin to challenge orthodoxy. India, which has seen so many changes, should set an example. The women of Teheran demonstrating without *chadars* in their thousands, the women activists for the liberation of Palestine, the newly educated and emancipated women working for the development of their countries, and the leaders of this upsurge, cannot be marched back to the days of tribal feudalism. If that goes for the women, where do the men stand? It is ironic that in free India the Muslims who have been used as secular decoration have seldom battled for the modernisation of their community. This neglect of a fundamental aspect of social reform has made of the Muslims a second layer of untouchables.

Maybe, the Bhutto episode in Pakistan will provide the shock that the Muslims of the sub-continent need to push them to seize the opportunities of today: to educate themselves beyond religious texts, to mobilise beyond the community and to advance. The rise of Bangladesh destroyed the mystique of the Partition. The present plight of Pakistan may heal old wounds and nurture a new and more equal friendship on the sub-continent. Islam in South and South-East Asia could develop interesting momentums in harmony with the search for identity in modernisation. But, whatever the currents and cross-currents, India has to begin the business of underlining its commitments with greater energy and clarity.

April 7

Labour Problems, but Doing Well

Hansavivek

MAHINDRA AND MAHINDRA has stepped up dividend by 3 points to 18 per cent on the increased capital resulting from the merger with it of International Tractor Company of India. The financial results are for both units as after their merger which became operative from November 1, 1977. The tractor division had industrial relations problems during the first two months of the year. These were amicably settled and thereafter production and sales have been encouraging. Gross margins, however, have been thinned down considerably. Production and sales of Jeep vehicles improved from 10,568 and 10,609 units to 11,349 and 11,440 units, respectively. The tractor division produced 5,750 tractors and sold 5,866 tractors. The automotive division exported vehicles and spare parts worth Rs 3.25 crores. Against an order from Turkey for 1,250 tractors, the company could ship only 250 tractors before the end of the year on account of delay in establishment of an acceptable letter of credit by the customer. A further order for 1,500 tractors has been received from Turkey. Steel business handled by the steel division was slightly higher at 3,05,298 tonnes. Workmen of the Calcutta factory of the instrumentation division went on a stay-in strike from middle of August to early January last. During this period, there was complete stoppage of production and of despatches. In compliance with the directive of the government of Maharashtra, the instrument assembly operations of the electronics division were shifted from Bombay to Nasik. The machine tool division booked orders for Rs 106 lakhs as against Rs 126 lakhs in the previous year, but deliveries increased from Rs 69 lakhs to Rs 112 lakhs. The division is expanding its activities. It has acquired sales franchises for multi-spindle automatics, rotary surface grinders, centreless grinding machines, electro-discharge machines, environmental control machines, billet and slab grinding machines and hardness testing machines from various American, European and Japanese manufacturers. It also intends to enter the chemical field.

UNION CARBIDE INDIA achieved slightly higher turnover in spite of the initial loss of sales resulting from a 4-month-long suspension of operations at the chemicals and plastics plant at Bombay. But profit margins increased noticeably and gross profit expanded by more than a fourth. This was mainly on account of improved contribution from batteries, flashlight cases, arc carbons, and marine products operations. The unchanged 16 per cent distribution on an enhanced capital is adequately covered by earnings. The company is looking ahead to achieve further growth in the coming years. It expects the construction work on the second phase of the MIC-based pesticides project to be completed this year.

The Week's Companies (Rs Lakhs)

	Mahindra and Mahindra		Union Carbide		Deepak Nitrite		Laxmi Vishnu	
	Latest Year 31-10-78	Last Year 31-10-77	Latest Year 25-12-78	Last Year 25-12-77	Latest Year 31-10-78	Last Year 31-10-77	Latest Year 31-12-78	Last Year 31-12-77
Paid-up Capital	772	567	2172	1843	96	96	121	121
Reserves	1098	934	1989	1634	134	91	61	57
Borrowings	2797	1969	1476	1434	115	91	455	451
of which Term borrowings	711	623	485	262	100	83	49	47
Gross fixed assets	(3342	2190	6649	6398	459	401	866	851
Net fixed assets	2295	1345	3723	3653	228	231	276	288
Investments	272	299	20	13	—		2	—
Current liabilities	2011	1315	1868	1494	71	54	484	379
Current assets	4111	3142	3762	3253	171	84	774	620
Stocks	2415	1246	2319	1904	87	51	648	456
Book debts	1523	1741	897	622	43	30	123	158
Net sales	9109	6240	9196	8926	497	382	2106	1464
Other income	250	200	104	64	11	3	70	179
New material costs	5830	4282	4434	4296	238	183	982	651
Wages	1599	968	1695	1599	38	28	452	370
Interest	478	257	151	261	11	1?	84	72
Gross profit(+)/loss(−)	544	512	1247	992	143	104	91	2
Depreciation provision	234	153	333	307	62	53	31	32
Tax provision	—	98	410	190	25	—	—	—
Net profit(+)/loss(−)	310	261	504	495	56	51	60	— 30
Development rebate provision	93	27	44	148	15	19	6	6
Transfer to reserves	70	156	112	052	29	25	—	—
Dividend								
Amount	P 44	12	P —	—	P 1	1	P —	—
	E 103	66	E 348	295	E 11	6	E —	—
Rate (per cent)	P 7.8&9.8	7.8&9.8	P —	—	P 9.5	9.5	P —	—
	E 18	15	E 16	16	E 14	12	E —	—
Cover (times)	1.68	3.37	1.32	1.17	3.66	5.20	—	—
Ratios (per cent)								
Gross profit/sales	9.97	8.20	13.56	11.11	28.77	27.22	4.32	0.15
Net profit/capital employed	16.57	17.38	12.11	14.23	24.33	27.27	32.96	—
Inventories/sales	25.74	19.97	25.22	21.33	17.50	13.35	30.77	31.15
Wages/sales	17.55	15.51	18.44	17.91	7.64	7.33	21.46	26.64

It has also undertaken a plant modernisation and expansion programme at the petrochemicals plant in Bombay which is estimated to involve an expenditure of Rs 4 crores. The work will be completed in stages in three years. The company is also actively associating itself with government in its plans to optimise the utilisation of off-shore gas. Meanwhile, research and development efforts are continuing in the development of new battery systems and definitive results should be available before too long. The research and development centre of agricultural products at Bhopal has standardised colonies of a few varieties of pests, which are now being used to screen new synthetic molecules for their bio-efficacy. Biological investigative work is also being carried forward for the registration of new formulations of pesticides. The company has already completed foreign equity dilution requirements under FERA. RBI has given it a certain amount of time in which to meet the relevant guidelines regarding the ratio of turnover in the high technology sector and exports *vis-a-vis* the non-core sector. The company expects to meet these guidelines. Since FERA became effective in the beginning of 1974, the company has invested Rs 33.73 crores in the specified areas — more than 76 per cent of its total new investment into designated areas of high technology and exports. The company intends to maintain this trend of relative investment through continued expenditure on the construction of the Bhopal pesticides plant and thereafter on other projects now under consideration.

DEEPAK NITRITE has once again come out with good results. Sales, profits as well as margins are higher than in the previous year. Dividend has been raised by two points to 14 per cent, which is covered 3.66 times. This performance has followed increase in production of sodium nitrite/nitrate from 7,466 tonnes to 11,109 tonnes and of nitric acid (dilute) from 7,712 tonnes to 7,747 tonnes. It could not utilise the higher installed capacity of the latter plant due to paucity of ammonia, the main raw material. The DNPT plant, restarted only in August last, after major repairs and installation of necessary equipments damaged by accidental fires, produced only 28 tonnes. The company's prospects for the current and future years appear promising. Full benefit of the concentrated nitric acid plant, commissioned in October last, will find reflection in this year's accounts. Moreover, additional machinery has been installed at the nitric acid (dilute) plant which would enable utilisation of licensed capacitiy of 18,000 tonnes. The company has also taken up implementation of the ammonium nitrate project. Efforts are being made to achieve higher production from the present plant of sodium nitrite/nitrate by providing balancing equipments. The company has obtained a 'letter of intent' for setting up a plant in Maharashtra for manufacture of 250 tonnes of ammonia per day capacity, based on associated gas emanating from Bombay High. Since the capital outlay for this project is estimated at Rs 35 crores, it is proposed to promote a new company of which Deepak Nitrite would be the chief promoter. The company continues to pursue its research and development programme. Based on the process developed on pilot plant scale, the company intends to take up the projects to manufacture nitrobenzene and aniline in the coming years.

LAXMI VISHNU TEXTILE has recorded significant improvement in its working during 1978 and has been able to reduce its accumulated loss from Rs 103 lakhs to Rs 70 lakhs. This outcome has followed record net sales of Rs 21.06 crores against the previous year's Rs 14.64 crores. The results would have been better if the company did not have to resort to conversion activity owing to shortage of working capital in the early part of the year. Trading conditions were better than in earlier years. Cotton prices ruled easy throughout the year, though the company had to use expensive imported cotton carried over from the previous year. Synthetic activity was carried on, on conversion basis, but from April 1978 the company has been manufacturing its own synthetic varieties. The financial institutions have sanctioned soft loans to the tune of Rs 1.82 crores for modernisation of machinery and equipment. SBI has also agreed in principle to grant a loan of Rs 1.56 crores for working capital. An agreement about wage revision effective from November last has been reached with the union. The agreement is valid for 3 years and provides for an increase of 10-11 per cent in wages. The full effect of this increase would be felt in the current year. R N Joshi, managing director, resigned from service with effect from October 31 last. B G Kakatkar has been appointed as an additional director.

ASIAN CABLES has installed a triple tandem extrusion line at its plant and commenced manufacture of cross-linked polyethylene (XLPE) cables. By making the first sales of these cables to the Kudremukh iron ore project in Karnataka in December last, the company has been able to avail of the appropriate income-tax relief for 1978. The 6-inch extrusion jacketing line is also being installed at the plant. The company has produced good results with higher output, sales and profits, even though it had to contend with difficulties in procuring adequate raw materials and restrictions on power offtake. Net sales have risen by 47 per cent to Rs 11.98 crores and gross profit is up by 80 per cent to Rs 1.38 crores, reflecting notable widening of margins. Total dividend has been stepped up by five points to 17 per cent and is covered 1.53 times. Exports have dropped from Rs 3.73 crores to Rs 1.63 crores but home demand, particularly for power cables, was higher.

PRESSURE COOKERS AND APPLIANCES is faring well in the current year. Its turnover during the first 5 months ended February has been 56 per cent more than in the same period last year. While it may not be possible to sustain this high rate of increase in turnover, the company expects to achieve satisfactory overall result in the current year. In the light of the current performance, the board is considering declaration of an interim dividend. Meanwhile, two recent developments tend to restrict the company's future growth. The Industries (Development and Regulation) Act, which has been passed by both the houses of parliament, seeks to bring presesure cookers under the first schedule to the Industries (Development Regulation) Act, 1951. Under the present law, the company is not required to apply for an industrial licence, as the value of land, buildings, plant and machinery is less than Rs 3 crores. Secondly, the union budget proposals seek to increase excise duty on pressure cookers from 10.5 per cent to 15 per cent. According to the chairman, H D Vasudeva, there should be no excise duty on pressure cooker because of its significant contribution to fuel conservation, which in turn results in substantial foreign exchange savings and reduced deforestation. He also observes that pressure cooker continues to be deprived of tax benefits which are allowed to hundreds of other industries.

MAHARASHTRA

Gendarme of the Bourgeoisie

Amrita Abraham

IN the elections to Bombay's Municipal Corporation last November the Shiv Sena won 21 seats. Ten years ago it had twice that number, just a little short of one third of the total membership of the house. The history of the Sena in the intervening period says a great deal about the nature of communal politics generally as well as suggesting what paths the Sena will pursue from now on.

The Shiv Sena arose in response to specific socio-economic conditions in Bombay. When it came on the scene in 1965, the Marathi-speaking population of the city was less than half of its total population. Employment opportunities in the organised sector (at relatively higher wages) were not keeping pace with the increase in the labour force (natural and migrant). More and more people were left to be absorbed by the unorganised, low wage sector.

Competition for manual jobs was not perceived in ethnic terms. This was partly because of what sociologists have described as ethnic specialisation in unskilled labour — for example a high proportion of migrants from South India went into construction work whereas Marathi-speaking labour went into manufacturing industries. It was in the expanding educated lower middle class where competition for white collar jobs took an ethnic form. At the time the public sector and the government were creating more jobs than the private sector. Within the organised sector as a whole, though industrial jobs showed the largest growth in absolute numbers, jobs for the educated in the lower scales were growing at an accelerated rate.

Thus, not only did the Marathi-speaking lower middle class in the city identify its economic competition as 'outsiders', but there was scope for some immediate concessions when its demands were articulated by the Shiv Sena. This pre-empted the possibility of any other kind of political organisation to voice those demands.

The platform of 'jobs for the sons of the soil' gave the Sena a clearly defined, homogeneous base but also a very narrow one. The demand was partially met by the state government's directive giving preference in Class IV jobs in official agencies to 'locals', defined as those with a 15-year residence in the city; the private sector was also pressurised to follow suit. While this had the effect of cutting away the ground from under the Sena's feet, it also made the party and its communal basis of organisation respectable.

The 42 seats that it won in mixed constituencies the first time that it contested municipal elections suggested that the Sena had won the support of Marathi-speaking classes other than the lower middle. It tended to be seen as a Maratha party but did in fact secure the sympathies of higher castes as well, as the large Brahmin element in its leadership showed. This larger identification was along cultural chauvinistic lines. It was perceived as Hindu and Maharashtrian (many of its leaders had once been in the RSS) excluding significantly the Dalits. The Sena played all these cards, taking up the border issue, backing the singing of Vande Mataram at public functions, agitating against Tendulkar's play "Ghasiram Kotval" because it 'distorted' Maratha history, etc. But these 'cultural' accretions did not symbolise a common set of social and economic problems among the people who supported the Shiv Sena in the cities, let alone those outside.

Left to itself, this nebulous support may well have disappeared soon enough. It certainly did not help the Sena in any of the state or national elections. However this stage in the Sena's affairs coincided with the Congress split of 1969. As the single largest opposition party in the corporation the Sena had been able to get its men to head the crucial standing committee and the BEST committee. The leadership's appetite for power grew with the feeding and the Congress for its own reasons was now willing to feed it.

The Sena had also acquired a reputation for 'solving' local problems on its own; for instance, it encouraged and protected illegal roadside stalls set up by Maharashtrians. The bandhs it organised in the city and its other strong-arm tactics persuaded party workers and others that it had substantial power in the city and, what is more, would exercise it. The ideological vacuum in the party, its lack of any social or political doctrine, invited others to make use of it.

The Sena went into organising industrial labour under the Bharatiya Kamgar Sena. Why it should have chosen this field is difficult to understand in terms of the party's internal logic. Besides, Sena men have said that they had no particular labour policy other than that "labour should also be responsible and not go on strike for every small reason". They have also said that success in the labour field did not help the organisation as a whole to get votes. Nevertheless by the early 1970s they had unions in some 420 large and small units and were the recognised union in several of them. A paper sympathetic to the leftist unions has charged that the BKS was nothing more than a "major sword arm of the Sena to raise finances from factory managements". A Sena man who was in the inner councils at the time confirms this : "Everyday the capitalists came with folded hands to ask our leader what they could do for us."

Most reports are agreed that the BKS's objective was to break the communist unions. The Sena is avowedly anti-communist. An idea of its tactics can be gained from the confession of a Sena man now in the breakaway Prati Shiv Sena : "At one CPI meeting we went with hand grenades." And how far they were successful can be gauged from the fact that the city named one of its roads after the Sena chief's father at a function presided over by the chief minister.

As the gendarme of the bourgeoisie, in its role of making Bombay safe for capital, the Sena had the support of large sections of the ruling party. No real attempt was made to curb its power on the streets during those years. Even in Emergency the Sena was omitted from the list of parties that the Central government banned. No doubt the

Centre felt that certain forms of regressive, communal organisations are far less threatening than others.

By the early 1970s it was clear that the Sena had two sources of power: one, the support of a section of the lower middle class Marathi-speaking population of the city in whose name it ruled the streets; the second, and far more vital to the party, was the power it exercised as an arm of the ruling party and establishment. Which of the two it relied on more became clear gradually and at first in the municipal corporation. Civic politics had dictated agreements of various kinds between the Sena and other opposition parties like the Socialist party, Jan Sangh etc. But time and time again these arrangements were overturned by diktat from Sena headquarters, usually in favour of Congress. Similar incidents took place during the Assembly elections. Large scale dissatisfaction within and outside the Sena dates from this period. As it was committing itself more and more to acting as the Congress' stormtroopers it lost touch with more and more of its supporters. Its insensitivity to its base was clear when it opposed the first state government employees strike.

The Sena's second rank leaders, many of whom were in the Corporation, were conscious of this trend; but they say that they were unable to do much to make the Sena more responsive to those who had elected them because of the way the party is organised. There are no fulltime workers or formal membership or party forums at various levels. There is only a loose collection of shakhas based on municipal wards—100 were active, they claim, during its heyday. Satrap-like, each shaka collects funds and raises bodies of demonstrators when the Sena bhavan calls for them. Also satrap-like, many shakas run protection rackets and there have been instances of insurrection from ward bosses who made big collections of funds. All decisions are ultimately made or unmade by the Sena chief who was reported once to have said, "The soldiers have just to carry out orders. They cannot have opinions." This applies to the municipal party, to shakha bosses and other ghata leaders. Most of these leaders concede that workers are tied to the party only out of personal loyalty to the chief.

In thirteen years the Shiv Sena's activities add up to a series of incoherent incident, as well as a continuing ability to march thousands of young men under its flag. For years the Congress management of the Sena saw to it that these battalions were either committed to its side or to innocuous matters such as getting shop signs written in Marathi. During Emergency the Congress prevented anyone else from getting the benefit of those battalions. The threat of a ban was enough to make the Sena first quiescent and then come out in support of Emergency. Some Sena men say they did this for survival reasons. Others say they approved of Emergency though not all its doings. At the 1977 elections the Sena chief was describing the Janata as "the party of communists, socialists, Marxists and Jan Sanghi", and launched his party behind, the Congress again. The Janata wave and the second Congress split had the Sena trying to make an alliance with the Janata during the Assembly and corporation polls.

The Sena now officially backs the Congress(I). A Sena man says that all the major parties need their support but are reluctant to acknowledge it openly. Even the president of the state Congress(I), he said, repudiated bandhs after having used the Sena for a 'successful' demonstration in the city last year over Indira Gandhi's arrest.

Now the Sena finds that both its sources of power have been drastically reduced, its electoral support is down and its usefulness to any of the major parties doubtful. It sees no direct connection between the two events, but is wondering how to reactivate its original support. Its sthaniya lokadhikar samitis (local committees in companies) have information showing that representation of Marathi-speaking employees is 'inadequate' in several private and government bodies. There is also scope for 'social work' — educational mainly — which should win them some support. Beyond these Maharashtrian areas are price-rise agitations which they have been taking up on an *ad hoc* basis — restaurant prices in Pune, mutton prices in Bombay.

These programmes have not been taken up enthusiastically so far because the leaders feel such public support as they will bring cannot be converted into votes. They conclude that the only answer is an alliance with one of the major parties "whichever has public support at the time." Meanwhile to encourage one of them to take up its offer, the Shiv Sena will, as in the past, have to make periodic demonstrations that its battalions are intact.

THE ECONOMY

Structural Links

THE technical basis of Plan formulation in this country has been acknowledged as having been highly sophisticated and competent. Of course, inadequate and delayed availability of data and insufficient information on many structural co-efficients are serious constraints. Even in these respects, there has been considerable improvement in the data base of the Indian economy and, with that, in the econometric base of Plan formulation.

An important aspect of Plan formulation is the inter-industry transactions table or the input-output table. The input-output co-efficients help planners to estimate the intermediate demand for different commodities and commodity groups in the terminal year of the Plan period. While preparing the Fifth Plan (1973-74 to 1978-79), the Planning Commission had used an inter-industry matrix based on data for 1965-66 and updated in two stages, first to 1970-71 and then to the plan base year 1973-74.

We now have a full-fledged inter-industry transactions table prepared by the Central Statistical Organisation (CSO) in collaboration with the Perspective Planning Division of the Planning Commission for the year 1968-69. It is the most comprehensive of all input-output tables prepared so far. The matrix for 1965-66 used as the basis for the Fifth Plan was a 66 x 66 sectors model. The one now released by the CSO has been constructed for 230 sectors, though "to enable a summary overall trend of the transactions, the matrix has been aggregated into a 60 x 60 sectors table" and presented in the CSO's "National Accounts Statistics, 1970-71 to 1975-76" (pp xv to xvii, p 123, and pp 164-166). This publication presents the list of the 230 sectors and their reclassification into 60 sectors. There is also a promise of "a

separate report giving the details of the methodology adopted along with complete table and the supplementary information" (p xv). However, the White Paper itself contains a brief report on sources of data used as well as a succint account of the results thrown up by the 1968-69 table. There is also a useful attempt to provide a lead to users of data so as to facilitate a further classification of 230 sectors into three broad groups of primary production, manufacturing and tertiary activities.

Based on these details, the Reserve Bank of India's *Bulletin* for November 1978, published recently, presents an analytical study of the inter-industry transactions table for 1968-69. It attempts an aggregation of the CSO's 60 x 60 table into only two sectors, namely, commodities and services, and presents proportionate distributions of gross output and inputs amongst them. Yet another set presents inter-industry transactions matrix for six sectors, namely, primary; secondary; transport, communications and trade; finance and real estate; other services; and government administration and defence. Finally, the study makes an independent attempt at classifying, according to use-base (i e, intermediate, capital goods and consumer goods), the total availability of commodities and its major components.

Some of the summary results presented in the RBI study are noteworthy. First, about 97 per cent of the aggregate demand (intermediate demand plus final demand consisting of private and government consumptions, gross fixed investment, change in stocks, and exports) was met by domestic output, the remaining 3 per cent being satisfied by imports. Of course, the proportion of imports in total supply varied widely, ranging from more than 50 per cent in the case of petroleum and natural gas, organic heavy chemicals, and other machinery to negligible proportions in a number of other commodities.

Secondly, intermediate demand (i e, commodities as direct inputs in the production of final goods) accounted for 37 per cent of the gross domestic output. The balance comprised private consumption expenditure 48 per cent, public consumption 6 per cent, gross investment 10 per cent, and net foreign trade, negligible.

Thirdly, while the primary sector had 75.6 per cent of its gross output as value added, the secondary sector had 34.3 per cent. Fourthly, while the primary sector uses its own output as input to the extent of nearly 75 per cent of total input, the proportion for the secondary sector is about 50 per cent. A final result arising from the input-output table relates to the distribution of the incidence of indirect taxes between (a) commodities and services of intermediate use and (b) those of final use, that is, 54.4 per cent and 45.6 per cent, respectively.

This brings us to the RBI's independent attempt to classify the total availability of commodities and its components into (a) intermediate, (b) capital goods, and (c) consumer goods and to construct their indices for five years from 1971-72 to 1975-76 (with base 1970-71 = 100). Here, the total availability of goods is equal to domestic output plus imports minus exports. According to these data, the overall supply of commodities in the Indian economy was higher by 16 per cent in 1975-76 over 1970-71. The availability of intermediate and capital goods increased somewhat more, by 20 per cent and 19 per cent, respectively, while that of consumer goods registered a smaller increase of 13 per cent in the five-year period.

Secondly, the structure of final demand, as evident from the distribution of CSO's estimates of gross domestic product at market prices, shows a gradual change. Private final consumption expenditure has steadily declined from 73.1 per cent in 1970-71 to 69.7 per cent in 1975-76, while gross fixed investment increased from 15.5 per cent to 17.1 per cent. Exports increased from 4.0 per cent to 6.5 per cent and imports from 4.6 per cent to 6.7 per cent. 'Change in stocks' also increased from 2.7 per cent in 1970-71 to 5.2 per cent in 1974-75 and to 4.9 per cent in 1975-76.

Thirdly, in 1975-76 India's export consisted of 56 per cent intermediate goods, 37 per cent consumer goods and only 7 per cent of capital goods. Similarly, on the imports side, intermediate goods accounted for 54 per cent, consumer goods 29 per cent and capital goods only 17 per cent.

Thus, the results contained in the two sections of the RBI study, the first based on the input-output table for 1968-69 and the second on an independent use-based classification of CSO data on output, etc, reveal interesting relationships. But the results of the two sections are independent of each other; the nature of structural changes shown in section 2 of the study could be worked out every year based on CSO's basic data on national accounts, whereas the merit of the input-output table lies in bringing out the technical co-efficients in commodity production.

Secondly, it is incorrect to underestimate the importance of input-output analysis as the RBI study has done, by emphasising that it "is useful only under the assumption of constancy of technical co-efficients" (p 898). While this is technically correct, there is enormous scope for altering the major input co-efficients on the basis of independent information as the Planning Commission did while preparing the model for the Fifth Plan. For instance, it altered the ratio of inputs of fertilisers, electricity and other chemicals (pesticide) to foodgrains and other agricultural sectors. Likewise, input of coal to electricity had been raised and that of coal to the railways reduced following the programmes for dieselisation and electrification.

JANATA PARTY

Separate, but Unequal

M H J

THE two 'secret' conclaves of a so-called group of 24 representing all the constituents of the Janata party, and the meeting of the party's national executive followed by one of the Central Parliamentary Board held last week have brought into bold relief the fact that far from functioning as a single political entity, the Janata party is not even behaving like a good coalition. The uneasy, irritable living of the constituents — Young Turk Congress, Congress-O, Congress for Democracy, Jan Sangh, and Socialists — continues because of the political power the constituent units possess and are afraid to lose at the Centre and in some states.

Although Charan Singh has been back in government, he has not so far been able to change the situation in the Janata party to his advantage and reward supporters like Madhu Limaye (who, incidentally, has become of late one of the chief spokesmen for the Soviet Union in the country). The former Jan Sangh, with a strength of 96 in the Lok Sabha, is turning out to be the biggest stumbling block in the way of Charan Singh and his followers. How to humble the Jan Sangh into subordination has been the problem of Charan Singh, Limaye and company. They cannot stomach the consolidation of the Jan Sangh with the help of RSS in the Janata party at the ground level which it is in the process of achieving by capturing the party through the organisational elections in the recent months. Morarji Desai's refusal to take back Raj Narain into the Cabinet has made it possible to utilise the former health minister's services to open an anti-RSS, anti-Jan Sangh campaign by raising the issue of dual membership, since the Jan Sangh members in the Janata have always had their first loyalty to the RSS. The aim of Charan Singh and his followers is to stall the organisational elections and instead get the maximum number of members of BLD and Socialists appointed (or nominated) to the party posts.

Charan Singh and his followers have their reasons for wanting to stall the party elections. They know that compared to the Jan Sangh with its RSS cadre, they do not have much following in the states, except in certain pockets in the North; hence, their parties would be left with little representation in the Janata party at the Centre and in the state. Thus, Limaye's whole campaign has been that the Jan Sangh, with the help of the RSS, will have the largest representation in the party at all levels and will be able to capture the party. Limaye's demand is that the party posts should be filled by 'consensus'. The other constituents in the Janata led by Morarji Desai, Jagjivan Ram and Chandra Shekhar do not carry much political weight except in some states; they are only leaders at the Centre.

In last week's two conclaves of the group of 24, the Jan Sangh leaders in the government, notably Atal Behari Vajpayee and L K Advani, put up a big fight against the anti-RSS campaign of Limaye and Raj Narain and on the issue of dual membership. Almost spoiling for a fight, Vajpayee told Limaye and his supporters that the Jan Sangh would rather leave the Janata party "here and now" than sever its connection with the RSS. "Jan Sangh members have their relationship with the Janata party only for two years whereas they have been with the RSS since their childhood." Vajpayee asked Limaye to search his conscience when he demanded the government at the Centre by a consensus whereas he was not prepared to accept the Jan Sangh members in the UP cabinet. As soon as Charan Singh joined at the Cabinet, the trouble was created in UP, cluminating in ridding of the Jan Sangh representation from the UP cabinet. At the second meeting of the group of 24, the Party President, Chandra Shekhar managed to secure an approval for constituting a 'small committee' to decide the RSS link of Jan Sangh and the organisational elections. But in the National Executive meeting the following day, the Jan Sangh saw to it that the move to appoint the 'small committee' was overruled by the highest policy making body of the party and further saw to it that the party's Central Parliamentary Board was entrusted with the responsibility of resolving the question of the organisational elections as well as the RSS-Jan Sangh connection. And when the Central Parliamentary Board met the next day, it decided to ask the chief ministers of Bihar, Orissa and Himchal Pradesh to seek a fresh vote of confidence and to set up a sub-committee to resolve the differences between the UP Minister and the Jan Sangh dissidents. The Board's sub-committee on the UP affairs comprises Charan Singh, Vajpayee, Jagjivan Ram and Chandra Shekhar. Given its composition, it is unlikely the sub-committee will be able to ignore Jan Sangh's claim for representation in the UP government.

The Board's decision is a setback to Limaye and Raj Narain for, they were mainly instrumental in excluding the Jan Sangh from the UP government headed by Banarsi Das. The Jan Sangh has now emerged as the strongest force in the Janata party. With the impending disintegration of the Congress (I) following groupism in many state units of that party, and with the continuing fragmentation of the Congress, the Jan Sangh will always remain a big force in any future re-alignment at the Centre and in the states. In clearly stating that the Jan Sangh will prefer to quit the Janata party if it is insisted that the party disown the RSS connection, the Jan Sangh leadership has made it abundantly clear that its separate existence will stay, come what may.

KERALA

The Ghost of Rajan

Mukundan C Menon

THE lengthy judicial procedure in the famous Rajan case in Kerala began with the habeas corpus petition filed by Eichara Variyar, father of Rajan, in the Kerala High Court requesting it to pass an order for the production of his son who had been arrested by the police during Emergency. In that petition filed on March 25, 1977, Karunakaran, the then chief minister, was not included as a respondent. But Karunakaran's Assembly statement of March 29, 1977 after the High Court accepted the petition ("Rajan was not arrested by the police; nor is he in police custody. How the police is responsible to answer the whereabouts of such a person") prompted Variyar to request on March 30, 1977 that Karunakaran should also be included as a respondent.

All the respondents, including Karunakaran, claimed in their first counter-affidavit that Rajan was not at all touched by the police. Variyar's petition had stated: "I met Mr Karunakaran, who was the then home minister, at his official residence, Manmohan Palace, Trivandrum, on March 10, 1976 Mr Karunakaran told me that my son was taken from the college by the police in connection with a case of serious nature. He also assured me that he will check the details and will help all that he can in this matter." But Karunakaran in his counter-affidavit denied this account; "I never told the petitioner that his son had been in police custody. I do not know even now whether the son of the petitioner had ever been in police custody."

The habeas corpus case judgment of the High Court on April 13, 1977 stated that "it has been established beyond doubt that Rajan was taken into custody by the police". The Court also ordered all the respondents, including Karunakaran, to produce Rajan before the Court on April 21, 1977. "If they cannot do so they should inform the Registrar of the High Court the reason thereto before April 19, 1977", the judgment stipulated. Karunakaran and other respondents then submitted statements before the Registrar of Kerala High Court on April 19, 1977, reiterating their earlier claim that they had no knowledge of the whereabouts of Rajan. They also sought permission to appeal to the Supreme Court against the High Court's order asking them to produce Rajan, which was rejected by the High Court on April 23, 1977. Against this rejection of the High Court they approached the Supreme Court. But the Supreme Court upheld the High Court's stand on April 25, 1977.

This forced Karunakaran to submit before the Kerala High Court his second counter-affidavit on May 22, 1977, in which it was virtually agreed that Rajan was murdered while in police custody at the Kakkayam camp. "From the report submitted by the concerned officer on May 17, 1977, I knew that Rajan was unlawfully detained by the police, and after undergoing torture, it is to be believed that he died on March 2, 1976...I stated on the floor of the Assembly that Rajan is not in police custody on the basis of the report submitted by the Police IG on January 7, 1977."

Following this second counter-affidavit, Variyar appealed to the High Court to take action against Karunakaran, the home secretary, inspector-general of Police and senior police officers like Jayaram Padickal and Lakshmana, for giving false evidences before the High Court. The High Court's order of June 13, 1977 on this petition noted: "Mr Karunakaran was aware on March 10, 1976 that Rajan was arrested...His statement before this Court, that he knew nothing about Rajan, is false" Accordingly on July 4, 1977, the Registrar of Kerala High Court filed cases before the Ernakulam Chief Judicial Magistrate against Karunakaran, Lakshmana and Jayaram Padickal under section 34 of the Criminal Procedure Code. The IG of Police and the Home Secretary were excluded by the High Court judgment.

The judgment on this false-affidavit case was pronounced on March 12, 1979 by the Ernakulam Chief Judicial Magistrate who has found Karunakaran not guilty of the offences while the case against both Lakshmana and Padickal is still continuing.

The 42-page judgment points out that the prosecution had failed to prove beyond reasonable doubt the case against Karunakaran. The Court had looked into the following important points to reach its conclusion: whether the affidavit of Karunakaran in the High Court denying Rajan's arrest was a false one; whether Karunakaran was aware that the affidavit was false; and whether he had intentionally made the statement in the Assembly during the habeas corpus case proceedings in the High Court.

Regarding the meeting of Variyar with Karunakaran on March 10, 1976 at Trivandrum the judgment states: "Both of them have narrated matters from their memory. There is no recorded evidence of the conversation. Both the sides contradicted each other about this incident. According to Prof Variyar, Mr Karunakaran assured him all the help that he can render to save Prof Variyar's son who was involved in a case of serious nature. In this matter, however, the clarification from the respondent, Mr Karunakaran, is more truthworthy....The affidavit of Prof Variyar omitted his Trivandrum meeting with Karunakaran. The respondent's side argued that the reply of Karunakaran during the meeting was not in favour of Prof Variyar. After rethinking, Prof Variyar gave a politically motivated statement instead of facts."

The judgment notes that immediately after knowing the details of Rajan's being held in police custody at Kakkayam camp from one of his relatives, Variyar hurriedly left for Trivandrum on March 9, reaching there the following morning. The judgment finds this as sufficient ground for doubting claim of Variyar that he was unaware of the whereabouts of his son. The judgment also notes. "It is surprising that even after the assurance from Mr Karunakaran, the home minister, that he will help all that he can, Prof Variyar did not further enquire with him the matter of his son" Instead, for the same purpose, Variyar met the then chief minister, C Achutha Menon, more than once as well as the then KPCC President, A K Antony, who was to later become chief minister. "If Mr Achutha Menon was brought in as a witness it would have helped in throwing more light in this case", the judgment notes. "In the list of witnesses Mr Menon's name was mentioned. But the reason of the prosecution to avoid his appearance is unknown. Mr A K Antony, who told Prof Variyar

[illegible] Rajan, was living under police custody, was also not turned as a witness. When this case was going on Mr Antony was the chief minister and therefore the prosecution enjoyed ample opportunity to take evidence from him."

About the reply of Karunakaran to a letter of Viswanatha Menon, then an MP, relating to the arrest of Rajan, which formed an important part of the case for prosecution, the judgment has this to say: "By depending upon this reply one cannot make a jump to reach the conclusion that Mr Karunakaran was fully aware of Rajan's arrest. Karunakaran's reply was uncertain and without certainty. The then home secretary gave evidence that the reply was only a routine and ordinary one..." The evidences of the two witnesses about the election speech of Karunakaran at Mala constituency is also rejected by the Ernakulam Court. According to these two witnesses, both belonging to CPI(M), Karunakaran had said in his election speech that Rajan was arrested following a murder connected with a banned party. "The then Central minister, Mr A C George, Kerala MLA, Mr E Gopalakrishnan, and several other CPI and RSP leaders were also present on the same platform when Karunakaran made the speech. They should have been brought in as witnesses... None of them were found in the witness list".

It is likely that this judgment will create some problems for the CPI-led ministry in Kerala. Karunakaran quit the chief ministership following the judgment of the High Court and the starting of judicial proceedings against him for filing a false affidavit. The state Congress-I leaders are now demanding for a return to the earlier state of affairs, meaning that Karunakaran should once again be the chief minister. This has placed the CPI-led coalition in an embarrassing position, for it is the same coalition which asked Karunakaran to step down following the High Court's verdict and which ultimately led to A K Antony's elevation to the chief ministership before the Congress split. Following Antony's resignation and the Congress split, the CPI candidate headed the ministry from which the Congress-I was excluded. Presently, while a section of the Kerala CPI is ready to have Karunakaran as chief minister as part of its line of fighting the RSS menace, the Congressmen led by Swaran Singh are suggesting dissolution of the Assembly and fresh elections.

But the disappearance of Rajan still remains a 'mystery'. The Coimbatore court awarded only mild punishment to a few police officers for illegally detaining and torturing Rajan. But the court made it clear that the prosecution had failed to prove beyond reasonable doubt that Rajan was murdered.

BIHAR

Gangsters and Politicians in Dhanbad

Hiranmay Dhar

THE present series of killings in the Dhanbad area, in which at least 57 persons have died, can be said to have begun on March 29, 1977, when B P Sinha, the INTUC boss and the godfather of Dhanbad's underworld, was killed. Some months later, D R Singh, a clerk in TISCO's Jamadoba colliery, was killed while he was working in the office. He was one of B P Sinha's men. This murder was followed by the murder of his two brothers, because they had lodged the FIR of their brother's murder with the police. On December 26, 1977 Mukhram Singh, a supporter of Surajdeo Singh, the Janata MLA and leader of the Janata Majdoor Sangh whose recent arrest on charges of conspiracy and murder has highlighted the problem of gangsterism in Dhanbad, was killed. In that incident R K Mahato, a friend of Mukhram Singh also died. Others murdered during this period include Sakti Mahato, an important leader of Colliery Kamgar Majdoor Samti and Kedar Pandey, a CPI(M) leader.

On January 9, Surajdeo Singh's men made an attempt on the life of R S Ray, the local CPI leader and his one-time poll rival, near Alkusa colliery. Ray escaped but three of his men died. This time, however, the district authorities acted fast. Surajdeo Singh was arrested the following day on charges of conspiracy and murder and two days later he was served with an externment order. He was also indicted on 60 criminal charges, which included 17 murders. Externment orders were also served on Satyadeo Singh, Rajdeo Rai, Rajkumar Rai and 14 others. This crackdown had an immediate impact. In contrast to the 24 political murders in Dhanbad in the three months of last year, there have been no such killings in the last 40 days.

Surajdeo Singh's first reaction to his arrest was to try to whip up 'popular' support. On January 12, the Sanjukhta Chatra Sangharsha Samiti, now under his patronage, demonstrated before the collectorate, demanding Surajdeo Singh's immediate release, waiving of the externment order on him and the institution of a CBI enquiry into these political murders. There was also the threat of a strike from transport operators. But these threats petered out quickly. What now remains of this attempt at 'mass' mobilisation is small gathering of his henchmen goaded into fasting by the Janata Majdoor Sangh, Surajdeo Singh's union, in front of Dhanbad collectorate. The fasting men are alleged to be paid Rs 15 daily for their pains.

But a more sustained pressure for the release of Surajdeo Singh has come from his political lobby in Patna. The state's labour minister airdashed to Dhanbad, met Surajdeo Singh in jail and assured all help to him. The labour minister was acting at the behest of a powerful group in Patna which includes the state's irrigation minister and the supply minister and a number of MLAs. Pleas on behalf of others like Satyadeo Singh have come from the state's agricultural minister. The rallying point is caste — Surajdeo Singh and other of his ilk are mostly Rajputs while B P Sinha was a Bhumihar. Few institutions in Bihar are above such prejudices and partisan feelings and even the chief minister who initially promised 'stern action' against the criminals has shown signs of indecision. An executive fiat has already reached Dhanbad district authorities prohibiting externment of MLAs and other important personalities from the district. The present — and continuing — crisis within the state Janata party has given an edge to Rajput pressures.

The link-up between gangsters and politicians began with the co-option of B P Sinha, a migrant school teacher from Monghyr, first, by the Socialist Party and then, by the Congress to look after their trade unions. It was B P Sinha who spotted Surajdeo Singh,

then a darwan and small time money-lender in [illegible] coal mines. Together they fashioned out their politics and method. Their objective was primarily to keep the communists away from the Dhanbad coal belt. Surajdeo Singh's rise, in fact, began with his successful fight against the Communist leader A K Roy in Madhuban colliery. An appreciative management presented him with a contract for civil construction in their colliery.

The formation of the Bharat Coking Coal (BCCL) after nationalisation enabled Surajdeo Singh to legitimise his operations. Just before the formation of the BCCL, Surajdeo Singh had all his men posted in key positions as payment clerk, surface-in-charge, camp-lamp-in-charge, overseer, etc. All these people, approximately 500 in number, were absorbed by the BCCL, thus enabling Surajdeo Singh to influence management decisions and grab the lucrative contracts for coal transport and sand stowing. Naturally, he has also amassed wealth. He owns two posh cinemas in Dhanbad and a palatial house — Sinha Mansion — in Seriadhela, on the outskirts of Dhanbad. He does extensive illegal mining business and also finances dealers of poor quality coal on payment of commission. He forces exactions. His earnings are estimated to exceed Rs 1 crore annually.

Surajdeo Singh joined the Janata party after Emergency and won a seat to the state assembly in the June 1977 elections as a Janata candidate. His connection with Chandrasekhar, the Janata Party president — they come from the same region — soon earned him more friends in the Bihar Janata party. He also established his own trade union, the Janata Majdoor Sangh, and secured control over the Janata Sanyukta Chatra Sangharsha Samiti, the local student front of the Janta party. Last year he attempted to buy *Dainik Awaj*, the local Hindi daily, but was foiled by the staff of that paper. He has now constituted a 'Janata Press Fund' to collect money for starting his own press.

The life stories of other gangsters follow broadly the same pattern. Satyadeo Singh, for example, is an ex-colliery owner, who has taken to contract jobs. He too was introduced to politics by B P Sinha. Because of his upper class upbringing., his functioning is more sophisticated than that of Surajdeo Singh. Navarangdeo Singh is another ex-mine owner, who has turned to a gun-totting contractor. With Satyadeo Singh, he now forms the main opposition to Surajdeo Singh. Among other important personalities of this kind are Rajkumar Rai and Rajdeo Rai.

In Dhanbad the gangsters, political operators and the BCCL are closely inter-linked. Often the gangsters themselves masquarade as political personages. The process can best be seen in Kustaur Colliery. The labour union in that colliery is controlled by Janata Majdoor Sangh, Surajdeo Singh's outfit, which wrested it from INTUC last year. The job of civil construction in the colliery has been given to Seopujan Singh and Shrikant Singh who are both union operatives and Surajdeo Singh's lieutenants. R N Singh and Bros, a front organisation of Surajdeo Singh, has taken the contract for coal transport and sand-stowing.

A variant of this practice can be found in the ENA colliery where too the JMS controls the union. The job of transporting coal and sand has been assigned to concerns not directly owned or controlled by Surajdeo Singh. Surajdeo Singh however receives a commission for permitting them to operate in this colliery. Similar arrangements exist in all the collieries whose union are controlled by Surajdeo Singh's Janata Majdoor Sangh.

Dhanbad's socio-political system has some apparent contrasts. Its coal workers are well paid; the BCCL's daily wage varies between 9 rupees and 15 rupees. The workers' exposure to the political process has been long and varied. Yet their general living conditions are most wretched. This is because of a careful perpetuation of primitive cultural practices — among other things — which drives the workers to drink and indebtedness The loans have to come from unofficial moneylenders. To ensure security of this usurious investment, force, or at least the threat of it, is imperative. This is provided by the gangsters who are often themselves moneylenders.

What is however new in this otherwise age-old practice is its total integration with the State and the national political system. Surajdeo Singh is no longer just an instrument of exploitation; he now officially represents the ruling Janata party in the state assembly.

The formation of BCCL has strengthened this legitimisation process. When this correspondent asked the chief managing director of the BCCL about the alleged collusion between the goondas, the contractors and some of the BCCL officials, the response was: "We give out contracts to the legally constituted firms. We cannot find out who they are. The BCCL officials do not have any connections with the goondas. But then they have to work under this situation. So they have come to a 'working relationship' with them." It is this formalistic attitude of BCCL management that has helped these gangsters to continuously consolidate their positions in Dhanbad. The BCCL pays, even according to official admission, about Rs 10 crores every year to the transport contractors. (It is, according to our estimates, about Rs 24 crores annually.) This money is methodically apportioned between the principal gangster groups. It is only recently that the BCCL has taken up a plan to develop its own transport system; but, even from the most optimistic point of view, such a system can take over only about 20 per cent of the its present transport needs — and that too not before ten years. And for a complete take-over of the transport system, the BCCL needs another 20 years. Thus, for the rest of this century, the contractors are assured of steady funds. Actually, it is doubtful if the present management can get rid of this contract system. A former chief managing director of the BCCL attempted to do it and he was transferred unceremoniously.

The Janata party needs funds, and the colliery gangsters have always provided funds to ruling party. The party and its trade union wing also has to fight the colliery Kamgar Majdoor Samity which, if allowed to continue its present good work, may possibly mean an end to the loot of Dhanbad miners. This cannot be allowed. Hence this frantic anxiety of Janata leaders to secure the release of Surajdeo Singh and others, and the reported moves to bring about an accord between various gangster groups. With the Janata leaders exerting themselves on behalf of the gangsters, it is unlikely that the pitiful efforts of the district authorities to contain these anti-social elements will succeed.

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UGANDA

End of Amin?

THERE is hardly a dictatorship in Africa as notorious as Amin's. Many a political observer has wondered how such an oppressive regime has survived year after year. 1979 brought Amin into the ninth year of his rule, matching the length of Obote's regime. From all signs, however, 1979 also promises to mark the end of Amin's dictatorship.

Two factors explain why the regime has survived as long as it has: the weakness of the internal opposition and the strength of external support for Amin. It is also the shift in the weight of these very forces that explain Amin's declining fortunes today.

Amin's Foreign Collaborators

It would appear from public pronouncements that the Amin regime was one of the most isolated in the continent, with friends only among the reactionary Arab states. But such has never been the case. What accounts for this impression is the sharp inter-imperialist rivalry in Africa. As a result, Amin's major-power alliances have been continually shifting. His only steady alliances have thus been with Arab and African regimes.

After the expulsion of the Israelis and the Ugandan Asians in 1971-72, relations between Amin and UK-Israel soured. But the US stepped in to nullify British economic measures against the regime. By 1977 the US had become the regime's principal trading partner: from purchasing a fifth (20 per cent) of Uganda's coffee crop in 1973, the US took a third (33.5 per cent) in 1976. (Coffee accounted for 93 per cent of Uganda's total exports in 1976-77.)

In 1978, the US placed a ban on trade with Uganda. But most Ugandan coffee reached the US indirectly, being flown by US charters to Djibouti where French businessmen bought and shipped it to New York, and was thus unaffected by the ban. Also, US relations with Uganda were increasingly moving from the overt (trade) to the covert (military and intelligence support).

According to information presented at the US Congressional Hearings (1978) on Uganda, US corporations have supplied Uganda with planes, helicopters, tactical trucks, communications equipment and trained personnel for all these, including for the notorious State Research Bureau. The entire fleet of Uganda Airways, established in 1977 and comprising one Lockheed C-100-30 and two Boeing 707's, were got through ATASCO, a firm jointly owned by the Israeli Ministry of Defence, the US Export-Import Bank and an Israeli tycoon called Eisenberg. (Each transaction had to go through a number of intermediaries to be sufficiently laundered!)

Major arms support for the regime came from the Soviet Union. A Soviet military mission visited Uganda in November 1973. There followed supplies of Soviet big arms — tanks, MiGs and all. By 1975, the fascist regime is estimated to have received from the Soviet Union $ 12 million in economic 'aid' and $ 48 million in military 'aid'.

Other powers — particularly the EEC and Japan — stepped in as Amin proved his capacity to survive, particularly following the 1972-73 invasion. Britain abandoned its economic blockade and became the second largest coffee purchaser (20.5 per cent in 1976). West Germany moved into mining and prospecting; Japan into road-building and road transport, Italy into manufacturing industries and electrical installations; and Belgium into railway workshop and maintenance services.

It is in this context that we must view Libya and Saudi Arabia's connections with Amin. Both have given the regime small but crucial aid, for example at the time of the 1976 OAU summit in Kampala. Libya also has joint investments, channelled through the Libyan-Arab Development Bank and worth $ 25.5 million in 1976, in sugar, transport and cement production in Uganda.

Kagera Invasion

The backdrop to Amin's sudden change in fortunes was his invasion of the Kagera salient in northern Tanzania in October 1978. The ensuing border war between Tanzania and Uganda had a sharp impact on both the alignment of external forces to East African politics and the active Ugandan opposition to the Amin regime.

The October invasion was a result of Amin's internal problems, in fact, it was intended by him as a solution to these problems. From the day of the coup, the economic situation was on the decline as the economy was geared to building up the military machine. Consumer goods were scarce and prices high. Peasant production for the market was on the way down. Soldiers, let alone workers and civil servants, were often not paid for months. The circle of the privileged — army personnel who were supplied luxuries ferried directly from England by Uganda Airways — was progressively narrowing. The regime had lost its original social base among the up and coming bourgeoisie. Its terror machine was manned increasingly by mercenaries from southern Sudan and eastern Zaire. Local soldiers could no longer be relied upon.

With the army no longer immune to economic hardships, disaffection among the soldiers built up. By October 1978, whole battalions were mutinying. Even Amin's inner circle was cracking. Soldiers supporting Amin were battling those supporting his immediate subordinate, General Mustapha Idrisi.

For the Kagera invasion, Amin employed the disaffected battalions, Chui (leapord) from Mbarara and Simba (lion) from Masaka. The invasion also had a predatory character, designed to sooth disaffected soldiers: anything of economic value that was mobile was taken away; the rest was destroyed.

The invasion received immediate support from the most backward forces on the continent, the Smith and Vorster regimes. Smith had long tried to duplicate in southern Africa Israel's strategy in the Middle East: attack the front-line states one by one, give it the appearance of an inter-state affair, and neutralise these states one by one. Thus, the racist invasions of Mozambique, Zambia, Botswana and Angola. But neither Smith nor South Africa shared a border with Tanzania. The solution was now offered to them: Amin's invasion of Tanzania.

On his part, Amin already had relations with Smith. He had for some time been training a private army for Sithole, ferried to Uganda and back by Rhodesian Air Force planes. All that remained was to strengthen existing relations. Supplies began reaching Uganda *via* Zaire and other routes.

Anti-Amin Forces

Tanzania understood the constellation of forces behind Amin and realised that this was not simply a local conflict. It prepared to "kill the snake". As the border war built up and moved from Tanzanian to Ugandan soil, it produced a dual effect.

On the one hand, Ugandan opposition to Amin, both internal and in exile, was activated. Besides the pro-Obote guerillas who had trained for years, many new ones now began to join battle with the Amin troops. Chief among these were the guerillas of the Save Uganda Movement (SUM) and the Front for National Salvation (FRONASA). The organised opposition began to assume a national character.

On the other hand, this activation of the anti-Amin opposition neutralised Amin's main Western allies. They sought to put a foot in both camps: whoever wins, they must not lose. As Tanzania vigorously pursued its war with Amin and as the Ugandan opposition to Amin began to organise, the Western powers, mainly Britain and the US, prepared to desert the Amin camp.

The watershed was the Moshi conference of March 23-26, 1979. Out of a coming together of 21 different anti-Amin groups, the Uganda National Liberation Front (UNLF) was created. An organisation comprising forces across the ideological spectrum, its point of unity is opposition to the Amin regime. This, however, is also the source of its immediate strength. Given the diversity of interests represented within it, the Front could attract a diversity of support from outside. Amin's international support eroded further. Some, like Britain, openly supported the Front. Others, like the Soviet Union, preferred silence. Thus it is that today only Amin's hitherto secondary allies, mainly Libya, are openly by his side.

The longer the war lasts, the more it will tend to become internationalised. Should that happen, and should the military situation take a turn favourable to Amin, we can expect imperialist powers to once again shift positions accordingly. For the moment, however, it appears Amin's days are numbered.

LOME CONVENTION

EEC's Brand of Neo-Colonialism

S Siri

THE second round of the Lome renegotiations, which have just concluded in the Bahamas, has again shown what the major concerns of the developed countries are in their relations with underdeveloped countries.

The Lome convention is an agreement among 56 African, Caribbean and Pacific countries (ACP countries) with the European Economic Community. It lays down special provisions in the economic relations between these two groups of countries — mainly in four areas: trade, stabilisation of export receipts (stabex), industrial co-operation, and financial and technical co-operation.

I

The original convention was signed in February 1975 to last for a period of five years. As it is due to expire in February 1980, efforts are currently being made to renew the convention. The ministers of the 56 ACP countries and the nine EEC countries met for four days from March 22 to 24 at Freeport in the Bahamas, in what is considered as a penultimate meeting; the next ministerial conference, to take place in May, is expected to come to final agreement on the provisions of the next convention.

The ACP countries want to see improvements in the various provisions before they sign the convention; the EEC is prepared to see marginal improvements only, but wants to use the occasion to gain special advantages in areas which it is increasingly getting concerned about: (a) access to raw materials; (b) energy; and (c) share in international trade.

The Lome convention was an attempt to provide a successor, codified, arrangement to the numerous special relationships prevailing historically between the various Common Market countries and their former colonies. Before the entry of the UK into the Common Market, these special relationships were mainly confined to the African countries, in the form of the Yaounde convention; but with the entry of the UK, which also had maintained special relationships with its former colonies, the whole question came up again. The other EEC members resisted allowing preferential arrangements, particularly in trade, to countries like India, Hong Kong and Singapore, which have become increasingly able to compete with Europe. The result was the Lome convention, from which the relatively better established underdeveloped countries were excluded.

The main purposes of Lome I (i e, the first convention, signed in 1975) were clear: to maintain a sphere of influence for Europe and secure some material advantages from it. It granted free access to the exports of the ACP countries of agricultural products, but with restrictions on manufactures and on products like beef and sugar which the community was historically encouraging to produce within itself by maintaining high domestic prices. It instituted a scheme for stabilisation of export earnings with respect to some agricultural materials or products like cotton, coffee, cocoa, groundnuts, etc. The list of these products was carefully designed in such a way that any degree of processing was ruled out. The main concern, here again, was to stabilise the conditions under which the producers of these commodities can carry on production, to result in a secure base for the flow of these materials to Europe. It laid down preferential provisions in the field of industrial development, such that Community entrepreneurs have special access to investment opportunities in the ACP countries. Finally, the Community has set aside a sum of money to finance projects submitted by the ACP countries, by giving loans and grants. This fund, which is very much a case of pooling individual EEC country aid contributions, is to operate by screening each individual application and deciding whether the project is in accordance with the aims of the Community. It could rule out projects which might be in potential competition with Europe; it could give preference to projects which would enhance the supplies of products feared to be in critical shortage from the point of view of Europe — e g, energy. It also ties up procurement to within ACP-EEC, which effectively means EEC. The financial aid, formally provided for in the conventions, is an ambitious attempt to co-ordinate the efforts of the individual EEC countries in securing export markets, and in securing a pattern of industrial development that is complementary to the needs of Europe.

Such is the convention which has come up for renegotiation. One might ask: why don't the underdeveloped countries throw up the whole thing? Why should they enter into something which ties them so much to Europe?

It is not that the ACP country negotiators are unaware of some of the implications of Lome. But they are caught in a historical situation where they feel that they don't have much of an alternative. They need funds, even if only to develop the sectors

complementary to Europe. They need any short-term relief they can get, such as stabex provides. They are glad to have some preferential access to the markets of Europe, even if this is designed in such a way that it biases economic activity towards raw material export. This is, of course, looking at the thing sanely. There are many insane reasons as well: many of the negotiators do not have the political will to oppose Europe back at home — their survival might depend upon whether the Belgian ambassador or the English ambassador likes them or not.

II

But be that as it may. The ACP countries have come up with demands for some improvements within the framework of Lome. They want provisions in the next convention to guarantee free access to all their exports, they want the safeguard clause, by which the EEC can impose restrictions on the import of any item whenever it feels threatened by competition, to be suspended with respect to the ACP countries; they want removal of quantitative restrictions on some of their important exports: sugar, beef, rum, etc.

They have also demanded improvements in other areas: that the stabex should work in such a way that it stabilises real, not merely nominal, export earnings. They want stabilisation not only with respect to agricultural materials, but, significantly, with respect to minerals like copper.

In the field of industrial and financial arrangements, the ACP countries have argued for larger flows and for more automatic mechanisms so that the ACP countries have the freedom to choose the projects they like and get finance with less time-lag. They want participation in the financing decisions: to sit together with the EEC in deciding which projects are to be financed; and to know why some projects are rejected, if they are.

The Europeans are not prepared to accede to any of these major demands. They are prepared to go a little way here and there but they want to keep the character of Lome preserved as it is. They are not prepared to grant free access to all the manufactured products of the ACP; but they might consider some individual cases. They might buy a bit more beef, but complete access will not be possible.

They are not prepared for any major changes with regard to stabex or the way financial assistance works either. They do not want indexation of export earnings; they are not prepared to share the financial decisions when administering the European Development Fund, the financial resources committed for aid.

III

Instead, the EEC has shown anxiety to gain advantage in at least three areas: (a) energy; (b) access to raw materials, and (c) share in the markets of the APC countries.

Energy: The EEC wants to come to special arrangements in the development of the energy potential of the APC countries. This is a reflection of the nightmare under which the advanced industrial countries have been living for some time: they fear a world shortage of energy and they want to do everything they can to prevent it. As a general strategy, they want to develop energy resources wherever they can even if there is no explicit commitment that it will be available for them directly. But the hope is that if there are numerous sources and with plenty of the potential developed, a situation of near excess capacity would emerge, which ought to ensure that one country or the other would be eager to supply energy on the terms the industrial countries want. This is the strategy behind the World Bank's much publicised recent concern for and commitment to investing in oil exploration and development, a field which it had left out until recently. This is the concern of the Europeans — whereby they want to write in not only a special protocol on energy in the new convention, but want to state that priority would be given to financing energy projects under the financial arrangements.

Access to Raw Materials: The other concern of the Europeans, which has come through clearly, is how to ensure raw material supplies. Besides the existing provisions which go to satisfy their interests in this regard, they want to introduce at least two new provisions: (a) a protocol on fisheries, which gives them preferential access to the sea waters of the ACP countries; and (b) a scheme for minerals.

The fishing industry in Europe is suffering from depletion of fish in its sea waters; the Europeans are eager to exploit the as yet relatively little used potential of the ACP countries by gaining special access to it. The ACP countries have not yet responded to the suggestion, but it is clear that they cannot refuse to give such a preferential arrangement to the Europeans, given their willingness to continue with Lome.

With regard to minerals, the developed countries are afraid of the possibility that the Common Fund, if it succeeds in the fashion originally proposed by the underdeveloped countries, might result in price escalation. The countries which are heavy importers of raw materials like West Germany and Japan are trying their best to prevent such an outcome. The Common Fund, it is now clear, will not be allowed to be more than an association of individual commodity agreements, arrived at separately; and that it will not have enough financial resources to undertake price stabilisation, *via* stock holding.

West Germany, as part of its effort to prevent the Common Fund, has proposed that minerals be included under stabex in the Lome convention, the idea is that you compensate for loss of export earnings, as in the IMF compensatory financing facility, as a way of taking the heat off the demand for the Common Fund. From the point of view of the developed countries, it is much better to make financial transfers when prices fall, rather than risk setting up an institution which would stabilise — and possibly help to enhance — commodity prices.

The German proposal, however, is seen as giving away too much too soon, the other Community members, and the European Commission, are proposing a scheme by which they provide for funds for development of mineral resources, as in the case of energy; and provide for a limited stock-holding facility.

The Community scheme, which is yet to be put officially to the ACP countries, has three elements: (a) provision of grants or loans, on a project by project basis, to bring back into use the capacity of mines which have been disrupted due to civil wars (e g, Zaire) or accidents or such factors. The aim here is to get to the maximum production capacity possible in a short term. (b) Provision of loans directly to the firms involved to hold stocks of minerals, whenever the demand falls to the point where prices are unremunerative from the point of view of future investment. These loans are not to be for more than one year, and will be extended by commercial institutions with the guarantee of the Community and the ACP government in question as security. The idea here is to provide for a very limited financing facility, such that investment in minerals can be encouraged. For example, it is thought that for a long time, the pre-

sent low prices of copper have been preventing investment in capacity expansion; and yet, at the same time, it is feared that a shortage is likely in about 7-8 years' time, unless investment commences immediately in view of the long gestation periods. This element in the Community proposal, thus, is aimed at reassuring investors that if prices fall too low, there would be some finance forthcoming to hold stocks; but the proposal is circumscribed in such a way that it cannot be made use of for price enhancement or even stabilisation in the manner of the Common Fund. (c) Provision for training of personnel in the production of minerals and for a scheme by which the assets of the investing companies can be guaranteed. The Community wants the ACP countries to guarantee the Community investments against nationalisation or such measures, or, if the ACP countries are not forthcoming with complete assurances on this, the Community wants to devise a sort of insurance scheme by which it can reassure community investors.

Such are the proposals likely to be made on minerals. The main thrust of the proposals, again, is to expand production capacity in the areas complementary to European industry and necessary for the steady supply of raw materials to it.

Access to Markets : The third area of concern, uppermost in the minds of the Europeans, is the question of how to prevent competition from import of manufactures from the ACP countries. At the moment this is not serious, with imports of manufactures from ACP countries comprising only a tiny proportion of total supplies. But they fear future competition, and to prevent such a situation, they are clearly opposed to relaxing any rules even if they prove to be of limited significance in the present. Coupled with this is the attempt to secure an increasing share of the export markets, the Community, through its procurement clauses associated with its aid, manages to secure a large export market as it is. But the attempt here is not to lose the advantage they have and to buttress it further through close supervision of consultancy contracts, etc. Since the post-1973 74 depression in the industrialised countries, there is intensification of competition for export markets, particularly in the underdeveloped countries, among the major industrial powers: the US the EEC and Japan. The EEC wants very much to keep its present advantage in the ACP countries without granting any better access to ACP manufactures within its own markets: the case of cotton textiles and clothing, where the Community exports three times what it imports from the ACP countries, and still insists on quantitative restrictions on such imports, is illustrative.

IV

The renegotiations are likely to conclude in May, with only the signing ceremony left. These renegotiations go to illustrate once again the major issues and concerns which are shaping the relations between the former colonial powers and the former colonies. In the name of aid and trade, the former colonial powers are trying to ensure a pattern of industrial development that is complementary to, and often required by, the needs of their own industry. The underdeveloped countries, even if conscious of this effort, are caught in a situation where they seem to be unable to resist it completely. But it is obviously a situation that provides only a marginal grace period to the Europeans, for it cannot last long. A time will surely come when things will have to change.

WEST ASIA

Isolation of Egypt

THE 'drama' that began with President Sadat's visit to Jerusalem has led, almost inevitably, to the farce and mockery of the 'peace treaty' between Egypt and Israel signed under the aegis of the United States. The leaders of Egypt, Israel as well as the US are trying to demonstrate to the world at large that they have overcome tremendous difficulties and complexities in arriving at this settlement. But it would be wrong to say that 'peace', even between Egypt and Israel, has been really achieved.

President Carter's decision to personally engage in shuttle diplomacy was a desperate one. The situation was perceived to be so grave that a US president had to be on a twentyfour hour stand-by to ensure agreement.

The situation in West Asia is still uncertain, more so against the background of conflicting statements by US defence secretary Harold Brown and energy secretary James Schlesinger about military action to safeguard oil supplies. Although these statements are supposed to have been made in response to the events in Iran, what they demonstrate is that the United States has failed to learn the lesson of Iran. The movement in Iran is not only an Islamic phenomenon; it is also a nationalist movement. The new Iranian regime's support for Arab, particularly Palestinian, rights is derived from the anti-imperialist and anti-Zionist stand of the new regime.

There is increasing opposition in the Arab world to outside interference, whether political or military, in the area. Camp David is now more clearly seen as an attempt by the United States to secure its own interests at the expense of the interests of the people of the region, particularly the Palestinians, who are anyway accustomed to, but not the less bitter about, being considered dispensable. Further Sadat's eagerness to act as the local agent for US interests, to the extent of being ready to dispatch his armed forces to distant 'troublespots', has raised doubts among Arabs, including Egyptians. The Brown-Schlesinger way of thinking suggests that as far as the US is concerned there cannot be any foreseeable reduction of the profligate US demand for West Asian oil. Hence the threatening noises; but before the US can actually engage in armed intervention, it needs to ensure that some sort of an agreement between Egypt and Israel is arrived at.

To further strengthen Israel as a safe base for US interests, the Carter administration has proposed to provide $1,785 million as military assistance to Israel in its 1980 budget. The amount represents about 42 per cent of the total military assistance — some four-billion dollars — which the United States proposes to give to 62 countries around the world. It seems incredible that such a programme of massive military aid to Israel can be accompanied by a reiteration of the US commitment to 'peace' in the Arab East.

Thus, while President Carter flew into the Arab East with the olive branch, a flotilla of US warships was streaming into the Gulf. The declared aim of both events, according to Washington. peace and stability in West Asia. To Washington this may appear to be a clever carrot-and-stick approach: but, beneath this approach are

two or even three sticks: one with which to beat the Egyptians into signing the 'Peace' treaty; the other with which to prod the Saudis and other Gulf states into going along with the US view of the threat to their own vital interests; and a third to wave in the direction of Moscow, warning it against succumbing to the temptation of intervening in the area.

The people of the Arab world will, however, continue to reject any 'peace' plan that does not meet the three irreducible requirements for a just and lasting peace; complete Israeli withdrawal from occupied territories; guarantees of Palestinian rights including a state of their own; and the return of East Jerusalem. The Camp David approach, even if seen as merely a first step does not generate much trust in the region. By isolating Egypt, the most populous Arab state and also the most dominant of the confronting states, President Carter might have gained a victory in the short turn, but his policy is fraught with dangerous consequences in the long run.

WEST GERMANY

Citizens' Initiative Movement

Saral Sarkar

IN the last few years, Citizens' Initiatives (CIs) have become an important force in the political life of the Federal Republic of Germany. They can be defined as loose unions of citizens for specific purposes. The most famous example of Citizens' Initiative took place in 1971. Badenwerk — an energy-supply company — applied for the construction of an atomic power plant (APP) in Breisach in the Kaiserstuhl area (south-west Germany). The opponents of the APP were peasants, vine-growers, fishermen and environmentalists. They joined together and formed several CIs. They organised a big protest-movement with various actions — e g, a tractor-demonstration with 560 tractors, a resolution with 65,000 signatures, etc — and applied political pressure. In view of the massive resistance, it was decided in July 1973 to locate the APP not in Breisach, but in Wyhl, a village in the same Kaiserstuhl area.

But here, also, resistance developed. For instance, there was a fishermen's demonstration with a boat-procession on the Rhine, a tractor-demonstration of peasants with 400 tractors, a resolution with 90,000 signatures, and a march from various villages of the area to the construction site in Wyhl. In the whole area, 21 CIs were formed to carry on the protest movement. But, in Wyhl itself, a majority of the citizens (55 per cent) voted for the sale of municipal land needed for the APP and 43 per cent voted against. The citizens of Wyhl were silenced by various promises of benefits as well as by intimidations, including the threat to expropriate the land in case of a negative decision.

This kind of energetic intervention by the provincial government of Baden-Wurttemberg had more than one reason. First, the whole energy policy of the government (of both the federal and provincial governments) is based on the construction of APPs; secondly, construction of an APP is big business. In the case of this particular APP, the chief minister and the finance minister of the province, the speaker of the provincial parliament, and three lord mayors of the area, were all members of the board of directors of the construction company 'Badenwerk'. The referendum in Wyhl took place on January 12, 1975, the construction work began on February 17, 1975, and on February 18, 1975, some citizens of the area occupied the site, enforcing stoppage of the work. On February 20, 1975, 700 policemen cleared the place, arrested 54 persons, and fortified the place with barbed wires.

On February 21 and 23, two big demonstrations took place. After the second one, in which 28,000 people took part, 3,000 demonstrators stormed the place, drove away the policemen, and occupied the place for the second time. The place remained occupied for eight long months. Since the provincial government demanded the vacation of the place as a precondition for starting the negotiations, the CIs offered to convert the occupation of the place into a guarding as a compromise, and implemented the same on November 11, 1975. The CIs left the place, only the picket remained. In six rounds of tough negotiation, a compromise was worked out — the 'Offenburg Agreement'. In it, the provincial government promised stoppage of construction upto Ooctober 31, 1976, withdrawal of all cases against the demonstrators, a series of new expert-opinions on the APP, and further dialogues. The CIs in their turn promised not to undertake any illegal action and to remain non-violent.

From the very beginning, the Offenburg Agreement was highly controversial. In the first voting, on February 27, 1976, the delegates' conference of the CIs rejected the Agreement by a big majority. However, under strong pressure, it was put to vote again, and was accepted. At the same time, the CIs passed a declaration, in which they again expressed their determination to prevent the construction of the APP.

After the expiry of the construction-stop, the happenings in Brokdorg (another site for an APP) and the nation-wide discussion on atomic energy and the energy programme of the federal government came unexpectedly to the aid of the anti-APP movement. On March 14, 1977, the administrative court of Freiburg gave its judgment making the construction of the APP dependent on making the reactor explosion-proof. The construction-firm appealed against the judgment in a higher court.

Though there had been CIs much earlier, the politicians were deeply shocked by these incidents in Wyhl. It was perhaps the first time since the founding of the FRG, when the great majority of the population of an area not only protested against at decision of the government, but also prevented by various means the implementation of the decision. The ordinary politicians were disconcerted. For, as an SPD-politician expressed it, they had always believed that "In a parliamentary democracy it is still the politically responsible forces in the parliament and in the government that make the decisions" Social scientists also could not understand the phenomenon. A peace-and-conflict researcher, who was active in the movement for three months, wrote. "I did not understand it for long", for "it seemed to me beyond any doubt that the government as the arbiter of public welfare has finally the right to enforce its decisions against the resistance of particular interests". They discovered suddenly that the people, at least of this area of the country, do not any more accept these principles of

representative democracy as just.

Wyhl is an extreme example. One can give many other examples of the fact that a large section of the population — *sometimes of the whole country*, sometimes of a particular area — believe that the government and the parliament do not act in the interest of public welfare. Many people believe – and they are not all extreme Leftists — that the gentlemen up there act in the interest of big capital. In Wyhl, particularly, peasants and vine-growers, who are themselves small entrepreneurs, expressed this opinion. What is new in the present situation is that, over the past few years, these people no longer put up with all the decisions of the parliaments and the governments without *protest and without action*. They are organising themselves not only to protest but also to prevent implementation. The image of the a-political, obedient German is changing gradually A vine-grower of Kaiserstuhl said· For a long time now we have enjoyed an education which said, there was once a generation, and it was obedient Resist against the beginnings Don't allow that any more". This was greeted with thunderous applause.

Thus, as in Wyhl, there were protests and demonstrations against the construction of APPs also in Brokdorg, Grohnde and Kalkar In Brokdorg, APP-opponents organised themselves in the Citizens' Initiative for the Protection of Environment, Lower Elbe. In the August of 1976, the demonstrators tried twice to storm and occupy the construction site, which was secured like a fort Their motto was: "the construction site must become a meadow again". In both the attempts several hundred people were injured. In Grohnde, also, the demonstrators tried to storm the place. The demonstrations against the APP-Kalkar were "one of Europe's biggest anti-nuclear demonstrations, nearly 30,000 people marched 8 km to the gates of a heavily fortified fast breeder reactor site yesterday defying police orders... The authorities, who ordered some of the most stringent anti-riot precautions in recent history, said, thousands of policemen manning road-blocks in several states arrested 112 militants heading for the site. Police arrested 21 Germans, 5 Frenchmen, a Briton and a Turkish citizen in Rhineland-Westphalia alone...

There have been CI-actions in school reform — e g. "Action for Small Class", 'Parents' Action 72", Their watchwords were: "Change the school, now", "Parents, improve the school, now". In a demonstration for school-reform in July 1973, 10,000 parents, teachers and children marched together through the city of Hamburg.

There have also been CI-actions against the construction of city autobahns, against the demolition of old but habitable houses in the city-centre in the name of improvement of the city, against the construction of aerodromes, against projects which destroy the forest, and against dozens of other types of activities of industry and administration which, in the opinion of the affected people, destroy the environment.

But CIs also make positive demands. For instance, they demand creches, children's homes, homes for the invalid, etc, as well as the construction of a stadium.

The CIs use the following means of action: handbills, signature campaigns, rallies, resolutions, discussions — with the people, with the authorities, and with representatives o industry — information booths, placards, demonstrations with slogans, processions, in extreme cases, storming and occupation of a place, occupation of houses, and, last but not least, legal actions in courts. In case of positive demands, CIs sometimes do not wait for the authorities to do something; they take recourse to self-help, particularly for smaller matters, such as a play-field for children.

Their organisational form is loose, anti-authoritarian, and extremely democratic. They have no organisational structure with periodically elected presidents and other office-bearers. They do not have any constitution. Anybody who agrees with the particular objective can work for it through the CI. One can also cease to work any time. There is no formal membership. All decisions are taken openly in "general-body meetings". If necessary, by majority vote.

In course of time, CIs have spread so much that it is difficult to gauge their extent. Still, two figures are indicative. A representative survey of the Enmid Institute carried out in 1973 showed that 12 per cent of the citizens of the FRG were actively participating in CIs. In the same year, the home ministry of the province of Bavaria counted 380 CIs active in the province.

While these figures are one indicator of the extent of lack of confidence in representatives who occupy seats of authority, another indicator is the derogatory language that ordinary participants (but not spokesmen during negotiations) often use in spontaneous actions when they mob representatives of government or industry. An example: in a spontaneous action of the APP-opponents of Kaiserstuhl, Eberle, the economics minister of Baden-Wurttemberg, was abused with the following expressions: "'you dirt-brag, you depraved fellow, you lewd fellow", "you arsehole, you blockhead", "I tell you, if you ever push that through, I will butcher you like a sow... I will exterminate your whole clan .."

The first clear sign of this lack of confidence in representative democracy, the real cause of the CI-movement, was the students' revolt of the sixties, which soon developed into the so-called extra-parliamentary opposition. This took place against the intellectual background of a growing uneasiness over the manifold negative manifestations of the industrial society and the resulting readiness for the "great refusal" as well as the search for new contents and forms of existence. The students of the whole Western world were confronted with the moral question thrown up mainly by the American war in Viet Nam but also by the Apartheid-politics of the South African government and the suppression of opposition circles in Iran and many other countries. The students noted that their politicians were friends and allies of the oppressors of the world. Their own struggle against the authoritarian university-structure therefore acquired an inner-political as well as a world-political dimension, particularly after the formation of the "Great Coalition" (1968) between the CDU/CSU and the SPD, which was tantamount to an end to parliamentary opposition

Though the students' revolt soon came to an end and the extra-parliamentary opposition too petered out, they had left behind their trace and effect. Both movements had politically sensitised large sections of the population and made them self-conscious The recession of the years 1966-67 which for the first time since the founding of the FRG gave rise to serious doubts about the efficiency of the socio-economic syetem, the "Great Coalition", and the Emergency laws – all of this led to a feeling of impotence and despair. On the other hand, the activism of the *students created among other sections* of the population a readiness for critical reflection and concrete action. It

is obvious that the growing uneasiness over numerous implications of the control of the State by parties, unions, and the administration, played an important role in almost all CIs. Most of the CIs are actually reactions of the concerned citizens to concrete negative developments. ("It is not the CIs that have to justify their existence — it is the parties that are now standing on the test-bench", wrote an author who is close to the Free Democratic Party.)

In his much-read work "Wohim Treibt die Bundesrepublik?" ('Where Is the Federal Republic Drifting To?') Karl Jaspers, the famous existentialist philosopher, put the parties in the pillory. It is important to note that this work appeared in 1966 — ie, at the early stage of the students' revolt and of the extra-parliamentary opposition. Jaspers criticised the real functions and methods of the parties. He spoke of the degeneration of the parties which were actually meant to be the people's organs into organs of the State, alienated from the people, into authoritarian oligarchies. He even spoke of the "absolute rule" of the parties. Jaspers' criticism was particularly aimed at the inner oligarchy in the parties, which does not give even the small circle of party members a genuine possibility of co-determination. He criticised the ritual of elections that does not give the electors any real alternatives, and the very generous use that parties make of the power entrusted to them by the people, and against the inadequate information system. What Jaspers euphemistically called "an inadequate information system" was called by the extra-parliamentary opposition "information manipulation", for the party oligarchs not only controlled the party press, but also enjoyed the voluntary loyal service of the so-called free press. The report on the struggle of the citizens of Kaiserstuhl against the APP (Wyhl) gave ample proof of that.

The Great Coalition indeed gave the parties much more power than what Jaspers meant when he spoke of the "absolute rule" of the parties. It produced among the rulers "that degree of equanimity that easily lures one to ignoring one's own weaknesses" (home minister Benda). But the Great Coalition also led to an inner-party struggle by party-members for emancipation and participation in the decision-making process. It is well-known that many party-members, especially of the SPD, did not agree to the Great Coalition. Forces which the parties could not attract and keep because of the above mentioned reasons joined the CI-movement, among whom were many frustrated party-members. The CIs are thus the self-help organisations of the citizens. They organise and articulate particular social interests vis-a-vis the State and other interests. But an important precondition for this positive evaluation of the CIs' role is that all socially relevant interests be organised and articulated, which in fact does not happen. Economic interests are easy to recognise, and the definite groups of concerned people are conscious of such interests. It is therefore easy, for example, to organise workers demanding higher wages and industrialists demanding lower interest rates into strong unions. But interest-groups like children, old people, patients, disabled persons, social groups like convicts and ex-convicts, and groups such as future consumers of medicines, foodstuffs, air and water, are more difficult to notice and organise.

Nevertheless, the results of the June 1978 elections to the provincial legislatures of Hamburg and Lower Saxony gave another demonstration of the significance of CIs in the political life of West Germany. The numerous CIs for the protection of the environment, in which the New Left and other radical Left elements take part (chiefly those against APPs) had jointly set up lists of candidates for these elections. In Hamburg, where the Left dominates the movement, the non-left CIs had set up a separate list of their own. In Lower Saxony, the list was called "The Green List — Protection of Environment". In Hamburg, the list of the non-Left CIs was called by the same name, the list of the Left CIs was called "The Chequered List — Resist". Surpassing their most optimistic expectations, the CI lists got 3.9 per cent votes in Lower Saxony and 4.5 per cent in Hamburg (3.5 per cent of the Chequered List + 1 per cent of the Green List): a total of more than 200,000 votes out of about 5 million votes polled. Their record has to be considered remarkable, especially when considered along with the debacle of the Free Democratic Party — for which the CIs were at least partly responsible. The share of the FDP (the third biggest party in West Germany) in the votes went down to less than 5 per cent, and it was consequently excluded from the two provincial legislatures.

More significant, however, is the social and age-wise composition of the voters who supported the CIs. According to an Infas-enquiry, the voting was rather "a movement of the young people". In Hamburg, 25 per cent of the voters in the age-group 18-25 years voted for the CIs (in Lower Saxony 14 per cent); of the voters in the age-group 26-34 years 14 per cent voted for them (in Lower Saxony 7 per cent). Interesting, too, is that, both in Hamburg and Lower Saxony, most of these voters were students and middle-class people, not many were workers.

In contrast to the success of the CI groups the German Communist Party, which had set up its own lists suffered heavy losses. Its percentage of votes went down from 2.2 per cent to 1 per cent in Hamburg and from 0.4 per cent to 0.3 per cent in Lower Saxony.

Together with the debacle of the FDP if the CIs take its place by winning around 8 per cent of the votes, they would have enough representatives in the legislatures to be able to effectively decide — just as the FDP today — which party, in case none gets an absolute majority (which is very much the case in West Germany), would form the government. Realising this threat, some politicians of the ruling parties are already saying, in order to pacify the environmentalist voters, that APPs are not really necessary, that they would not go ahead with their construction. Some have called the CI-voters "protest voters". But it is also very probable that many have voted for an entirely new type of society.

Wrong Focus

M S A Rao

Village Studies in the Third World edited by Biplab Dasgupta: Hindustan Publishing Corporation, Delhi, 1978, pp 227, Rs 60.

VILLAGE studies came into prominance after the emergence of independent nations in the third world. Sociologists and social anthropologists, economists and especially agricultural economists and political scientists have been interested in the problems of rural development and understanding local level processes and changes. The Institute of Development Studies of the University of Sussex has made a significant contribution in bringing together 2,000 existing studies of villages in Africa, Asia and Latin America. The Institute, in collaboration with the Agro-Economic Research Centre of Delhi, organised a conference in December 1974 and the present volume is based on the papers submitted to the conference.

Biplab Dasgupta, the editor, has organised fourteen papers under five sections: Villages and Village Studies, Village Studies in India, Village Studies in Africa and Latin America, Organisational and Methodological Issues and Cross Section Analysis of Village Level Data. One can identify two basic issues to which most contributors allude, namely, importance and methodology of village studies, and rural development — causes and consequences.

Many contributions focus on the importance of village studies and methodology rather than on substantive issues. They raise the same set of questions which preoccupied social scientists in the 1950s — questions like village as the unit of study, fact-finding versus problem-oriented studies and survey versus participant observation technique in village studies. Michael Lipton (p 15) outlines four aims of rural research: to discover facts, to generate hypotheses, to test hypotheses and to indicate the likely results of a policy. He makes a plea for switching over to problem-oriented village studies in India where the knowledge about the rural situation is considerable. Several contributors have discussed the merits and demerits of survey and participant observation techniques, and micro and macro studies. M N Srinivas says that micro and macro studies can be made to support and strengthen each other (p 45). M P Moore and Michael Lipton argue that in order to overcome the limitation of hierarchically organised research, the field work should be conducted by persons sufficiently senior and competent (p 123). T Scarlett Epstein in her paper on "Re-surveys and Re-studies of Rural Societies" discusses such problems in re-studies as new versus old researcher, identification of earlier informations and research focus. She rightly points out that village re-studies help better understanding of the complex interaction of different socio-economic variable responsible for rural development over a period of time.

There are only four papers, out of fourteen, which tell us something about what is happening in villages. Against the backdrop of Spanish and Portuguese colonialism in Latin America for three centuries, Andrew Pearse points out the exploitative relations between land-owners or officials and peasants, and between the town, being the commercial market-administrative centre, and the peasant. Cleave's study of labour utilisation is based on about fifty studies from different parts of Africa. It shows that there has been a considerable growth in small scale agriculture because of commercialisation. But mechanisation of agriculture has been only beneficial to the large farmers and not to small holders. G Parthasarathy's study helps in understanding the basic conditions of rural poverty. Discussing the conflict between growth and equity, he gives data from his own researches in a village in West Godawari district. Here the land market, retail market, credit market, input market and labour market — all these reinforced each other in a manner disadvantageous to the small farmers and landless labour. Poverty is only perpetuated by agricultural growth. Biplab Dasgupta and Roy Laishley show, in their analysis of migration from Indian villages, that migration is associated with both 'village base' and 'urban relations' factors. The village with a high rate of migration is characterised by a pattern of unequal resource distribution. A major cause in migration is intra-rural inequality. This analysis of migration flows is an advance over the simplistic and general push and pull factors approach. All the substantive studies, in a limited way, point to the growing inequalities in rural society, their causes and consequences.

It is unfortunate that the international conference, instead of devoting its attention to such substantive issues which are vital to village studies, on a comparative scale, wasted most of its resources in discussing methodology with very little gain.

Subjects and Masters

L Dewani

Gandhi and Civil Disobedience: The Mahatma in Indian Politics 1928-34 by Judith M Brown, Cambridge University Press, 1977, pp 414, £ 15.50.

DURING the last few years there has been a spate of historical writings by western scholars on different aspects of histroy of India during the period when Gandhi dominated Indian politics. These studies undoubtedly break new grounds as they reveal the vastness of the hitherto unexplored vistas of historical research relating to India's immediate past. These new historians are also trendsetters in that they turn their close attention to regional and local diversities and dissentions of the period which, according to them, constituted the warp and woof of Indian politics

There is force in the argument of these historians that local drives and impulses lent a new dimension to the overall situation. Yet, is it also not an act of arbitrary drawing of a line to say that the entire gamut of Indian political activity of the Gandhian period can be seen clearly through the prism of local and regional politics? If the study of nationalist slogans or jail-going rituals of thousands of persons gives an unclear picture of the ex-

tremely complex phenomenon that the nationalist movement was, so also does the relatively fixed gaze at the warts and the weeds noticeable in the vast superstructure which the British-Indian encounter helped raise itself through its long tumultous career, and which when not being actively fought out through political campaigns, was in evidence in a thousand little ways. Therefore, to say, as these historians do, that the Indian political development cannot be simply explained in terms of a nation's frustration at imperial rule and the imperialist reistance to nationalist claims is to leave out of reckoning the main strand in the uneasy and, at times, very hostile relationship that subsisted between the rulers and the ruled.

In the book under review which presents a very remarkable collection and use of vast and variegated source-material, the author has shown a lack of understanding of the basic nature of the relationship that subject people have had with their alien rulers in the present century. The imperialist governments did not have to fear any organised armed revolts or even the insurrectionary and subterranean activities of some youths; and even less did they have to fear the councillors' and constitutionalists' polemics. It was the onrush of new ideas which particularly attracted the vast hordes of unemployed middle class youth who, in turn, swelled the ranks of various political organisations and formed their inner hard core, that the imperialists had increasingly to reckon with. It was this reality which led such hard-boiled imperialists like Lord Hailey and Sir Harry Haig to admit, immediately after their successful crack-down on the civil disobedience movement of early 1930s, that any future government in India will be a socialist government.

In looking for regional character and degree of support Gandhi's civil disobedience campaign aroused, Judith Brown argues most forcefully that the campaign was particularly strong in those areas where it suited the purpose of local leaderships or provided a vent for local strains. This is the line of the argument pursued by her in her earlier work, "Gandhi's Rise to Politics", on the background of the non-co-operation movement of early twenties. In that work she was, however, more devastatingly brutal in her conclusions. She had asserted that the movement took the colour and complexion from the regions and localities as the local level leadership tried to dovetail the local issues into the broader political questions which lent a chameleon-like appearance to the non-co-operation movement. She did not agree that during that period when national consciousness was not sufficiently roused, an Assamese or a UP hillsman saw greater meaning in Gandhi's programme when it seemed to offer solutions to the particular problems that faced him. Rather, she argued that the leadership at the local level exploited Gandhi's call for non-co-operation for starting local agitations to butteress their own local standing and also incidentally get some redressal for local grievances.

In the present book, Brown, makes a very bold assertion that Gandhi's expectations from his followers to work with him for the country's moral, social and political emancipation were bound to result in frustration as his entire following had aims and aspirations contrary to his ideals. His followers crowded round him or went away from him as and when it suited them. According to her, they all reacted to Gandhi's ideas and plans of action with "deliberate calculations" and gathered round him only when they could find his political campaigns capable of giving a push to their particular ambitions and aspirations.

Is this not a highly biased conclusion? To say that all those who joined Gandhian campaigns were only motivated by some local, sectional or some kind of material interest is to show the same blindness of approach as is evident in the charges against Indian historians — that their writings of this period were simplisitic generalisations and hagiographic in approach.

To count the number of rotten eggs in the Congress basket by relying for evidence on understandably garbled reporting and accounts contained in police reports and officials' minutes, or, on the private and personal correspondence of Tej Bahadur Sapru, M R Jayakar and V S Srinivasa Sastri — leaders with no following in the country — is to deliberately look for evidence which will support the highly debatable hypothesis that the 'so-called' unity and cohesion achieved in the Congress ranks and its working is a figment of imagination.

Brown's study also prompts another question as to whether it could not be possible for the subject people to simultaneously carry on the dual task of opposing alien rule as well as fight for the protection of their local, petty interests — as did the bureaucracy both in India and back 'home', which while keeping its grip firm over the ruled, also merrily carried on its own petty feuds and infighting in the services.

National Languages Policy and the Case for Nepali

Surendra Munshi

Tridib Kumar Chakrabarti

This article examines developments towards the formation of a policy with respect to the national languages of India. Through a tortuous route, it has been acknowledged at the policy level that Indian society is multilingual and that all the languages of India have a right to grow. In this context, the Eighth Schedule to the Constitution has come to assume importance as representing the recognised national languages of India.

However, for various reasons, the profession of linguistic pluralism has not been taken to its logical conclusion; on the contrary, it has been undermined in the recent past. Secondly, the criteria for selection of certain languages in (and exclusion of other languages from) the Eighth Schedule remain very unclear.

In this context, the case for constitutional recognition of the Nepali language that is being insistently presented by the Indian Nepalis deserves attention. This article examines this case for Nepali with a view to reaching a conclusion that has relevance for policy and legislative action.

I
Towards a National Languages Policy

THE specific provisions contained in the Constitution of India on the language question are to be found in Part XVII of the Constitution, entitled, 'Official Language'.[1] These provisions, Articles 343 to 351, are organised in four chapters: Chapter I, 'Language of the Union' (Articles 343, 344); Chapter II, 'Regional Languages' (Articles 341 347); Chapter III, 'Language of the Supreme Court, High Courts, etc' (Articles 348, 349) Chapter IV, 'Special Directives' (Articles 350, 351). To the Articles 344(1) and 351 has been appended the Eighth Schedule to the Constitution. Besides, the Constitution (Seventh Amendment) Act, 1956, and the Constitution (Twenty-first Amendment) Act, 1967, are relevant for consideration of this part.

As with other parts of the Constitution, it is best to view this particular part in the context of the perspective of the Constitution. The Preamble to the Constitution, though by itself not enforceable in a court of law provides a brief resolution on the perspective. Jawaharlal Nehru's 'Objective Resolution' that was adopted by the Constituent Assembly on January 22, 1947, provides an earlier statement.[2]

More concretely, the Constitution guarantees the following cultural and educational fundamental rights. Article 29 guarantees the right of any section of the citizens to preserve its "distinctive language, script or culture". Article 30 further guarantees the right of all minorities, "whether based on religion or language", to establish and administer educational institutions, with the additional safeguard that the State shall not, in granting aid to educational institutions, discriminate against any religious or language minority.

To turn now to the specific constitutional provisions relating to the language issue, it is understandable that the makers of the Constitution were concerned with the role of English in independent India. The problem was to identify the "official language" of the Union. Hindi in Devanagiri script was prescribed as the "official language" of the Union, subject to the continuance of English for the "official purposes" of the Union for a limited period of fifteen years from the commencement of the Constitution (Article 343). Article 345 clearly allows the Legislature of a state to adopt any one or more languages in use in the state (or Hindi) as the language or languages to be used for all or any of the "official purposes" of that state in place of English. Further, by Article 347, the President is authorised to direct the use of a particular language to be also "officially recognised" throughout a particular state or any part of it for such purposes as he may specify on being satisfied that a "substantial" part of the population of a state desires the language spoken by it to be recognised by that state.

The 'Special Directives' are particularly relevant in this respect. It is clearly stated in Article 350 that every person shall be entitled to submit a representation for the redress of any grievance to any authority of the Union or a state in any of the languages "used" in the Union or the state. Articles 350A and 350B, inserted by the Constitution (Seventh Amendment) Act, 1956, direct that adequate facilities shall be provided for instruction in the mother tongue at the primary stage of instruction to children belonging to "linguistic minority groups", and also that there shall be a Special Officer for linguistic minorities to be appointed by the President who will investigate all matters relating to the safeguard provided for linguistic minorities under the Constitution. Finally, Article 351 provides that it shall be the duty of the Union to promote the spread of the Hindi language and to secure its enrichment by assimilating without interfering with its genius, the forms, style and expressions used in Hindustani and in the other "languages of India" specified in the Eighth Schedule, and by drawing, wherever necessary or desirable, for its vocabulary, primarily on Sanskrit and secondarily on other languages.

The Eighth Schedule originally specified the following 14 languages: Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Malayalam, Marathi, Oriya, Punjabi, Sanskrit, Tamil, Telugu and Urdu. By the Constitution

TABLE 1 : WHAT IS YOUR *Jati* ?

Identified *Jati*	Happy Valley	Ging	Tharbu	Total
Nepali*	145	83	115	343
Bharatiya***	—	5	—	5
In terms of Nepali tribal/ caste names	4	10	41	55
Lepcha**	—	1	—	1
Bihari***	2	—	—	2
Not available	—	2	3	5
Total	151	101	159	411

* The category includes the following responses : Bharatiya Nepali (64) and Gorkhali (3).
** There were 2 Lepchas in our coverage, 1 of whom mentioned Nepali as his *Jati*.
*** There were 3 Biharis in our coverage, 1 of whom mentioned Bharatiya as his *jati*.

TABLE 2 : WHAT IS YOUR *Jat* ?

Identified *Jat*	Happy Valley	Ging	Tharbu	Total
Nepali	1	1	2	4
In terms of Nepali caste names*	19	12	21	52
In terms of Nepali tribal names**	128	86	136	350
Lepcha	1	1	—	2
In terms of caste names from the plains	2	1	—	3
Total	151	101	159	411

* includes such names as Chhetri, Damai, Kami, etc.
** includes such names as Rai, Limbu, Tamang, Gurung, etc.

(Twenty-first) Amendment Act, 1967, Sindhi was added to the list and that brought the total of languages mentioned in the Eighth Schedule to fifteen. It is generally believed that the significance of the Eighth Schedule lies in providing a list of languages from which Hindi is directed to draw the appropriate "forms, style and expressions" for its enrichment. It is, however, well to remember that the Eighth Schedule also pertains to Article 344(1) which provides for the constitution of a Commission by the President to make recommendations regarding various important matters with respect to the language issue, including the language to be used for the proceedings in the Supreme Court and every High Court as well as for purpose of legislation (Article 349).

With respect to these constitutional provisions, we are faced with considerable ambiguity. Thus, for instance, the Constitution of India does not provide a clear definition of the "regional" languages. Are the languages listed in the Eighth Schedule to be considered as the "regional" languages of India? It is instructive to note that the articles in the chapter on the "Regional Languages" do not refer to the Eighth Schedule. We are left with only a general description of a regional language, through Articles 345 to 347, namely, a language in "use" in a particular state. It is also important to note that the Eighth Schedule bears the simple title of "Languages". In fact, Article 351 identifies the languages listed in the Eighth Schedule as "languages of India". What about the other languages of India? The framers of the Constitution were evidently aware of these problems and, therefore, they did not confine themselves to the languages of the Eighth Schedule in such an important article as Article 350. However, it does not make the matter any clearer and the problem is confounded by our not having in the Constitution a clear rationale for selection of certain languages in (and exclusion of other languages from) the Eighth Schedule.

The ambiguity faced in a textual reading of the Constitution of India is confirmed by the evidence that, right from the beginning, the Constituent Assembly was confronted with the controversial issue of language. The issue was first discussed at length during November 21-23, 1946, and continued to provoke controversy almost to the date of the enactment of the Constitution. The provisions on language, thus, provide an uneasy compromise.[3]

In independent India, as is to be expected, the language issue has not been unrelated with the political life of the country. A recent study explores the bearing of language politics on the concrete task of policy formulation and implementation.[4] The uneasy compromise of the views that have been debated in the appropriate forums refers more basically to the conflict of interests of different language communities in the country. At the policy level, the problem has been, what Das Gupta has called, the simple "technocratic" assumption,[5] particularly prominent in the early phase of planning, of many of the policy makers that language planning can be divorced from the broader social processes at work in the country. The inadequate appreciation of the complexity of these processes, particularly with respect to the less familiar regions, as we shall see later in this article, has made the task of language planning difficult in the country. The additional problem has been the impatience of certain sections of leadership and the people.

It is in this context that we can view the fact that the issue of language nomenclature itself has exercised considerable public attention. The categories of "official" language, "state" language, "national" language, "common" language, "link" language, etc, have been largely taken out of the discussion that took place during the national movement and debated later with renewed excitement without necessarily any additional analytical clarity invested in them.[6] The fierce nature of language controversy is best illustrated by the fact that the provision of having Hindi as the official language of India was formally adopted with the majority of just one vote by the Constituent Assembly, and that thereafter it has never been accepted unanimously by the people of the country as a whole or any of their representative bodies.[7] The tendency amongst the more aggressive supporters of Hindi to equate freedom of the country with the immediate removal of English and the imposition of Hindi as the only official and national language of the country has had rather unfortunate implications on the process of consensus formation on language policy.

However, it will be wrong to infer from the above argument that there has been no development over the years towards the formation of a language policy and that the policy making has been entirely unresponsive to the people's movements.[8] Thus, for instance, with respect to the languages

TABLE 3: WHO IN YOUR FAMILY FIRST MIGRATED TO INDIA?

Migrant Generation	Happy Valley	Ging	Tharbu	Total
Self	1	—	6	7
Father (F) or his generation	49	9	40	98
FF or his generation	16	17	77	110
FFF or his generation	3	17	20	40
FFFF or his generation and beyond	48	11	3	62
Don't remember/Not applicable	34	47	13	94
Total	151	101	159	411

TABLE 4: EXCHANGE OF VISITS DURING LAST FIVE YEARS WITH RELATIVES LIVING OUTSIDE THE DISTRICT, LOCATION-WISE

Location of the Relatives and Exchange of Visits	Happy Valley	Ging	Tharbu	Total
A. Relatives Located in Other Parts of India				
(i) E visited only	—	—	—	—
(ii) R visited only	84	26	33	143
(iii) E visited + R visited	15	11	6	32
(iv) E and R did *not* visit	1	12	2	15
Total	(100)	(49)	(41)	(190)
B. Relatives Located in Nepal				
(i) E visited only	—	—	—	—
(ii) R visited only	2	4	6	12
(iii) E visited + R visited	—	2	4	6
(iv) E and R did *not* visit	—	2	2	4
Total	(2)	(8)	(12)	(22)
C. Outside India and Nepal (Total only)	(2)	(—)	(3)	(5)
Total	104	57	56	217

Note. (i) Only first case mentioned has been considered for purposes of this Table
(ii) E=Ego=Respondent; R=Relative.

of the Eighth Schedule, the *Report of the Official Language Commission of 1956* refers to these languages, with the exception of Sanskrit, as the "regional" languages.[9] In 1959, we find Nehru assuring the Lok Sabha that the Eighth Schedule to the Constitution was not an exhaustive list of the 'Indian languages'. "One must not think that the non-inclusion of a language in the list means that it is not an Indian language or is not a language used in India."[10] *The Report of the Committee on Emotional Integration, 1962*, refers to the languages of the Eighth Schedule as having the "status of national languages".[11] During the debate on the Official Languages Bill, 1963, Nehru referred to the languages of the Eighth Schedule as "national languages": "The makers of our Constitution were wise in laying down that all the thirteen or fourteen languages were to be national languages. There is no question of any one language being more a national language than the other. Bengali or Tamil or any other regional language is as much an Indian national language as Hindi."[12] Suniti Kumar Chatterji, who was himself a member of the Official Language Commission, wrote in 1963 that the expression "national languages" had come into use only recently with respect to the languages listed in the Eighth Schedule and that the old expression "regional languages" was no longer encouraged.[13]

Through a tortuous route, by 1963, it was clearly admitted at the policy level that India was a multilingual society and that all the languages of India "must grow in their own regions".[14] With respect to the "more widespread Indian languages", listed in the Eighth Schedule, it was officially recognised that they had an equal status as "national languages".

By the Official Languages (Amendment) Act, 1967, the language policy stood further clarified. This act provided for the continuance of English, in addition to Hindi, for all official purposes of the Union for which it was being used prior to the expiry of the period of fifteen years from the commencement of the Constitution. Moreover, this act specified that English would continue to be used for purposes of communication between the Union and a state which had not adopted Hindi as its official language. Above all, it gave statutory guarantee, through Section 2, Sub-section (5), that English would remain in use for the specified official purposes until "resolutions for the discontinuance ... have been passed by the Legislatures of all the states which have not adopted Hindi as their official language and until after considering the resolutions aforesaid, a resolution for such discontinuance has been passed by each House of Parliament."[15]

Along with this act, a Resolution on Language Policy, moved by the then Minister of Home Affairs, Y B Chavan, was also passed.[16] With the resolve for a more intensive and comprehensive programme to be prepared and implemented for "accelerating the spread and development of Hindi, and its progressive use for various official purposes of the Union", it was also resolved that, for the "major languages of India", as specified in the Eighth Schedule to the Constitution, concerted measures should be taken by the Government of India, in collaboration with the state governments, for their co-ordinated development so that they could "grow rapidly in richness" and become "effective means of communicating modern knowledge". In order to promote the sense of unity and to facilitate communication between people in different parts of the country, it was further resolved that the necessary arrangements should be made, in accordance with the three-language formula, for the study of a modern Indian language, preferably one of the southern languages, apart from Hindi and English in the Hindi-speaking areas, and of Hindi along with the respective regional language and English in the non-Hindi speaking areas. Moreover, it was admitted that the just claims and interests of persons belonging to the public services of the Union were to be fully safeguarded.

These claims were to be safeguarded by the resolution that compulsory knowledge of Hindi should not be required at the stage of selection of candidates for recruitment to the Union services or posts, except when

necessary, and by resolving that, "all the languages included in the Eighth Schedule to the Constitution and English shall be permitted as alternative media for all-India and higher central services examinations after ascertaining the views of the Union Public Service Commission on the further scheme of the examinations, the procedural aspects and the timing".

There has, thus, been a growing appreciation of the importance of supporting all the regional or national languages of the country. At this stage, however, they are far from having achieved their rightful position in the national life. A major reason for this, no doubt, is the relatively underdeveloped status of these languages, including that of Hindi, particularly in the sphere of science and technology. Yet one more reason, no less significant for languages other than Hindi, has been the inability of the Central government to take to its logical conclusion and to give a concrete shape to its profession of linguistic pluralism. In this respect, the persistent fear has been that of the political disintegration of the country. Whereas no one disputes the value of maintaining the unity of the country, there has been controversy with respect to the best means of promoting it.

II

Importance of the Eighth Schedule

We have noted above that the Eighth Schedule to the Constitution has increasingly come to represent the recognised "national" languages of India. In the context of the growing importance of the national languages in the country, such a recognition has its own merit. Thus, for instance, we have seen that in the Policy Resolution that was adopted along with the Official Languages Amendment Act, 1967, the languages of the Eighth Schedule were accorded a special status.

It was this consideration that was highlighted in favour of Sindhi during the Lok Sabha debates in 1966 on the question of granting Sindhi "a place of pride in our Constitution".[17] References were made to the constitutional provisions of Articles 344 (1) and 351 and it was pointed out that so long as Sindhi was not included in the Eighth Schedule no "directive for the development of that language" could be provided. More specifically, it was pointed out that in these days when we realised that the medium of instruction must be in the mother tongue the recognition of Sindhi was imperative. In general, a plea was made for facilities in order to ensure the growth of Sindhi along with the other recognised languages of the country. The demand for constitutional recognition of Sindhi was considered legitimate even though it was not disputed that the Central government had been in effect "treating Sindhi as one of the national languages of the country".

More than the rational calculation of the facilities afforded to the language by its recognition there was the need for the House to appreciate the *feelings* of the Sindhis. U M Trivedi, who moved the Bill, recognised this point clearly. He said, "Sentimentally, I think they are right. Morally, it is our duty to respond." It is in this context that we can understand the sympathy that was shown for the people who were "uprooted" and felt a "vacuum" in their lives. This understanding was not expressed independent of the national objective. As one of the members put it, "In a polyglot country like ours it is possible to conceive of language as a great disrupter to the unity of the country; but it is also possible to conceive of language as a cementing force for the national integration of the country .... Sindhi language could also contribute its mite to the cause of national integration."

The last point made above has not gone unrecognised at a general level. Thus, M P Jain notes, "An unstated idea underlying the Eighth Schedule might, however, be to name the languages which need to be developed. Mention of these languages in the Constitution however gives a psychological and emotional satisfaction to the proponents of these languages".[18]

Given the importance of the Eighth Schedule, as noted earlier, the policy with respect to the selection of certain languages in it, however, remains unclear. Nehru's assurance that the non-inclusion of a language in the list does not mean that a language is not an Indian language is valid. However, the criterion of a language being "more widespread" in order to qualify for recognition does not appear to have been applied in a mechanical manner. For one thing, should this have been the case, Sanskrit could not have been included in the Schedule. Secondly, in discussion on the inclusion of Sindhi, the argument with respect to its number of speakers did not feature in a prominent manner. What was actually emphasised was that, it was a language of the people who were of our land, this language was a part of the great heritage of the Indian culture, it had its own developed literature, and, above all, it needed particular sympathy because of the peculiar condition of its speakers who had paid the price of partition and had substantially contributed to the national life.

III

Present Linguistic Situation

As in 1961, the Census of India, 1971, recorded more than 3,000 languages and mother tongues in the country. On the face of it, India appears to be a babel where not even God can differentiate the several speeches of men, much less, formulate a language policy. Fortunately for the planners, the position is not so confusing on a closer examination. Thus, the 1971 Census shows that the languages (inclusive of mother tongues grouped under each) specified in the Eighth Schedule to the Constitution collectively cover 95.37 per cent of the total population of India, leaving only 4.63 per cent of the population to the "other" languages (inclusive of mother tongues where so grouped).[19]

Just on the basis of these figures, it is possible to jump to the opposite conclusion, for in a country as large as India, 4.63 per cent of the population refers to more than 25 million people, almost double the population of the whole of Australia. Secondly, the all-India figures conceal the fact that in several units of the country the "other" languages claim more speakers than are claimed by the Eighth Schedule languages. Thus, there are more such speakers in Arunachal Pradesh (87.01 per cent), Dadra and Nagar Haveli (83.76 per cent), Goa, Daman and Diu (65.85 per cent), Manipur (96.97 per cent), Meghalaya (86.12 per cent), Mizoram (89.68 per cent), Nagaland (92.68 per cent) and Sikkim (96.39 per cent).[20] Thirdly, some caution is required in interpreting the Census data with respect to the grouping of mother tongues under the Eighth Schedule and "other" languages.

The grouping was done on "the basis of information readily available or in the light of studies already made".[21] For grouping purposes, only

those identifiable languages or mother tongues were considered which returned 10,000 or more speakers each at the all-India level. In all, 106 such languages or mother tongues were identified; of these, 64 were grouped with the Eighth Schedule languages and remaining 42 with the "other" languages. Such grouping may prove controversial. Thus, for instance, with Hindi alone 46 such languages were grouped, including, to name just two, Garhwali and Maithili. Now, Garhwali was not so grouped with Hindi in the 1961 Census when it had claimed over 8 lakh speakers.[22] There does not appear to be any justification in grouping it this time with Hindi, just as there is little validity in similarly grouping with Hindi other Central Pahari languages, as well as such languages of the Western Pahari group as Chambeali, Mandeali, Kulvi, Sirmauri, etc, each of which claims significant number of speakers. With respect to Garhwali, its grouping with Hindi is even more striking when we consider that in one of the 1971 Census publications, it is specifically recommended that, "Nepali and Garhwali figures should be collectively represented".[23] Similarly, with respect to Maithili, as is well known, there has been an insistent demand for its inclusion as a separate language in the Eighth Schedule and the leaders of the Maithili movement, drawing from the authority of Grierson, have claimed that it is the most important language of north Bihar, if not the whole of Bihar, and is sufficiently distinctive from Hindi or Bengali.[24]

In sum, although the languages of the Eighth Schedule cover a substantial portion of the population of India, they do not completely cover the complexity of the linguistic situation. The demand for inclusion of additional languages in the Eighth Schedule needs to be viewed with this perspective on the linguistic situation in India. It is with this understanding that we turn our attention to a closer examination of one such demand being made at present.

IV

The Case for Nepali

One of the recent representations of the case for Nepali was made by a delegation of the Indian Nepalis when it met the Prime Minister in New Delhi on September 29, 1977. The delegation consisted of representatives of different branches in India of the Akhil Bharatiya Nepali Bhasha Samiti (ABNBS), a cultural organisation for the promotion of the Nepali language. The communication from the General Secretary of the ABNBS to the Prime Minister presents the following case for recognition of Nepali in the Eighth Schedule to the Constitution of India.[25]

(i) The inclusion of Nepali represents "the long cherished aspiration of over five million Indians with Nepali as their mother tongue" and the "non-inclusion of Nepali in the Eighth Schedule has created a sense of deprivation in the minds of a large section of people in the country and it is natural for them to suffer from a sense of insecurity. Many privileges accruing from the constitutional recognition of Nepali will help the development of a liguistic minority and will go a long way to bring about a deep emotional integration in our nation".

(ii) The demand is being made for a long time now with the support of leaders from social, cultural and political spheres. In fact, the communication reminds the Prime Minister that when the member of Parliament representing the district of Darjeeling submitted a memorandum to the government in December 1971, seeking the constitutional recognition of Nepali as a language of the Eighth Schedule, 74 members of Parliament, including some of the present cabinet ministers, had supported the demand and signed the document.

(iii) Nepali already enjoys the status of an official language in West Bengal and is spoken as mother tongue by the majority of people in Sikkim. The West Bengal Legislative Assembly has already adopted a resolution recommending to the Union government to accord constitutional recognition to Nepali and to include it in the Eighth Schedule to the Constitution, a move soon going to be taken by the Legislative Assembly of Sikkim as well.

Similar petitions had been made several times in the past. Thus, the President and members of the ABNBS, welcoming the former Prime Minister, Indira Gandhi to Darjeeling on November 21, 1975, pointed out that the Samiti relied on the "positive assurances" given by her to its delegates on earlier occasions and hoped that the government would at last fulfil the "desire and aspiration" of the Indian Nepalis.[26]

The meeting with Morarji Desai proved unhappy for the representatives of the ABNBS. A printed pamphlet was brought out by the main office of the ABNBS from Darjeeling, soon after the meeting, with the intention of giving a verbatim report on the meeting.[27] It appeared from this report that Morarji Desai had taken a rigid stand with respect to the demand of the delegates and categorically expressed himself against any move to enlarge the Eighth Schedule, for he did not want to open the door for a score of tribal languages. What caused widespread resentment, according to this report, was the blunt manner in which Morarji Desai conducted the meeting and certain damaging comments that he made.

An all-India 'protest day' was announced against this stand on December 11, 1977, with particular concentration in the hill areas of Darjeeling district. Except for the Gorkha League, which organised a successful bandh on December 5 separately, all the other political parties in the district of Darjeeling, including the local unit of the Janata party, along with several social and cultural organisations, trade unions, student bodies, etc, unitedly participated in the protest. It was a success judging by the number of persons who participated in the processions and meetings, the peaceful manner in which the protest was expressed, and, above all, by the united manner in which the hill people were joined by the plainsmen in asserting the demand for the constitutional recognition of Nepali.[28]

The resentment, however, continues. It finds expression in the recent pamphlet of the ABNBS, which was brought out after the Second All-India Conference of the Samiti, held at Darjeeling, on April 14-16, 1978. It was in this conference that an All-India Committee of Indian Languages Demading Constitutional Recognition was formed to jointly work for inclusion in the Eighth Schedule of Dogri, Konkani, Maithili, Manipuri, Nepali and Rajasthani.[29]

In the pamphlet, "Case for Constititional Recognition of Nepali · Eighth Schedule What are the Norms?", the question that has been insistently asked is, "What are the criteria for the Union Government's including some languages and not including others in the Eighth Schedule?"[30] On the basis of the possible criteria such as regional concentration, sizeable population, developed literature, aspiration of the people, etc, the pamphlet shows that

there is a strong case for recognition of Nepali in the Eighth Schedule. It also tries to correct a misconception regarding the early history of the Indian Nepalis. "They who claim to be delvers of the past and yet describe Indian Nepalis in Darjeeling, Sikkim, Dooars and adjacent areas as 'Settlers' betray their animosity and blatant ignorance of history of the region. The Rongs (Lepchas) and the Jongs (Limbus) were original inhabitants of Sikkim, and the Jongs (Limbus) are no other than a Nepalese tribe that has commingled with other Nepalese tribes, such as the Magars originally inhabiting the area around Magarjong in the district of Darjeeling, to make up Nepali nationality in India." Finally, the pamphlet asks: "Do you want only to grab land in this Nepalese region and throw out the Nepalese People? Keep them perpetually under conquest and subjugation? For that is what the Union government's refusal to accept the legitimate Nepalese demand amounts to."[31]

Similar sentiments are expressed in the special issue of *Hamro Bhasha*, a fortnightly of the ABNBS, which was brought out on the occasion of the Second All-India Conference of the Samiti. Thus, Ugyen Golay clarifies in his article, 'Some Aspects of the Demand for Constitutional Recognition of the Nepali Language', "The legitimate claim for inclusion of Nepali in the Eighth Schedule of the Constitution is reflective of the expressed intent and strong desire on the part of Nepali speaking Indian citizens, to associate themselves, in full measure, in the mainstream of national life, and thereby contribute towards the growth of meaningful and real integration at the national level.... The mischievous view that the government considers it a foreign language gains currency in the absence of a definite language policy. It is in this light that the demand for the inclusion of Nepali in the Eighth Schedule connotes, besides the assertion of right, the very right to such assertion as equal citizens of India."[32] An important recent development has been the passing of a resolution by the Legislative Assembly of Sikkim, similar to the resolution passed by the West Bengal Legislative Assembly earlier, recommending to the Union government that it should accord constitutional recognition to Nepali by including it in the Eighth Schedule to the Constitution. A P Pathak, member of Parliament from Darjeeling, referred to this development in the Rajya Sabha on November 21, 1977.[33]

V

Selected Research Findings

In the preceding section, we have noted that there is a belief amongst the Indian Nepalis that "persecutory" situations exist in this country and that there are instances when they are put to considerable difficulties by being regarded as "foreigners" or mere "settlers" in this land. It is not our purpose to examine here the validity of this belief: for the present, we present here some selected findings from a survey, conducted in the course of this study, that have direct bearing on the problem being discussed in this article.

In a separate work, Munshi and Lama have argued that the study of the identity of a group is basically a matter of inference rather than a problem that can be studied by eliciting clear responses to direct questions on the point -- that is, by asking for instance, "Who are you?". Group identity obviously refers to social identity of which 'self conception' is the personal counterpart. To a sociological perspective, what is more relevant than a study of the ego identity of an individual is the effort that relates different kinds and levels of subjectivity with cultural and social life that conditions the identity of a group.[34]

To attempt such a linkage is beyond the scope of this article. In the survey from which we draw our findings with respect to the cultural and social life of the Indian Nepalis, we have concentrated on a small but selected number of questions.

The survey was conducted during the winter of 1974. It was confined to the hill areas of the district of Darjeeling, which has the highest concentration of the Indian Nepalis. In all, three tea estates were purposively selected, located at varying distances from Darjeeling, the headquarter of the district. Our first case is Happy Valley TE, falling within Darjeeling Police Station of the Sadar Sub-division of the district; our second case is Ging TE, also covered by Darjeeling Police Station; and our third case is Tharbu TE, falling within the jurisdiction of Mirik Police Station of Kurseong Sub-division. Happy Valley is closest to the town of Darjeeling, followed by Ging and the farthest from the town is Tharbu, over 40 kilometres away from the town, located on the outskirts of the district, alongside the long open border of Nepal. In terms of population size, Happy Valley is the smallest, Ging occupies an intermediate position, and way ahead is Tharbu, which happens to be one of the biggest tea estates in Darjeeling district.[35]

Almost all our respondents were working in the garden or the factory of their respective tea estates, more generally in manual occupations. Of the 411 persons interviewed and for whom complete schedules were returned, 345 were male and 66 female; 394 reported as married and only 17 were unmarried. With respect to the mother tongue, 402 out of 411 respondents gave Nepali as their mother tongue; the remaining nine mentioned different "other" mother tongues, including some of the Nepali 'tribal' speeches. There were two Lepchas in our coverage, one of whom mentioned Nepali as his mother tongue; of the three Biharis covered, two mentioned Hindi and one gave Nepali as his mother tongue. With our questions on the language usually spoken at home/outside the house, we enquired further about the language actually in use. Whereas 401 respondents were found usually speaking Nepali at home there were 403 respondents who specified that they usually spoke Nepali outside the home as well.

The responses with respect to *jati* and *jat* (Tables 1 and 2) give a more differentiated picture. (Here we should explain that the term *jat* refers to "caste" or "tribe" in the Nepali language. The term *jati* has a broader meaning; in our context, it may be taken to mean "nationality".) 83 per cent of our respondents have chosen to identify their *jati* as Nepali or in related terms. However, regarding *jat*, the responses have been generally in terms of Nepali tribal or caste names and only four respondents have mentioned Nepali here. The dominance of responses in terms of tribal names over caste names is to be understood with reference to the overwhelming majority of Rais, Limbus, Tamangs, etc, in our coverage, which is consistent with the general population profile of the hill areas of Darjeeling district.

When asked to specify the place of their birth, the majority of respondents (53 per cent) mentioned "present place", meaning by it the tea estate where they were located at the time of interview. As to the remaining respondents, 32 per cent were born within Darjeeling district; thus, only 15 per cent were born outside the district. To the question whether the respondent had ever travelled outside the district, 48 per cent answered "no", and of the remaining 52 per cent who had undertaken such a visit at least once, only 13 per cent mentioned a place in Nepal, the others (87 per cent) had visited other parts of India. A majority of those who had visited Nepal came from Tharbu, a tea estate, as noted above, located alongside the open border of Nepal.

Considering that less than 150 years back the population of the district was very meagre, even though the early British official estimate of 100 souls was surely an underestimate, the present data regarding migration are of particular importance. We asked every respondent questions relating to migration. Admittedly, much of the migration has taken place from Nepal, particularly eastern Nepal. But the actual migration took place way back in the past. We see from Table 3 that for the respondents for whom the question of migration is applicable, or who are in a position to recall, 67 per cent have reported that the actual migration to India in their respective families was undertaken by the grandfather or his generation and beyond. In fact, 32 per cent migrations were effected by the great grandfather or his generation and even earlier. Only 2 per cent of our respondents have reported having migrated from Nepal in their own lives: all of them were over 50 years of age at the time of interview.

The picture that emerges is consistent with the history of the region. Amongst the people of Nepali origin who migrated to Darjeeling the tendency to adopt the region of their choice has been noted for a long time. Thus, W W Hunter, in his "Statistical Account of Bengal", noted long ago that "Nepalis who immigrate to Darjeeling from their native country mostly settle down permanently in the district". This is further reinforced by our data relating to the location of the near relatives. 47 per cent of our respondents did not report even one of their relatives living outside the district. Of the 53 per cent (217) respondents who did have even one such relative living outside the district, as many as 88 per cent had their relatives living in other parts of India, and only 10 per cent had any relative living in Nepal. Of these, the majority of the respondents were living in Tharbu TE.

The data relating to exchange of visits with these relatives are of interest (Table 4). There is not a single reported case when only the respondent visited a relative during the reference period of last five years, counted from the date of interview. Out of 198 cases when the relative paid a visit to the respondent, as many as 80 per cent of such visits were not returned; only in 20 per cent cases was there a exchange of visits. This general picture is not particularly different for relatives in Nepal, except for the higher frequency of the respondents visiting their relatives, a fact to be understood in the context of the greater proximity of Tharbu to Nepal.

In sum, with respect to the cultural and social life of the people interviewed by us, it may be said that Nepali is the mother tongue of almost all of them and it is extensively used, inside as well as outside the home. The *jati* identification is generally made in terms of Nepal but, with respect to the *jat*, it is mostly made in terms of caste or tribal names. Considering the data relating to the place of birth and migration together, it may be concluded that the strong regional base of the respondents is established. With respect to the extent of contact with other parts of the country, our data regarding the location of the relatives living outside the district, relations with them and the respondents' travel outside the district indicate an appreciably stronger link with India and a relatively insignificant extent of such contact with Nepal. Here, it may be noted that, no leading or pointed questions were put to the respondents in respect of their contact with Nepal to avoid suspicion amongst them and to ensure unbiased responses.

VI
The Case for Nepali: An Assessment

The findings presented above in no way support the opinion that the Nepalis in this country are "foreigners" or temporary "settlers", an erroneous opinion from which even some of our policy makers are perhaps not entirely free. In this respect, a general confusion of nomenclature is to be avoided: whereas in the Indian context, the term Nepali refers as much to an Indian nationality as, for instance, the terms Kashmiri or Bengali do, in the context of Nepal, it refers to the subjects of the kingdom of Nepal. In this sense, this term is largely comparable with the term Bengali, which refers to an Indian nationality as well as to the citizens of Bangladesh (more recently called Bangladeshi). This classification is important because it touches upon an important point relevant to an assessment of the case for Nepali. One reason against granting costitutional recognition to the Nepali language in India might be that it is the official language of the sovereign state of Nepal. Here, it is good to remember that Bengali has not ceased to be a national language of India with its official adoption in Bangladesh. Besides it should be noted that there are other names by which the Nepali language is known, namely, Gorkhali Khas Kura or Parbatiya.

Yet one more reason against granting Nepali a place in the Eighth Schedule might be the operational problem of extending the Schedule indefinitely. In fact, this appears to be the case when one closely examines the arguments of the former Prime Minister, Indira Gandhi.[36] In her meetings with the delegates of ABNBS, she kept insisting that the demand for the constitutional recognition of Nepali had to be considered with an eye on the possible "repercussions" that the acceptance of the demand might have in other places. Morarji Desai's categorical rejection of the demand on the ground that he did not wish to open the door for scores of tribal languages must also be seen in this light. In itself, the operational problem is a legitimate administrative reason for resisting further expansion of the Eighth Schedule; we must therefore examine whether the case for Nepali is sufficiently strong to deserve a special consideration.

In an important study of the language situation in north India, Brass has perceptively observed that, in recent years, with the recognition that

the regional diversity of the country must be respected by the Central government, four written and unwritten rules have increasingly come to regulate the attitude of the Central government towards demands based on such diversity. One rule, incorporated in the Constitution, is that such demands must stop short of secession. The second rule is that demands based on language and culture will be accommodated, but the demands which are explicitly based on religious differences will not be accepted. The third rule is that such demands will not be conceded "capriciously", that is, a movement must not only have a legitimate case but it must have broad popular support. The fourth rule is that demands by a linguistic group must have some support from other linguistic groups.

Though Brass has formulated these rules with reference to regional demands, especially pertaining to the division of multilingual states, they are applicable to demands stemming from the cultural diversity of the country as well, such as, for instance, the demand for constitutional recognition of a language.

The case for Nepali appears to be strong on all these points. With respect to the last point, the spokesmen of the ABNBS point out that there has not been a single instance of opposition to their demand by other linguistic groups. In fact, references to several newspapers and other writings in Bengali and other languages are made which were written in support of the demand. As a matter of fact, the motion in the West Bengal Legislative Assembly, recommending to the Central government the constitutional recognition of Nepali, was carried unanimously on July 2, 1977.

To turn to the constitutional provisions, the Nepali language fulfils the criteria implicitly assumed in them. First of all, Nepali is a language of India in so far as it is the language of a section of the Indian population and is in use in this country. Besides it is a language which is generally believed to be derived from Sanskrit and belongs to the Indo-Aryan family of languages with a shared cultural past with the other languages of India.[38] Secondly, though the speakers of Nepali are spread all over India, it already has a regional concentration in certain parts of the country, particularly in the hill areas of Darjeeling, Sikkim and Assam. Thirdly, it is one of the "more widespread Indian languages", the actual speakers of the language enumerated in the 1971 Census are more than were enumerated for Sindhi in the 1961 Census, a reference point for the decision in favour of Sindhi taken in 1967.[39] Fourthly, the Nepali language has been recognised as one of the fifteen "literary languages" for the whole of India by a scholar of such eminence as Suniti Kumar Chatterji.[40] More recently, the Sahitya Akademi too has recognised it.

However, we have yet to identify the point in favour of the Nepali language that singles it out as a special case for consideration. As has been pointed out by the Nepali spokesmen themselves several times, it is the "sense of insecurity" amongst the Indian Nepalis that needs to be removed, a feeling which has grown in the absence of a definite language policy. At the root of the demand for inclusion of Nepali in the Eighth Schedule is the following assessment that the leaders of the Indian Nepalis have made — that no government machinery will be, despite its best wishes and efforts, able to effectively implement or enforce for Indian Nepalis the safeguards for minorities preserved in the Constitution, unless Nepali is given constitutional recognition.

This assessment has emerged from generations of experience which have not remained free, at different levels, from the inter-group conflict of interests and prejudices between the plainsmen and the hill people. In fact, such experiences of the hill people go back in the history of Nepal to the fourteenth century, when the high caste plainsmen (presumably from Rajasthan) migrated to Napal and initiated a process of usurpation which has continued unabated to the present day.[41]

It is in this context that the reaction provoked even now in Darjeeling by the observations of Sardar Vallabhbhai Patel may be understood. On November 7, 1950, Patel, then Deputy Prime Minister of India, wrote to Nehru, sharing with him his thoughts on the problem of Tibet and the new situation arising out of "the expansion of China almost up to our gates". "All along the Himalayas in the north and north-east, we have on our side of the frontier a population ethnologically and culturally not different from Tibetans or Mongoloids. The undefined state of the frontier and the existence on our side of a population with its affinities to Tibetans or Chinese have all the elements of potential trouble between China and ourselves .... The people inhabiting these portions have no established loyalty or devotion to India. Even the Darjeeling and Kalimpong areas are not free from pro-Mongoloid prejudices." In the light of this, Patel recommended "enlightened firmness, strength and a clear line of policy" with measures of "internal security" in these areas.[42]

Subsequent history has proved Sardar Patel wrong and not free from his own prejudices; the actual experiences in 1962 in no way confirmed his fears.

There has been, though, a singular absence of any "clear line of policy" with respect to the people living in the border region. For instance, in an interesting study of the Naga question, the writer concludes, "It may be remembered that in the initial stages of the Naga movement, the demand for secession from the Indian Union did not constitute the prime factor; but was taken up later as the Government of India, not trying to understand the sentiment of the Nagas, launched a policy of suppression."[43] Thus, while the Central government has brought itself to a difficult pass with respect to the Nagas due to lack of foresight, it is proving equally ineffective in providing for the further integration of the Indian Nepalis. This is particularly ironical and lamentable in a situation where the Indian Nepalis are themselves clamouring for it. It is the limitation of understanding, the "technocratic" assumption of the policy makers, and inept handling of the situation that have created problems in this region.

Turning to the case for Nepali, the case is for "deep emotional integration" of the Nepali speakers with the mainstream of national life. The crucial question is: what are the Central government leaders prepared to do in order to promote it? The insistent plea of the Indian Nepalis for furthering such integration cannot be any longer neglected. From the national point of view, there are grave possibilities resulting from the continuance

of a policy that does not consider fully the dynamics of actual social processes at work. It is not enough to enumerate all that has been done for the Nepali language — as is the general official practice — for that misses the basic point about the demand of the Indian Nepalis. In short, it is in India's general interest that the Nepali language is granted early recognition and is included in the Eighth Schedule to the Constitution. Such a recognition will strengthen the country's "unity" as well as "security" rather than weaken it. Besides, it is well to remember that any policy decision on this point falls within the internal affairs of the country and it should be independent of any external consideration.

Operationally, the fact that there are at present resolutions from two state legislative assemblies before the Central government, recommending it to recognise the Nepali language, makes the task of the Central government expedient at this point in time.

Notes

[The survey from which we have drawn was conducted during the period of Munshi's association with the Indian Statistical Institute, Calcutta. Further work was done in the course of a research project currently in progress at the Indian Institute of Management, Calcutta, under the sponsorship of its Centre for Management and Development Studies. Grateful acknowledgements are made to the respondents of the survey for their goodwill and co-operation. The managers of the tea estates covered in the survey were helpful and understanding. The office-bearers of the ABNBS, Darjeeling, were kind enough to give information on their activity and also to make available important documents from which this article has drawn. The debts to Kumar Pradhan are too deep to be adequately expressed.]

1 *The Constitution of India* (as modified up to the 1st January, 1973), Commemorative Edition, Ministry of Law and Justice, Government of India, 1973. All the subsequent references to the Constitution are to this edition.

2 Durga Das Basu, "Introduction to the Constitution of India", New Delhi, 1978, p 20.

3 P Kodanda Rao, "Language Issue in Indian Constituent Assembly, 1946-50", Bombay, 1969.

4 Jyotirindra Das Gupta, "Language Conflict and National Development: Group Politics and National Language Policy in India", Berkeley, 1970.

5 *Ibid*, pp 225-26.

6 *Ibid*, pp 36-39.

7 Suniti Kumar Chatterji, "Languages and Literatures of Modern India", Calcutta, 1963, p 60.

8 The agitation in Madras, which was started on January 26, 1965, was an eye-opener for the country. "As in many Indian agitations, the Madras agitation made visible what the official leaders had consistently refused to see. Violence brought into the open what was seething underneath and thereby opened a way to the seeking of a solution of the problem." Das Gupta, *op cit*, p 240.

9 *Report of the Official Language Commission 1956*, New Delhi, 1957, p 22.

10 "Jawaharlal Nehru's Speeches", Volume 4, September 1957-April 1963, New Delhi, 1964, pp 52, 53.

11 *Report of the Committee on Emotional Integration*, New Delhi, 1962, p 51. The report further noted: "That many non-Hindi speaking people are willing to sink their individual interests for the common good is a heartening sign."

12 Jawaharlal Nehru, *op cit*, p 65.

13 Suniti Kumar Chatterji, *op cit*, p 8.

14 Jawaharlal Nehru, *op cit*, p 65.

15 Quoted from Das Gupta, *op cit*, p 273.

16 "Lok Sabha Debates", 4th Series, 1967, Volume X, Column 5419-5421.

17 All citations in this section are from "Lok Sabha Debates", 3rd Series, 1966, Vol. 60.

18 M P Jain, "Indian Constitutional Law", Bombay, 1970, pp 449-50.

19 *Census of India, 1971*, Series I, Part II—C (i), 'Social and Cultural Tables' pp 1-2.

20 *Ibid.*

21 *Ibid*, p 1.

22 *Census of India, 1961*, Volume I, India, Part II — C (ii), "Language Tables".

23 *Census of India, 1971*, "Language Handbook on Mother Tongues in Census", Census Centenary Monograph No 10, p 183.

24 Paul R Brass, "Language, Religion and Politics in North India", Delhi, 1975, pp 61-62.

25 The communication dated New Delhi, September 29, 1977, has been printed in English and is signed by Prem Kumar Allay, General Secretary, ABNBS.

26 This was the last memorandum to Indira Gandhi from the ABNBS. This has also been printed in English.

27 The pamphlet is in Nepali. It also gives information on the composition of the delegation.

28 Reporting on the day, *The Statesman*, Calcutta, noted: "The 5,000 strong procession organised by the Akhil Bharatiya Nepali Bhasha Samiti in Darjeeling yesterday was, according to political observers, a good counter to the Gorkha League sponsored Darjeeling district bandh early this month for including the Nepali language in the Eighth Schedule of the Constitution. The Samiti includes people from the Congress, Janata Party, CPI(M), and its left front partners and the CPI but no one from the Gorkha League, which has been carrying on its own agitations singlehanded."

29 AINBS, Darjeeling, West Bengal, "Case for Constitutional Recognition of Nepali", Darjeeling, p 5.

30 *Ibid*, p 1.

31 *Ibid*, p 6.

32 ABNBS, *Hamro Bhasha*, Special Issue, 1978, p 61, 62.

33 Pamphlet published by the CPI(M) Darjeeling District Committee. It also includes another presentation in the Rajya Sabha by A P Pathak on July 25, 1977.

34 Surendra Munshi and Ugyen Lama, 'The Tamangs of Darjeeling', to appear shortly in the *Journal of the Indian Anthropological Society*.

35 According to the Census of 1971, Happy Valley TE returned 186 households, Ging TE returned 496 households, and there were 963 households enumerated in Tharbu TE. From amongst the existing households, such heads of the households were interviewed as were available and willing to co-operate within the available time. The relatively small coverage from Ging is to be explained by the fact that over 30 filled-in schedules had to be rejected on account of incomplete information. Further, it should be pointed out that since a statistical sample could not be drawn caution should be exercised with respect to any generalisation on the basis of our findings.

36 Reports on these meetings are available in the old issues of *Hamro Bhasha*.

37 Paul R Brass, *op cit.*, pp 16-19.

38 Suniti Kumar Chatterji, *op cit*, p 14.

39 It must be pointed out that the claim made by the leaders of the Indian Nepalis that there are "over five million Indians with Nepali as their mother tongue" appears to be a grossly exaggerated figure. Even if we grant that the Census returns tend to be on the lower side, the discrepancy between the actual number of 1,419,835 Nepali speakers for the country, as enumerated in the 1971 Census, and the claim made by the Indian Nepalis is too big to be justifiable. However, it should be noted that the 1961 Census, recorded, in all, 1,371,932 speakers of Sindhi, including 392,249 Kachchhi speakers.

40 Suniti Kumar Chatterji, *op cit*, p 8.

41 This process has been recently studied by Surendra Munshi and Kumar Pradhan, "The Political Unification of Nepal: Towards a Reinterpretation", unpublished. For a contemporary description of the process in Nepal, see Lionel Caplan, "Land and Social Change in East Nepal: A Study of Hindu-Tribal Relations", London, 1970.

42 Durga Das (ed), "Sardar Patel's Correspondence, 1945-50", Volume X, Ahmedabad, 1975, pp 337-340.

43 Udayon Misra, 'The Naga National Question', *Economic and Political Weekly*, April 8, 1978, p 622.

Grindlays Bank Limited

BALANCE SHEET OF INDIAN BRANCHES

Registered in London under the Companies Act of 1862 on the 23rd March, 1866. The liability of Members is limited.

CAPITAL AND LIABILITIES

			1978 Rs.	1978 Rs.	1977 Rs.	1977 Rs.
Capital	Amount deposited with the Reserve Bank of India under Section 11 (2) of the Banking Regulation Act, 1949 *(Market value of securities lodged)*		4 81 97 865.00		4 00 73 220.00	
Reserve Fund and other Reserves	**Head Office Reserve** (amount remitted in Sterling from Head Office)		2 19 60 000.00		2 19 60 000.00	
	Capital Reserve *Including revaluation of bank's premises* (also including accumulated depreciation of Rs 27 77 968 29 upto 31st December, 1966)		5 19 90 305.91		4 96 42 894 15	
	Revenue Reserve		42 37 989 81	781 88 295 72	60 72 325 06	7 76 75 319.21
Deposits and other Accounts	**Fixed Deposits** from banks	25 000 00			25 000 00	
	from others	235 59 80 534 33	235 60 05 534 33		217 17 11 740 36	
	Savings Bank Deposits		129 61 27 981.37		121 04 41 808.25	
	Current Accounts Contingency Accounts etc. from banks	4 16 65 242 27			2 93 60 139 35	
	from others	120 29 23 417 88	124 45 88 660 15	489 67 22 176.85	111 70 07 676 36	452 85 46 364 31
Borrowings from other Banking Companies, Agents, etc.	*In India*		21 79 32 933 39		32 81 71 142 51	
	Outside India *(Particulars of borrowings etc appear in an appended statement)*		9 92 38 543 13	31 71 71 476.52	6 59 99 387 95	39 41 70 530.46
Bills Payable				18 65 58 836.38		11 31 41 644.88
Bills for Collection being Bills Receivable *as per contra*	Payable in India		26 44 76 894.10		23 64 01 118.78	
	Payable outside India		20 40 92 760 38	46 85 69 654.48	23 46 90 149.43	47 10 91 268.21
Other Liabilities:	Net inter-branch balances			—		—
Acceptances, Endorsements and other obligations *as per contra*				54 15 13 313.03		33 47 02 242.42
Profit and Loss	Balance brought forward from previous year		61 16 035 73		2 93 23 913.71	
	Add profit for the year brought from the Profit and Loss Account		2 55 78 784.57		2 61 16 035.73	
			3 16 94 820.30		5 54 39 949.44	
	Less remitted to Head Office		—		2 93 23 913.71	
			3 16 94 820 30		2 61 16 035.73	
	Less transfer to Contingency A/c		—	3 16 94 820.30	2 00 00 000 00	61 16 035 73
Contingent Liabilities	*Claims against the banking Company not acknowledged as debts*		24 68 391 60		27 63 427.97	
	Outstanding forward exchange contracts		106 32 81 186 01		83 27 78 736.91	
	Guarantees issued		107 19 68 740.58		91 11 19 587.64	
	In respect of partly paid shares		36 25 000 00		46 62 916.00	
	In respect of Participation Certificates issued		9 25 00 000 00		25 00 000.00	
				652 04 18 572.28		592 54 43 405.24

Notes on

AS AT 31ST DECEMBER, 1978

PROPERTY AND ASSETS

			1978 Rs.	1978 Rs.	1977 Rs.	1977 Rs.
Cash	In hand, with Reserve Bank of India, and with State Bank of India (including foreign currency notes)			33 30 52 488.71		27 86 66 371.30
Balances with other Banks *(on Current Accounts)*	In India		13 79 656 42		15 86 712.58	
	Outside India		81 18 095.33	94 97 751.75	91 93 899.56	1 07 80 612.14
Money at Call and Short Notice				—		—
Investments *(at cost or under)*	Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments		160 29 20 780.45		141 27 93 136 00	
Particulars of Investments appear in an appended statement	Shares					
	fully paid ordinary shares	43 28 080.00				
	partly paid ordinary shares	36 25 000 00	79 53 080.00		71 25 817.00	
	Debentures		15 020.00		15 020 00	
	Other investments		3 00 000 00		3 00 000.00	
	Gold		—	161 11 88 880.45	—	142 02 34 073.00
Advances *(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors— See Note 6)*	Loans, Cash Credits, Overdrafts, etc					
	in India	257 56 87 806 85				
	outside India	—	257 56 87 806.85		248 28 24 711.65	
	Bills discounted and purchased *(excluding Treasury Bills of the Central and State Governments)*				—	
	payable in India	45 91 58 486.41				
	payable outside India	29 83 00 772 34	75 74 59 258.75	333 30 47 065.60	73 56 96 321.40	321 84 21 033.05
	Particulars of advances appear in an appended statement					
Bills Receivable being Bills for Collection *as per contra*	Payable in India		26 44 76 894.10		23 84 01 118 78	
	Payable outside India		20 40 92 760.38	46 85 69 654 48	23 46 90 149.43	47 10 91 268.21
Constituents' Liabilities *for acceptances, endorsements and other obligations as per contra*				54 15 13 313.03		33 47 02 242.43
Premises *less depreciation*	At cost/valuation as at 31st December, 1977		7 15 10 724 67		7 01 74 478.14	
	Additions during the year		7 41 479.00		14 77 545.95	
			7 22 52 203.67		7 16 52 024 09	
	Less sales and amounts written off during the year		7 11 635.93		1 41 299.42	
			7 15 40 567 74		7 15 10 724.67	
	Less depreciation to date		81 26 278.93	6 34 14 288.81	68 93 553 51	6 46 17 171.16
Furniture and Fixtures *including vehicles and equipment less depreciation*	At cost as at 31st December, 1977		2 90 65 828.50		2 99 56 901 45	
	Additions during the year		29 65 866.25		32 94 283 89	
			3 20 31 694.75		3 32 51 185 34	
	Less sales and amounts written off during the year		47 20 697.87		41 85 356 84	
			2 73 10 996 88		2 90 65 828.50	
	Less depreciation to date		1 49 04 778.38	1 24 06 218.50	1 49 95 706 03	1 40 70 122.47
Other Assets	Accrued interest and commission		4 59 87 424.97		3 70 63 687 57	
	Sundries		3 51 288.66		1 23 675 73	
	Stamps, advance rents, sundry deposits, initial expenses, etc.		9 91 30 387.26		6 03 46 589 80	
	Net inter-branch and Head Office balances outside India		22 59 822 06	14 77 28 920.95	1 43 16 558 37	11 18 50 511 47
Non-banking assets *acquired in satisfaction of claims*				—		—
				652 04 18 572.28		592 54 43 405 23

Accounts attached

Continued

Grindlays Bank Limited

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE YEAR ENDED 31ST DECEMBER, 1978

INCOME

(less provisions made during the year for bad and doubtful debts and other usual or necessary provisions)

	1978 Rs	1977 Rs.
Interest and Discount	47 88 78 432 38	48 12 49 940.30
Commission, Exchange and Brokerage	6 55 81 038 14	7 78 10 808.31
Rent	1 89 931 71	4 [illegible]
Net profit on sale of investments, gold and silver, land premises and other assets (not credited to Reserves or any particular fund or account)	28 00 898 70	34 80 422.72
Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular fund or account)	—	—
Income from non-banking assets, and profit from sale of or dealing with such assets	—	—
Other receipts	—	—
	56 87 21 298.83	56 30 11 [illegible]

EXPENDITURE

	1978 Rs	1977 Rs.
Interest paid on deposits, borrowings, etc.	24 73 38 410 60	23 83 78 449.80
Salaries and allowances and provident fund	11 91 78 180.52	11 11 94 [illegible]
Directors and Indian Advisory Board members' fees and allowances	1 26 032 00	1 24 170.80
Rent, taxes, insurance, lighting etc	3 10 48 848.09	14 42 39 486.97
Law charges	17 84 139 87	16 13 380 46
Postage, telegrams and stamps	21 91 820 17	21 89 216.02
Auditors' fees	2 00 000.00	2 00 000 00
Depreciation on and repairs to the banking company's property	1 00 38 473.85	87 18 122 84
Stationery printing, advertisement, etc.	65 60 657.45	64 63 770 88
Loss from sale of or dealing with non-banking assets	—	—
Other expenditure	2 47 09 150 61	2 27 73 717 74
Balance of profit	2 65 78 784 57	2 61 19 036 73
	56 87 21 298 83	56 30 11 080.86

Particulars of remuneration relating to the banking company's chief executive in India

	1978 Rs	1977 Rs.
Salary	1 11 081 00	87 822.86
Allowances	48 217 00	44 020 16
Monetary value of any other benefits or perquisites [including actual medical expenses reimbursed Rs. 2881.81 (1977 Rs. 4260.26)]	62 322 89	50 278 80
	2.21 884.89	1 82 121.34

PARTICULARS OF ADVANCES

	1978 Rs	1977 Rs
Debts considered good in respect of which the banking company is fully secured	2 34 84 35 180 11	261 14 07 374.33
Debts considered good for which the banking company holds no security other than the debtors personal security	5 27 19 848.53	[illegible] 12 [illegible]
Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	93 08 91 938 98	[illegible]
Debts considered doubtful or bad not provided for	—	—
	332 30 47 068.80	321 84 21 033.05
Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	72 38 798 06	77 67 982.38
Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies, as members	—	—
Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	91 38 847.80	84 81 418.37
Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	—	—
Due from banking companies	40 11 86 137.16	38 [illegible]

PARTICULARS OF BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.

	1978 Rs.	1977 Rs.
Secured (See Note 1)	20,48 43 200 77	[illegible]
Unsecured	11 25 28 275 75	18 80 00 817.03
	31 71 71 476.52	38 41 70 830.46

PARTICULARS OF INVESTMENTS VALUATION

	1978 Rs	1977 Rs.
Quoted investments at lower of cost or market quotation	180 47 84 540.46	141 43 [illegible]
Unquoted investments at cost	64 84 330.00	[illegible]
Unquoted investments at below cost (cost Rs. [illegible])	20 00	20.00
	181 11 68 890.46	142 02 34 973 00

Continued

Grindlays Bank Limited

PRINCIPAL ACCOUNTING POLICIES

1. **Basis of Accounting** The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and conform with practices within the banking industry.
2. **Specific Provisions for Doubtful Debts** Specific provisions for doubtful debts are made by provisions charged to current revenue. The determination of the balance of the provision is based on evaluation of individual advances, current economic conditions, viability and other factors and reflects an amount which, in management's judgement, is adequate to provide for potential losses.
3. **Depreciation on Investments** Depreciation held represents the excess of the total cost over the total market value of our investment portfolio. The provisions/releases are charged/released to revenue.
4. **Depreciation of Fixed Assets** Depreciation on furniture, vehicles, equipment and properties other than leasehold premises is charged on a straight line basis over the estimated lives of the assets. Leasehold premises are amortised over the periods of the respective leases.

   Equipment is depreciated over a 5 year period.
5. **Premises** Freehold premises and leasehold premises are included at cost or at professional valuation carried out in 1973.
6. **Investments** Quoted securities are stated in aggregate, at the lower of cost or market value. Unquoted securities are included at or below cost.
7. **Advance Payment of Income Tax** Advance payment of income tax and tax deducted at source on investment income, are deducted from provision made for income tax
8. **Confirmed Letters of Credit** Contingent liabilities in respect of letters of credit, are included under "Acceptances, Endorsements and other obligations" on the liabilities side, with a corresponding increase in "Constituents' Liabilities for acceptances, endorsements and other obligations" on the assets side of the balance sheet.
9. **Foreign Currencies** Assets and liabilities in foreign currencies are converted at the rates ruling at the year-end, except that contingent liability in respect of forward exchange contracts is included at the contracted rates.

NOTES

Notes forming part of Accounts for the year ended 31st December 1978

1. **Borrowings** The borrowings from other banking companies, etc. classified as secured are secured by the corresponding advances to customers.
2. **Bonus** (a) Bonus of Rs. 64 lacs has been paid for 1977 (Rs. 67 lacs for 1976 paid in 1977) in accordance with the Payment of Bonus Act, 1965, and has been charged to these accounts. Bonus for 1978, if payable will be charged to revenue on a cash basis, consistent with past practice

   (b) Rs 65 lacs paid in January 1979 in full and final settlement of bonus for 1974 and 1975 will be charged to 1979 accounts on a cash basis
3. **Unremitted Surplus** In terms of current exchange control directives, pending completion of the Bank s Income Tax Assessment for the Accounting Years 1973 to 1978 inclusive, a total amount of Rs. 323 lacs (1977 Rs. 268 lacs), arising from adjustment of Head Office Charges, relating to those years, is held unremitted in India and included in "Deposits and other Accounts."
4. **Income Tax** (a) 1978 Provision

   Provisions for income tax and interest tax estimated at Rs. 1208 lacs (1977 Rs 1342 lacs) have been charged to these accounts and included in the expenditure item "Rent, Taxes, Insurance, Lighting, etc."

   (b) Contingent Liability

   Proceedings were initiated under Sections 147/148 of the Income Tax Act 1961 for the years 1967 to 1970 and writ petitions filed by the Bank in respect of the years 1957 to 1969 have been disposed of by the Calcutta High Court in favour of the Bank. The Income Tax Department has gone on appeal. Further, assessments of some years are in dispute including dispute regarding treatment of interest suspensed on certain doubtful debts. The liabilities, if any, relating to these are not ascertainable at this stage
5. **Staff Retirement Benefits** Retirement benefits to employees retiring after 27th December 1974 are paid from an approved trust fund — Grindlays Bank Limited Indian Staff Pension Scheme. The actuarially valued liability, reduced by the contributions of Rs. 606 lacs already made to the fund (including Rs 100 lacs charged in these accounts to cover annual and part initial contributions), amounts to Rs. 916 lacs on 31st December 1978 (Rs 936 lacs as at 31st December 1977)

   In addition, pension payments to employees who retired on or before 27th December 1974 are treated in the accounts consistently on a cash basis.
6. **Advances** Included in "Debts considered good for which the Banking Company holds no security other than the debtors' personal security" is an amount of Rs. 367 lacs in respect of dues from companies nationalised in 1976 with retrospective effect Claims have been lodged for the above amount together with interest with the appropriate authorities under the Act nationalising those companies. Until these claims have been agreed with the authorities the final amount of the settlement cannot be established. It has, therefore, not been possible to ascertain the shortfall that may arise on the final settlement of these claims and accordingly, no provision has been made in these accounts in respect thereof
7. **Re-arrangement of Previous Year's Figures** Previous year's figures have been re-arranged wherever necessary.

A. K. Basu
Controller

L. A. W Evans
Regional Director South Asia

AUDITORS' REPORT

We have audited the Balance Sheet of Indian Branches of Grindlays Bank Limited as at 31st December, 1978, signed by us under reference to this report, and the relative Profit and Loss Account in which have been incorporated the unaudited returns from 18 branches, not visited by us, for which the Company Law Board has granted exemption under Rule 4 of the Companies (Branch Audit Exemption) Rules, 1961 from the provisions of Section 228 of the Companies Act, 1956

Under the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956 the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms "A" and "B" of the Third Schedule to the Banking Regulation Act 1949.

On the basis of the audit indicated in the first paragraph, we report that

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit
2. In our opinion, proper books of account, as required by law, have been kept by the Indian branches of the Bank so far as appears from our examination of those books and the aforesaid unaudited returns and these returns have been found to be adequate for the purpose of our audit.
3. The Balance Sheet and the Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account and the aforesaid returns.
4. In our opinion and to the best of our information and according to the explanations given to us such Balance Sheet and Profit and Loss Account together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis the said Balance Sheet gives, subject to Notes 2 (b), 5 and 6 thereon regarding Bonus Staff Retirement Benefits and Advances respectively, a true and fair view of the state of affairs of the Indian branches of the Bank as at 31st December, 1978 and the Profit and Loss Account gives, subject as aforesaid, a true and fair view of the profit of its Indian branches for the year ended on that date.

A. K. CHAKRABARTI Partner
For and on behalf of Price Waterhouse & Co
Chartered Accountants

Calcutta, 12th February, 1979

C Rangarajan

The rapid growth of bank credit during the last three months raises some important issues. The first question is how the commercial banks were able to extend credit which was way beyond the limits set by the Reserve Bank. The second and the more important issue is whether the policies and criteria followed currently by the commercial banks in determining the extent of credit for individual borrowers will ever lead to achieving the larger objectives of credit policy such as maintenance of price stability.

AN increasing concern has been expressed by the monetary authorities about the sharp rise in bank credit. The facts are by now very clear. Between December 1, 1978 and March 2, 1979 the aggregate deposits of commercial banks increased by Rs 1,438 crores. During the same period commercial bank credit increased by Rs 1,175 crores. Since there was a reduction in the credit extended for the purpose of food procurement, the increase in non-food credit was of the order of Rs 1,204 crores. The marginal non-food credit-deposit ratio thus works out to 85 per cent, while the Reserve Bank directive issued towards the end of November 1978 required banks to maintain the incremental gross credit (non-food) deposit ratio "well within 40 per cent". While the Reserve Bank has now given additional instructions to the commercial banks to bring down sharply the incremental credit-deposit ratio, [the rapid growth of bank credit during the last three months raises some important issues. The first question that arises is how the commercial banks were able to extend credit which was way beyond the limits set by the Reserve Bank. The second and the more important issue is whether the policies and criteria followed currently by the commercial banks in determining the extent of credit for individual borrowers will ever lead to achieving the larger objectives of credit policy such as maintenance of price level stability].

Credit Expansion

When the Reserve Bank of India sought to control the rapid expansion of bank credit by issuing certain instructions to the commercial banks in November 1978, it drew the attention of the banks to three aspects of the credit situation as it prevailed them. During the period April 1 to November 17, 1978, gross bank credit had expanded by Rs 1,588 crores as against a rise of Rs 345 crores in the same period during the previous year. During the eight weeks preceding November 17, 1978, credit expansion was of the order of Rs 798 crores in contrast to an expansion of Rs 396 crores witnessed during the corresponding period of the previous year. The incremental credit-deposit ratio for the period covering the eight weeks preceding November 17, 1978 was as high as 100 per cent. These were the factors which compelled the Reserve Bank of India to issue instructions to the commercial banks to bring down the incremental credit-deposit ratio sharply. At the same time the statutory liquidity ratio was raised from 33 per cent to 34 per cent. The cash reserve ratios were to be maintained at the previously-increased levels. In spite of the concern expressed by the Reserve Bank of India and the alterations made in the statutory liquidity ratio, the incremental credit-deposit ratio turned out to be twice the limit set by the Reserve Bank of India The average credit-deposit ratio rose from 65.9 per cent as on December 1, 1978 to 66.75 per cent as on March 2, 1979. The steep rise in credit appears inexplicable at first sight. The statutory liquidity ratio was 34 per cent. Banks were required to maintain six per cent of the total demand and time liabilities as balance with the Reserve Bank of India. In addition 10 per cent of the additional demand and time liabilities accruing since January 14, 1977 and a proportion of the increase in non-resident accounts were to be deposited with the Reserve Bank of India. Thus 50 per cent of the incremental deposits was statutorily pre-empted for purposes other than providing credit to the commercial sector. Banks could still provide a much larger proportion of the incremental deposits in the form of bank credit if they had maintained excess cash to start with. In fact, in relation to the statutory liquidity ratio, it was very clearly stated that the higher ratio would be strictly applied to additional deposits regardless of any excess kept as on December 1, 1978. There is no evidence to show that there was excess reserves with banks as on December 1, 1978 to enable banks to provide larger credit by drawing down reserves. In these circumstances, an incremental credit-deposit ratio of more than 50 per cent is possible only if

(a) banks have not maintained the required proportion of the deposits in the form of cash or liquid assets; or

(b) the Reserve Bank has provided the banks with larger refinance facilities, or

(c) banks were able to attract funds through sources which do not attract the statutory requirements.

It appears that all these three factors have operated during this period. On a rough calculation it is seen that the cash maintained by banks as on March 2, 1977 was Rs 96 crores less than what they ought to have maintained. This is based on the data available from the weekly statements on assets and liabilities of the commercial banking system published by the Reserve Bank of India. There could be some other adjustments which could reduce this deficiency. Banks might not have also maintained the statutory liquidity ratio. This must have been so because the Reserve Bank has now come out with penalties to be imposed on banks which have not maintained the statutory liquidity ratio. The very fact that the Reserve Bank has found it necessary to impose such penalties indicates that there must be at least some banks who have not maintained the statutory liquidity ratio. The refinance facilities provided by the Reserve Bank of India have also shown an increase. The outstandings of borrowings of the commercial banks from the Reserve Bank increased from Rs 267 crores on December 1, 1978 to Rs 422 crores as on March 2, 1979 showing a rise of about Rs 155 crores. It has also been reported that banks have been able to raise funds from non-banking financial institutions through the call-loan market and through other devices. The exact amount raised through the sources is not clear. But there has been a sharp rise under the category "other demand and time liabilities". They increased from Rs 824 crores as on December 1, 1978 to Rs 1,206 crores on March 2, 1979. Thus the sharp rise in bank credit

Table : Rates of Growth in Bank Credit, Production and Price Level

(in Per Cent)

Year	Bank Credit*	Non-Food Bank Credit*	Price** Level	Industrial** Production	Agricultural Production
1971-72	12.4	10.1	5.6	3.3	(—) 0.4
1972-73	16.2	17.4	10.0	4.0	(—) 8.0
1973-74	20.9	21.6	20.2	2.2	9.9
1974-75	16.4	15.9	25.2	2.6	(—) 3.2
1975-76	24.2	14.6	(—)1.1	6.0	15.2
1976-77	21.2	17.4	2.1	9.5	(—) 7.2
1977-78	11.7	15.9	5.2	3.9	13.9

* Rates of growth have been calculated from the outstanding figures as of last Friday of March.
Source: Report on Currency and Finance 1977-78, Vol. II, page 47.
***Source:* Economic Survey 1978-79.

has been facilitated partly by the Reserve Bank's inability to monitor the events as they were happening and partly by the ingenuity of the banks in raising resources which do not attract statutory restrictions.

One question that arises in this context is whether the Reserve Bank of India was justified in prescribing an incremental credit-deposit ratio of 40 per cent The prescription of a ratio does not necessarily indicate the desired extent of the increase in bank credit in absolute amount. Perhaps an incremental credit-deposit ratio of 40 per cent could have been complied with by the commercial banks if the rise in deposits had been of a much higher order In deciding on the desired incremental credit-deposit ratio, the Reserve Bank must have estimated the possible increase in deposits and the desired increase in bank credit. As mentioned previously, the Reserve Bank had noted that between April 1 and November 17, 1978, the gross bank credit expansion in absolute amount was three times the amount extended during the corresponding period in the previous year. Between December 2, 1977 and March 4, 1978, the expansion in bank credit was of the order of Rs 588 crores as compared with an increase of Rs 1,175 crores during the current season. If incremental credit-deposit ratio had been maintained at 40 per cent, bank credit expansion in absolute amount would have been the same as that during the corresponding period of the last season. In fact this leads us to examine the next issue, namely, whether there is a known relationship between production and credit and whether the present systems of lending followed by commercial banks can result in maintaining such a relationship.

Credit Production

Monetary and credit policy in this country has always emphasised the need to regulate the total volume of money and credit in accordance with the requirements of production. The letter addressed to the Chairmen of all the banks by the Governor of Reserve Bank of India in November says: "Credit has to be necessarily related to increase in output, economic activity, employment creation and so on." Reference is also made in the same letter to the high rates of money supply expansion in the past two consecutive years. The circular goes on to add: "The stability of wholesale price so far should not lull us into a sense of complacency. We should not lose sight of the inherent dangers of a sizeable build up of potential demand, reflected in the money supply expansion of the last two-and-a-half years." Thus credit policy at the national level is concerned with maintaining price stability and promoting production.

In the Table we have shown the rates of growth in bank credit, non-food bank credit, industrial production, agricultural production and the wholesale price level for the seven years beginning 1971-72. From this Table it is hard to see any correlation between the expansion in credit and the other variables. It must also be noted that these are the years in which the credit control measures have been used to the maximum. The Table only indicates that the relationship between credit and production is complicated. Causation does not run in one direction and it becomes therefore difficult to regulate credit assuming that production grows or can grow at a particular rate. There are also some economists who claim that there is no direct relationship between the manner in which an increase in money supply is brought about and price level and production. They draw attention to the fact that the income velocity of circulation in most countries varies between three and four. While the sources of monetary expansion may produce certain initial impact, the subsequent effects are independent of the factors responsible for the initial increase in money stock. This is an extreme position to take. This represents what is very often referred to as the "money view". As against this, the "credit view" emphasises the sources of monetary expansion and their impact on the economy. The implications of the two different views need very careful examination in the Indian context.

There is, however, no doubt that there must be a link between credit and production. In this context, it is pertinent to ask whether the present systems of lending adopted by the commercial banks will ever achieve this. While the concern of the monetary policy is to regulate the volume of credit in relation to (physical) production, at the micro level of the banks, there is no such direct link between credit and physical production. Much has been said and written in recent years about the Tandon Committee norms. These norms are designed to impose a certain amount of discipline on the borrowing units with regard to the stocks they maintain. But the link between production and credit is indirect. While the committee itself emphasised the need to look at the borrowers' total operation and not merely the inventories and receivables, the operational details relating to the determination of the quantum of bank credit have somewhat clouded this. Operating statements and the fund flow statements supplied to the banks help only to make some general judgments about the borrower. Ultimately the estimated current assets and current liabilities determine the working capital gap and the proportion to be met by the banks. Thus if the prices of input and output increase, there is really no check under this method on the credit granted. Even though the norms are prescribed in terms of months consumption of raw materials and months production of finished goods, they are ultimately to be translated in value terms and therefore an increase in the prices of input and output will also result in larger volume of bank credit being granted The Tandon Committee norms can play only a limited role in ensuring that bank credit moves in some close relationship to production in physical terms. Unless a system is instituted under which the credit granted is related to the physical increase in output and data collected periodically on that, the role of maintaining a relationship between bank credit and

physical production cannot be achieved. Under such circumstances, it is not meaningful to talk in terms of aggregate credit moving in step with the rate of growth in industrial production or agricultural production. Much less can one talk about regulating the level of credit in order to maintain price stability. If the broader objectives of credit policy such as price level stability and promoting physical production are to be achieved, the present lending system at the micro level will have to be altered. In fact, what is in operation currently is the good old real bills doctrine. It is not our intention to argue that the rate of bank credit growth should be the same as the rate of growth in industrial production or net national product or any other given variable. As mentioned earlier, the relationship among them needs much closer investigation. However, so long as the criteria for lending adopted by the banks do not incorporate an assessment of the increase in physical production, it will be difficult to regulate the total level of credit according to the growth rates in production.

The purpose of this note is not to provide a complete framework for analysing credit policy. However, recent credit trends quite clearly indicate that there is a hiatus between the objectives and considerations that influence policy-makers in determining the overall credit level and the factors that influence the operating units in providing credit. To try to take care of this situation by a 'policy of 'stop and go' may produce an adverse effect on production itself. What is, therefore, needed is a change in the criteria used by banks for providing credit to individual borrowers. They must be made to fall in line with the overall considerations so that the objectives of credit policy can be achieved continuously.

Cynamid India

CYNAMID INDIA's two major shareholders, American Cynamid and Atul Products, are offering for sale 6,83,924 equity shares of Rs 10 each at a premium of Rs 12 per share to comply with one of the conditions imposed by government while approving its licence for manufacture of a variety of organophosphates for agricultural inputs. The project cost, estimated at Rs 2 crores, is to be financed from self-generated funds. The company also planned another project in fine chemicals field which is estimated to involve a capital outlay of Rs lakhs. The finance for this will also come from internal resources. The company was incorporated in India in September 1947 under the name Lederle Laboratories (India) as wholly-owned subsidiary of American Cynamid to manufacture speciality drug products. The formulation plant was commissioned in 1953, and an antibiotic fermentation plant was established in 1961. In 1962, the company put up a plant for manufacture of malathion insecticide. Its name was changed to the present one. Over the years, the company has acquired reputation as a major pharmaceutical and agricultural chemicals unit. It has shown excellent working results, with turnover rising from Rs 14.98 crores in the year ended November 1974 to Rs 18.25 crores in 1977-78 and profit after tax from Rs 1.28 crores to Rs 1.75 crores in the same period. Total issued share capital is now Rs 4.56 crores, and is backed by reserves of Rs 4.74 crores. The issue is expected to be made some time in May 1979.

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FERA: APPEARANCE AND REALITY

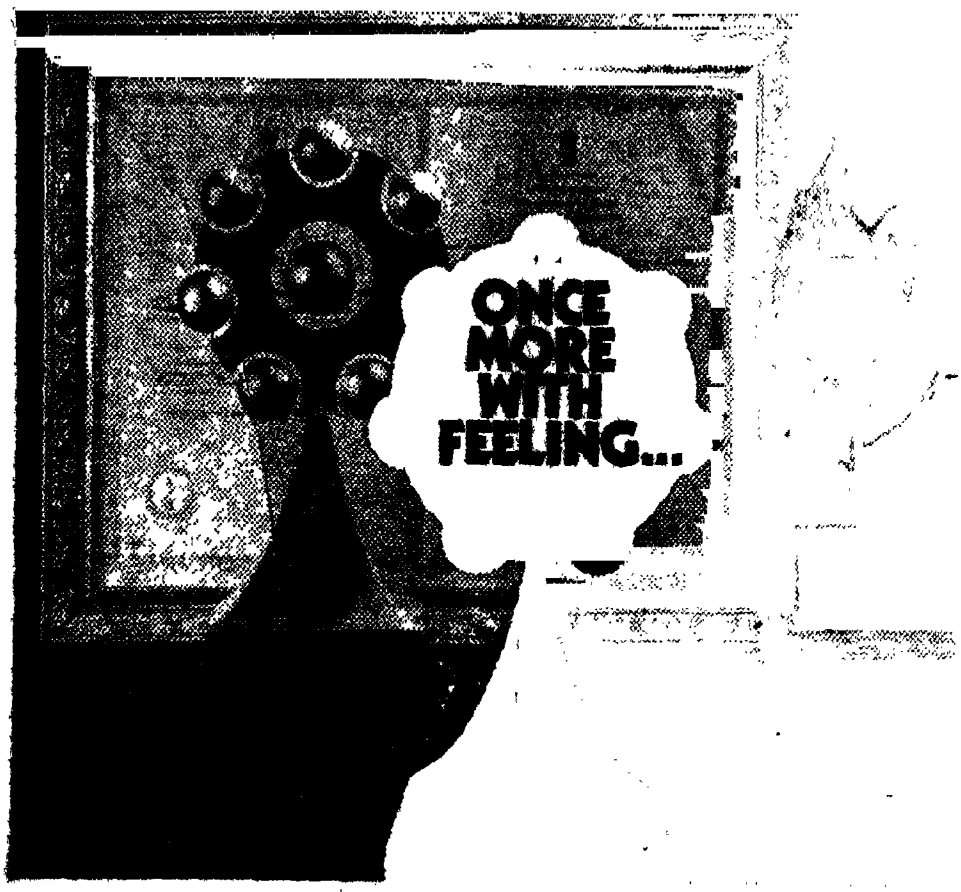
NEW THREAT TO PUBLIC SECTOR LABOUR

COLOMBIA: ANOTHER CHILE, ARGENTINA?

COAL-RAILWAYS-STEEL TANGLE

FEMALE LABOUR IN UNORGANISED SECTOR

SCUTTLING INDIAN KNOW-HOW IN FERTILISERS


ONCE MORE WITH FEELING...

ECONOMIC AND POLITICAL WEEKLY

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THE government, more precisely the Minister of Industry, has been exercised for the last many weeks over the rise in prices of cloth. At a meeting with representatives of the Indian Cotton Mills Federation (ICMF) on March 16, George Fernandes called upon millowners to immediately come forward with concrete proposals to bring down prices of yarn and cloth. Thereafter a series of meetings are said to have been held between representatives of the Industry Minister and the ICMF. On April 11 the minister told the Lok Sabha that if the textile millowners did not reduce prices to a reasonable level, the government would take steps to compel them to do so.

But for all the apparent determination and firmness of the Industry Minister, the recent exchanges between the government and the textile industry are a typical example of the government acting without a coherent policy, without clear objectives and without instruments which can plausibly achieve the desired results. It was only some nine months ago, in August last year, that the Industry Minister had announced a so-called integrated textile policy under which he had gratuitously absolved the private sector textile mills of the obligation to produce cloth of mass consumption at controlled prices. Instead a 10 per cent surcharge on excise duty was levied on the textile industry for the express purpose of recouping the losses on production of such cloth, the responsibility for producing which was given over to the public sector textile mills of the National Textile Corporation (NTC). The private sector textile industry correctly interpreted the new policy to mean that once it paid the excise surcharge, it would be free to produce what the market demanded and to price its products according to what the market could bear. This is precisely what it has done.

There has been a marked rise in demand for textiles in the last one year or so. The textile industry has responded to this situation in an entirely predictable manner — by raising prices and by changing the pattern of production further in favour of the high-priced varieties of cloth. As a result, while there has been only a small increase in production in terms of the quantity of cloth — only about 1 per cent between April and October 1978, according to the Annual Report of the Ministry of Industry — there has been a sharp rise in the value of output The rise in the earnings of textile mills has been even more impressive, since there has been a sharp fall in prices of cotton and supplies of imported synthetic fibres have been plentiful. Significantly, the behaviour of the public sector mills of the NTC has been in no way different from that of their private sector counterparts. They have fully shared in the increase in cloth prices and, to the extent the state of their equipment permits them, have increased the production of higher-priced varieties at the expense of cheaper cloth. Also, though the Minister of Industry has been tight-lipped on the subject, the NTC mills are being paid a substantially higher price for their output of so-called controlled cloth — just around 83 mn metres in the quarter October-December 1978 — than the private sector mills were permitted to charge when they were supposed to be producing such cloth. Contrary to the claims of the minister, it is these factors, much more than "better management", which are responsible for the likelihood that the NTC may earn a profit of Rs 3 crores in 1978-79, compared to losses of Rs 65 crores in 1976-77 and Rs 35 crores in 1977-78.

Against this background what sense does the demand for a 10 per cent reduction in textile prices, which the Minister of Industry has been harping upon, make? For one thing, reduction over what level, it may be asked. Prices of many cloth varieties have been raised by mills even after the start of negotiations between the government and industry aimed at achieving a reduction in prices. Further, given the very large number of cloth varieties, the government quite simply does not have the administrative machinery to ensure that a formal agreement to reduce prices at the level of the ICMF is in fact implemented by all the mills and in respect of all the varieties or that such an agreement is not made nonsense of through the mills introducing supposedly new varieties as has been done in the past whenever government has tried to keep prices under check by prescribing stamping of prices on cloth. More important, of which kind of cloth does the government want prices to be reduced? Does it serve any purpose to marginally lower the prices of cloth varieties which, even at the reduced prices, can be bought only by the relatively rich? On the other hand, if the government does manage to get the prices of the cheaper varieties reduced, how will it ensure that the mills do not shift from these to the higher-priced varieties? Finally, even if the government manages to ensure production of a certain quantity of the cheaper varieties of cloth at more or less the prices determined by it — a most unlikely eventuality — it

will only mean getting back to some sort of a controlled cloth scheme, which the government had in its wisdom decided to abandon less than a year ago and which, in any case, cannot succeed without an effective distribution system, of which there are still no signs. In this context, it is also curious that the Minister of Industry, apart from making cursory references, has not shown any special anxiety over the rise in prices of cotton yarn. Given the fall in cotton prices, the rise in yarn prices is very much more indefensible than that in cloth prices, since the cost of cotton, which is believed to constitute 40 per cent of the cost of cloth, forms a very much larger proportion of the cost of yarn. More important, the price of cotton yarn largely determines the cost of cloth produced by the handloom and powerloom sectors of the textile industry. According to last year's so-called integrated textile policy, the handloom sector is supposed to produce the bulk of cheap cloth required by the poor. And yet the Minister of Industry does not seem to be particularly bothered about the steep rise in yarn prices.

All these contradictions and confusions in the government's current concern about cloth prices arise because of the absence of a coherent policy. Cloth is a basic necessity of life and the central objective of the government's policy in regard to the textile industry ought to be to ensure that more and more cloth of the type demanded by the poorer sections of the population is produced at prices which they can afford to pay. In fact, however, the product pattern of the textile industry has been changing rapidly in favour of sophisticated, high-priced cloth varieties. Of late, this trend has been actively encouraged by the government's modernisation programme financed by soft loans at subsidised rates of interest from the public financial institutions. In this respect the motivations and performance of the public sector mills of the NTC have been no different. Even the better organised section of the handloom sector — the section which is the recipient of the lion's share of government assistance in various forms such as institutional finance and subsidies — has been moving over to production for export or for catering to the requirements of the urban well-off through sophisticated sales emporia in the metropolitan cities and the larger towns. With the textile policy thus in a shambles in the most essential respects, the current haggling over prices is another instance of playing to the gallery by the Minister of Industry.

India-Bangladesh Relations

Significant Silences

THE joint communique issued at the end of the Prime Minister's visit to Bangladesh includes all the expected lofty sentiments about fruitful and constructive co-operation between the two countries. But on the specific and very material problems that exist between the two countries, the communique is not much more than a series of affirmations of good intentions.

Even in the euphoria following the dismemberment of Pakistan, the leadership in Bangladesh did not lose sight of many of the virtually 'permanent' disputes that had remained unresolved between India and East Pakistan. Since then, both the previous and present administrations in Delhi and Dacca have kept on talking round and round the subject, with a lot of goodwill oozing, but with little actual progress towards the resolution of outstanding contentious issues.

It is not difficult to identify what these issues are. The most important of these is the dispute over river waters, and progress towards the resolution of this dispute has been hampered by India's curious insistence that Bangladesh should not 'internationalise' the dispute — curious because the very fact that India and Bangladesh are discussing the issue means that the issue is already internationalised. There is no reason why India should object to involving Nepal and China in a comprehensive agreement covering the waters of the Ganga, the Teesta and the Brahmaputra since, hydrographically, both Nepal and China are part of the Ganga-Teesta-Brahmaputra basin. The other major problem, involving the demarcation of the maritime boundary between the two countries, has been made more complicated because of the suspected off-shore oil reserves in the Bay of Bengal. Ideally, India and Bangladesh should be able to agree on joint exploration for oil in the Bay; but that would be possible only if the basic political relationship between the two countries was one of equality in fact, and not merely in words.

But the most pressing and immediate problem between the countries affecting lakhs of people in their daily lives does not even merit a mention in the communique, though the Extrenal Affairs Minister has assured that the issue was discussed 'threadbare'. There are three aspects to the problem: one, ensuring that the non-Muslim minorities in Bangladesh would be as 'safe' as minorities in any of the underdeveloped countries can be, given the fact that their actual vulnerability is further intensified by various pressures to which the 'majority' community too is subject; two, the problem of the so-called 'infiltrators', especially into Assam and other regions in the northeast, a problem which had loomed large for years before Pakistan was dismembered but was officially considered to have disappeared during the Mujib regime, but which since then is once again becoming the Number One issue in Assam and other regions of the northeast; and finally, the overt and covert support extended to insurgent elements of various hues by the governments of both the countries, for their own reasons.

These are problems which can never be solved by governments which, for all their professions, do not really want to tackle them since they always provide a good excuse to mobilise 'mass support' for one or another variety of chauvinism. For instance, the immigration of Muslim peasantry into Assam has been going on since the days before Independence, organised by the then rulers and their native collaborators as an economic necessity and a profit-making enterprise. That 'lure' of Assam as the land of plenty and opportunity — whatever be the harsh reality — continues to grip many poor people not merely in Bangladesh but in regions further westwards and even southwards. But naturally, the influx from Bangladesh is considered more 'sensitive', though this cannot have continued without some organisation involving local agents who are for the most part leading supporters of the ruling party and the local political leadership. The 'infiltrator' is necessary not merely to labour hard in the jute and paddy fields and to swell the 'block votes' that the ruling party has always been able to command at every election in Assam; he is also nesessary to serve as a permanent 'security threat' — a focal point for mobilising local chauvinisms

The communique is also silent about what exactly was said in the discussions on the problem of insurgency. The Prime Minister has claimed in Parliament on his return from Dacca that Bangladesh had assured him that it would not give any assistance to the Mizo National Front; and the External Affairs Minister has disclosed that a similar assurance was given by India

that it would likewise take measures to prevent Bangladesh rebels from mis-using its territory. What this actually means is that while the two governments will continue to bicker and deliberately let some of the disputes linger, they are united on the question of combining to crush any real challenge that might be presented to the systems they head, be it from groups affirming old-fashioned sub-regional nationalistic feelings or from more radical formations. But the fact that such co-operation is not formally acknowledged also means that both the governments have retained the option to be fairly selective in their perceptions of what constitutes insurgency, which kind of insurgencies in each other's territories should be suppressed with a firm hand, and which kind of insurgencies should be nursed and encouraged with a view to securing further concessions in the more widely known disputes between the two countries.

Industrial Relations

RAW Takes a Hand

OFFICIALLY, the Research and Analysis Wing of the Union government (RAW) is supposed to be engaged only in 'research and analysis' activities, a transparent euphemism for its role as an intelligence gathering agency, active in foreign countries, with its domestic role being confined to gathering such intelligence from areas along India's borders with neighbouring countries. But perhaps for the first time, it has been revealed by no less a person than the chairman-cum-managing director of Bharat Coking Coal Limited (BCCL) himself that the agency has been active in areas where it has no business to be — studying the labour situation in the collieries in and around Dhanbad.

Of course, that RAW has been active very much in the country's internal political situation has been widely known, and much of the achievement of the Central government in securing the mutual destruction of communist parties and groups in West Bengal immediately after the overthrow of the second united front government has been credibly attributed to the exertions of RAW and its agents.

What however gives the news an added significance is that this 'study' of the industrial relations in the Dhanbad coal-belt was undertaken following what the BCCL boss has described as "organised and planned attacks with the blessing of some political leaders" on some of the officers of the BCCL. In case there is any ambiguity about who these "political leaders" are, the report goes on to identify them: "The alleged assailants are stated to be supporters of a Member of Parliament belonging to the Marxist Co-ordination Committee". The reference is clearly to the Colliery Kamgar Majdoor Samity, a union which according to all reports seems to be one of the very few in Dhanbad which has refused to be incorporated into the management-contractor-union nexus whose murky doings in the Dhanbad coalbelt have been highlighted in many recent reports from the region. It is not at all surprising, therefore, that RAW's accusing finger should point at Samity.

Janata Party

'Continuing Crisis'

THE present phase of the 'continuing crisis' in the Janata party, about which the party president has been speaking with increasingly less convincing self-assurance, began with the reinduction of Charan Singh into the Union cabinet. The leaders of the Jana Sangh component of the party have been making much of the fact that Charan Singh, who after all returned to the cabinet because of the pressure brought upon Morarji Desai by Jana Sangh leaders, has ungratefully incited known and freshly acquired cronies of his to launch their hypocritical attacks on the links of the former Jana Sangh leaders with the RSS. According to this version, the Jana Sangh had no option but to retaliate in Bihar for what Charan Singh did to them in UP. Very magnanimous in its victory, the Jana Sangh leaders are reported to have advised their chief ministers who are heading the administration in Rajasthan and Madhya Pradesh not to drop BLD ministers from their governments.

This posture of injured innocence and of loyalty being repaid by rank ingratitude is less than convincing. The most notable feature of the role of the Jana Sangh during the long months when Charan Singh was sulking was the dexterous way in which the leaders of the party kept up the impression of being in favour of Charan Singh's reinduction into the cabinet, but at the same time made it clear that their commitment to Morarji Desai's leadership was not negotiable. Sections of the Jana Sangh leadership also took, perhaps not unintentionally, seemingly contradictory stands on the question of Charan Singh, no doubt part of their long-term policy of covering all possibilities and keeping the option of a future accommodation open with every adversary. Charan Singh is himself too shrewd an operator not to have seen through this ambidextrousness, and no sooner did he return to the cabinet than he attempted to cut the Jana Sangh component to size.

It would however be an oversimplification to say that this 'continuing crisis' is merely a manifestation of the party's inexorable death-wish. On the contrary, what is taking place is a carefully measured series of attacks and counterattacks by what after all are the two major (and, in the final analysis, the only relevant) constituents of the Janata party, with a view to testing each other's strength and nerves — all part of the process of capturing the party organisation and being placed in an advantageous position to fight the general elections in 1982. The struggle is going on not merely in the state ministries, but also in the organisation where the dispute whether the organisational elections which are at present in varying stages of completion should be completed, or suspended, or entirely scrapped, with the Jana Sangh component (more efficient in enrolling its supporters as members) urging that the process be completed and Charan Singh and his supporters (way behind Jana Sangh in this respect) calling for their total scrapping.

Even if the present crisis blows over, like innumerable crises before now, a new dimension has been given to the correlation of forces inside the Janata by the unusually open and forthright stand taken by the Jana Sangh component of the party on the question of its association with the RSS. Unlike on earlier occasions when the top leaders preferred to underplay their RSS connections, in the present instance, notice has been served on the rest of the leadership that the Jana Sangh would not repudiate its RSS links and would even be ready to leave the party. The other side of such forthrightness has been the disapproval of this 'timid and defensive' stand of Atal Behari Vajpayee by a large number of Jana Sangh/Janata MPs who have maintained that the Jana Sangh leadership, far from saying that it would be ready to 'leave' the party, should make it plain that the party is their creation; that if anyone should be forced to 'leave' the party, it should be the calumniators of the Jana Sangh. And consistent with this stand, more than one formal move has been initiated by leading members of the Jana Sangh to secure the expulsion of Raj Narain,

the most vocal critic of the RSS, from the party.

The present development in the Janata — as well as in both wings of the Congress which too have been passing through a crisis of sorts — have given rise to renewed speculations of a 'realignment' in Indian politics and the possibility of the emergence of a 'third force'. At least some leaders in the Janata and both the Congresses must be having visions of forging such a 'third force' excluding the Jana Sangh, Indira Gandhi and Charan Singh and their cronies. The ideological moorings for such a formation are anyway readily available in the CPI's formulations on the role of the national bourgeoisie, though the CPI itself is in no position to extend to it anything more than verbal support.

But it is doubtful if such a formation, assuming that it can take shape, can actually work. Given the state of politicisation of the masses and the long-existing political alliances, any political formation which seeks to exclude Congress(I), Jana Sangh and the BLD can be no more than a party of leaders, since its support would not comprise even a rump of the bourgeoisie.

Pakistan

'Constitutional Role' for Army

THE decision of the six-party Pakistan National Alliance (PNA) to withdraw its representatives from the nine-month old military-cum-civilian government headed by Zia-ul-Haq on the ground that the alliance had achieved its objective is not unexpected. The PNA has naturally cared to spell only two of these "objectives" that it says have been fulfilled; the announcement of a firm date for elections; and the announcement on the formal enforcement of Shariat laws to usher in the promised Islamic order in Pakistan. Equally naturally, it has not added that this decision was influenced by yet another 'objective' of the PNA being achieved — the elimination of Zulfikar Ali Bhutto.

Even the acknowledged 'reasons' adduced by the truncated PNA for quitting the government (the decision was announced on April 14, ten days after Bhutto was hanged) are not very convincing. The decision to enforce Shariat laws was taken on February 10, on the occasion of the birthday of Mohammed, four days after the Pakistan Supreme Court dismissed the appeal by Bhutto against the death sentence awarded to him by the Lahore High Court; and the firm date for elections were announced on March 23 (Pakistan Day), the day before Bhutto's petition for a review of the Supreme Court sentence was dismissed. The PNA had all the time in the world to quit the alliance, had this decision been influenced only by the fulfilment of the stated 'objectives' and none else.

But it is not at all certain that elections scheduled now for November will actually be held even if 'extra-constitutional' developments do not overtake events. It is even less certain that they will be held in accordance wih the existing provisions of the constitution about which Zia-ul-Haq has been expressing his reservations very freely. On September 1, 1977 two days before the arrest of Bhutto in the Kasuri murder case, Zia-ul-Haq was maintaining that while his 'interim government' proposed no Constitutional changes, he himself was of the view that "the *Presidential* form of government was most suitable for Pakistan as it was very close to the Islamic concept of 'Amir' ". He was also of the opinion that the Armed Forces should have a "constitutional role" to enable them to act in critical conditions to ensure stability and integrity of the country. "The country's integrity had to be ensured and only the armed forces and not the politicians could ensure it."

In the latest announcement of the election programme, while reiterating that 'basic issues' (the Islamic ideology of Pakistan, the federal parliamentary system of government, and provincial autonomy) unanimously agreed upon and enshrined in the 1973 constitution would not be reopened, there is no mention of whether another unanimously agreed constitutional provision — that of universal adult franchise — would be in for some kind of challenge. What is however more interesting is that once again, Zia has raised the question of the powers of 'President and the Prime Minister, and has now promised to amend the Constitution before the scheduled elections in order to "strike a balance between the powers of the President and the Prime Minister". He has also reiterated that the armed forces were the only institution which was stable and which could ensure the security and integrity of Pakistan.

The announcement of the judgment by the Lahore High Court was followed by a most significant interview that Zia-ul-Haq gave to Teheran's *Keyhan International* in which he reiterated the points he had made immediately before Bhutto's arrest and also spoke at length on the process of 'accountability' That interview also throws a flood of light on the thinking of the man who appears, at least for the present, set to rule Pakistan for a long time. Zia apparently believes that the creating of "a tremendous polarisation — polarisation between the right and the left, the poor and the rich, among the students and the labour, and between the haves and the have-nots", was the "intentional doing of the former government".

Q: There are rumours in and outside Pakistan that yours is a rightist regime and you intend

to suppress the leftists before holding elections. Would you comment on this?

A: I have no dispute on this. I am a rightist.

Q: How would you go about suppressing the leftists? This has created fears among the leftists — for example, the former NAP.

A: Well, the sooner the leftists wake up and come on the middle of the road, the better it would be for them because I have not started tightening my grip. We have no place for too many of extremists, we follow the middle of the road.

Q: There are different types of leftists: extremists, moderates, etc.

A: There is nothing much to choose between the leftists. I can tell you this.

Hard times ahead for the people of Pakistan.

LETTERS TO EDITOR

Economic and Demographic Development

I STARTED reading Asok Mitra's article "Integrated Strategies for Economic and Demographic Development" (February 3-10, 1979) with great enthusiasm but ended with great disappointment. I expected a much more penetrating analysis embracing the question of population pressure necessitating appropriate land reforms and agrarian organisation as the basic force to generate indigenous technology leading to industrial development.

History has it that the success of land reforms and agrarian reorganisation measures to solve the problem of pressure of population on existing resources depends on how they stimulate the development of indigenous technology that effectively utilises available factor endowments of a country and thereby leads to the industrial development. This is the fundamental criterion of the integrated strategy for economic and demographic development. In such a strategy, the rate of population growth is not the issue because it tends to decline with the development of indigenous technology.

The issue at hand is the creation of increasing and productive demand for labour which can only be created in an economy like that of India by reorganising the economic structure to generate an indigenous technology for the entire economy. The growth of an indigenous technology at the initial stage, based on resources released from land reorganisation would need all the labour it can get hold of. Thus the supply of labour after the land reform measures are adopted may even prove to be inadequate compared to the demand for generating suitable technology.

The existence and the vigorous operation of an industrial sector based on imported capital and technology would frustrate the development role of any form of attempt towards land reforms and agrarian reorganisation to stimulate indigenous technology suitable to the factor supply situation of the 'surplus labour' economies. We cannot formulate an appropriate land reform and land reorganisation policy that can take care of improved technology, reducing unemployment, increased productivity when the industrial sector is a parasitic sector not rooted in the indigenous economy. (The parasitic character of our industrial sector can be easily understood from the dependence of nearly 80 per cent of the population on agriculture.)

When the pressure of population growth calls for improvement in technology so that available labour could be used more productively to increase the output to meet the needs of growing population, the first step to achieve it is to bring about the appropriate changes in land tenures and agrarian organisation from the prevailing small scale to large scale holdings using surpluses. These surpluses are released through such reforms which, in turn, at the next stage, force development of indigenous technology and thereby stimulate the pattern of integrated industrial and agricultural development.

Asok Mitra is silent about what should be the relationship of integrated agricultural and demographic development with industrial development. May we assume then that industrial development would be mainly based on foreign so-called efficient capital and technology? Should industrial development be left outside his schema for the integrated strategies? It is well known today that borrowed technology does not help in the development of the indigenous technology of the Third World countries. Borrowed technology may be most productive but it is most inefficient in our economy in the sense that it cannot use efficiently the most available factor of production. A technology is considered efficient only when it can use effectively available factors. Borrowed technology cannot do it simply because the factor endowment situations of borrowers and lenders are just the opposite of each other due to historical forces that have been at play in the growth of these two sets of countries since the beginning of the so-called modern development period. N Rosenberg's observation in this connection is worth reproducing: "one must give up the notion that it is possible to analyse the effects of technological change independently of its context, since the same technology will have very different consequences in societies whose institutions, resource endowments and histories differ" ("Perspective on Technology", CUP, 1976, p 2).

Alternatively, if we think that borrowed technology can help the development of indigenous technologies of the Third World countries, then to talk about land reforms and agrarian reorganisation policy is superfluous. In other words, Asok Mitra's integrated strategies for economic and demographic development with industrialisation based on foreign capital and technology is self-contradictory.

PRIYATOSH MAITRA

Dunedin,
New Zealand,
March 3.

Permanent Settlement in Champaran

I HAVE read the letter by Girish Mishra and the reply by N Benjamin ("Permanent Settlement in Champaran", March 10). Mishra is perfectly right on the question of land rental. Let me illustrate. Suppose land rental was Rs 11,000 and the governmental demand was fixed at 10/11. In this case the zamindar's *profit* would be Rs 1,000. Mishra says in his letter that zamindar's profit is 1/10 *of the government revenue*. It means that it is 1/11 of total rental. Arithmetically if the rental is x, then the government revenue is $x \times \frac{10}{11} = \frac{10x}{11}$. Zamindar's share $\times \frac{x}{11}$. $\frac{10x}{11} + \frac{x}{11} = x$. Zamindar's share is 1/10 of the government revenue, i e $\frac{10x}{11} \times \frac{1}{10} = \frac{x}{11}$ or $\frac{1}{11}$ of x.

N P SINHA

Motihari
March 28

A Spreading Paralysis

Romesh Thapar

WHILE our politicians debate all manner of irrelevancies, and the press dutifully reflects this irrelevance, the people are beginning to show considerable disquiet about the current situation. Despite the "performance" of the economy, there is now enough evidence to suggest that non-governance cannot continue for long. An economic destabilisation is on the way judging trends as they are developing, and despite optimistic statistics.

The absurd claims of the Finance Ministry that the Budget would have only a marginal effect on prices are already in tatters. Prices have begun moving up over a wide range of commodities. If subsidised essentials are still available at old prices or nearabouts, it is pretty certain that the general rise will begin to influence the market. The extraordinary rise in transport costs, following the petrol and diesel levies, and the runaway situation in building materials, both in urban and rural areas, cannot but prove inflationary.

Parallel to this situation, the Central and state governments have been indulging in a dangerous populism where irresponsible trade unionism is concerned, particularly in sectors where there is TU competition (read: party racketeering!) for what is called "leadership" and "recognition". The earlier violence in various industrial belts, has reached the dimensions of mafia gangsterism in sensitive areas like the coal fields. No political leader or party has shown an inclination to take a stand on the responsibilities that free unionism imposes.

The worst aspect of this growing chaos was highlighed when Prime Minister Morarji Desai pulled up the Railway Minister Madhu Dandavate for his ineffectiveness in curbing the "wild cat-strikes" which have wrecked the organised movement of goods over the sub-continent. Dandavate, playing it soft, argued that ring-leaders were being "suspended" (whatever that may mean today!), but Desai demanded "dismissal" and the use of army help. The politicians begin to tremble when confronted by these realities and the old men are abused for their impatience because they will not be around in 1982.

Whatever the calculations of our populist politicians, who think only of their damnable votes but never of the country's health, the report from West Bengal of a total power failure (still described as "shedding"!) should send shivers through the system. Mismanagement of a gross nature, and political in-fighting among lefties of various description, have grievously ravaged power stations put up at enormous cost (one-fourth of capacity is idle all over India!). Now millions will be on a forced holiday — and, naturally, full pay will be demanded at paralysed factories!

All the tall talk about increasing production and maintaining the price line is beginning to make little sense to producer and consumer when the energy situation in the country has entered the disaster scenario. Electric undertakings have become the happy recruiting area for the nominees of the manipulator politicians. Visiting experts are horrified at the state to which the power plants have been reduced. And there is little intelligent effort to halt the slide downwards. The shadow of Bengal is creeping over large parts of the country.

If such dislocations and disruptions were the exception rather than the rule, there would be less cause for worry, but the *malaise* is general, from shameless copying at examinations in many university centres to indiscipline among executives holding key positions in the administration of the economy. And the really ugly aspect is the reluctance to state these truths, or the attempt to cover them up in all manner of double-talk and double-think. Only some aged figures in public life take positions, but without stressing the need to reform our decrepit systems and structures.

From Janata party tangles, to Islamic killings, to Billa and Ranga, to the Moynihan revelations about Indira Gandhi and the CIA — all these diversions reduce the focusing power of our politicians to such an extent that only Bhave's cow protection gambit, or prohibition, excites interest. Talking of prohibition, the government has now so reduced the outlets for the sale of liquour in Delhi that mile-long queues take up position to grab the supplies and to blackmarket them. This goes on in Morarji Desai's backyard, but he is none the wiser — or, maybe, this is his plan.

And nobody in the governmental establishment really moves to correct these aberrations. As citizens we are expected to adjust to the new order of things. If everyone in the system considers that "over and above" earning (or corruption as we used to call it!) is justifiable when salaries are low or unrealistic, the citizen is persuaded that there is no way of surviving without succumbing to the new culture. A black-money state is again taking shape with all its explosive political content But who cares? Certainly not the old men at the helm of affairs. They will not be around to cope with the explosion!

All the efforts to organise interventions in public affairs by committees of various sort have failed. Even Jaya Prakash Narayan's vigilance committees are remarkable for their inability to stir. And, yet, with political parties drugged by populist postures, the only hope is to spark protests by active citizens and to demand actions which can salvage the situation and restore hope to the people. In limited areas, these actions, with the support of the press, have yielded results. A wider assault on so many of our nihilistic administrative and economic practices has not developed.

Ah, yes, unlike our neighbours, we have kept clear of religious fanaticism Witness our political perambulations around the Jan Sangh/RSS. Prime Minister Desai, however, doesn't see the incongruity of declaring (or reassuring his critics) that government servants cannot join the RSS, forgetting that the Cabinet iself has RSS activists! Or is he denying cultural status of this secret organisation? If so, he's creating another crisis within the Janata formation. Or is he not? And so we go on in the Capital these days thankful that we have not paralysed like Calcutta ... *April 14.*

Diversification with Profit

Hamsavirdh

CENTURY SPINNING AND MANUFACTURING is expanding its business. It has applied for an industrial licence to establish another cement plant with an annual capacity of one million tonnes at Manikgarh in Chandrapur district of Maharashtra. Meanwhile, its Maihar cement project is expected to commence production before the end of this year. The delivery schedule has been delayed in respect of a substantial part of machinery and equipment due to labour problems in some of the major suppliers' factories. The company has been issued a 'letter of intent' for expansion of capacity of the existing Tilda plant, from 6 lakh tonnes to 8 lakh tonnes per annum. This plant has achieved 113 per cent of capacity utilisation during 1978 as against the industry's utilisation of 89 per cent, and won commendation from the Cement Controller. The company has revived its pulp and paper project. It has a 'letter of intent' for manufacture of 20,000 tonnes, each, of rayon grade pulp, writing and printing paper, and newsprint. The management has decided to implement the first two schemes at the earliest. These two schemes would involve a total captial outlay of Rs 45 crores. Matters regarding land, forest lease and power supply are being pursued with the UP government. Important orders for machinery have already been placed. The pulp plant is expected to go on stream during the latter part of 1981 and the paper plant in about three years' time. The company's joint venture of palm oil project in Malaysia went into production in October 1978. Full production in all three divisions is expected to be achieved shortly. The Malaysian company's products are being exported to the US, Europe, Japan, Middle East, India, etc. The future of Century Electronics, however, is still uncertain. It has been refused permission to sell modules and watches manufactured by it in the domestic tariff area. Recently, however, some demand has emerged from Africa for completely assembled watches. Negotiations to supply completed watches from stock are in progress.

Century spinning's 1978 results are *impressive, with gross profit advancing* by near-60 per cent from Rs 15.73 crores following only 11.7 per cent rise in net sales. These figures demonstrate substantial increase in profit margins. Dispite substantially increased tax liability, net profit is Rs 11. 60 crores compared to the previous year's Rs 7.25 crores. Dividend has been stepped up by only 3 points to 26 per cent, obviously to conserve cash resources to meet the requirements of additional finance for implementing the new projects. The company exported tyre yarn, tyrecord and rayon fabrics worth about Rs 1.66 crores to the US, UK, Europe, West Asian countries, Australia, New Zealand, Japan, and other countries. It also exported cloth worth Rs 10.15 crores to Europe, UK, the US, Canada, USSR, Australia, etc, and won approbation of cotton Textiles Export

The Week's Companies (Rs Lakhs)

	Century		Swadeshi Polytex		Associated Bearing		Coates of India	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-10-78	Last Year 31-10-77
Paid-up Capital	1065	1065	500	499	588	588	92	82
Reserves	5692	4530	473	423	702	689	102	84
Borrowings	744	504	887	795	255	238	105	89
of which Term borrowings	—	—	356	440	109	130	—	—
Gross fixed assets	7187	6758	1596	1588	1325	1266	143	127
Net fixed assets	3002	2816	899	1014	603	607	64	68
Investments	128	93	5	—	6	—	—	—
Current liabilities	2172	2128	230	300	496	403	117	103
Current assets	5505	5253	1186	1004	1431	1311	348	296
Stocks	2496	2496	576	454	1139	1027	154	120
Book debts	1834	1712	557	494	287	268	169	141
Net sales	12097	10833	1305	1716	1816	1986	697	651
Other income	398	416	170	74	46	41	7	4
New material costs	3848	3902	909	1067	852	1004	399	370
Wages	2281	2153	97	90	265	206	120	116
Interest	91	93	157	160	42	46	19	20
Gross profit(+)/loss(—)	2509	1573	231	251	348	401	86	72
Depreciation provision	238	223	128	128	63	63	10	7
Tax provision	1105	625	—	—	155	162	47	41
Net profit(+)/loss(—)	1166	725	103	123	130	176	29	24
Development rebate provision	75	50	12	7	4	27	2	1
Transfer to reserves	814	430	34	48	8	31	10	10
Dividend								
Amount	P — E 277	— 245	P 10 E 47	10 58	P — E118	— 118	P — E 17	— 13
Rate (per cent)	P — E 26	— 23	P 9.5 E 12	9.5 15	P — E 20	— 20	P — E 18	— 16
Cover (times)	3.93	2.75	1.72	1.83	1.07	1.26	1.59	1.77
Ratios (per cent)								
Gross profit/sales	20.74	14.52	17.70	14.62	19.16	20.19	12.33	11.06
Net profit/capital employed	17.26	12.95	10.58	13.34	10.08	13.78	15.00	14.46
Inventories/sales	20.63	23.04	44.13	26.45	62.72	51.71	22.09	18.43
Wages/sales	18.84	19.87	7.33	5.25	14.59	10.37	17.22	17.62

Promotion Council. The textile division performed well. The withdrawal of controlled cloth obligation scheme, from October last, has brought about some long-awaited relief to the industry. The rayon, tyrecord, and other divisions at Kalyan experienced labour agitation with "a few serious acts of violence, intimidation and indiscipline" for about four months. In order to help exports of rayon fabrics, 20 per cent of production of the rayon industry has been earmarked for cloth exporters at concessional rates, which according to the management, are below the industry's cost of production.

SWADESHI POLYTEX has turned out poor results for 1977-78, due mainly to lower sales realisation, because of competition from imported polyester fibre. Production was only slightly lower, at 5,674 tonnes against 5,727 tonnes in the previous year, despite a 50-day strike at the factory. The company was at a disadvantage compared to some other indigenous manufacturers in terms of excise duty rebate allowed on the basis of average past production. As its production in the base period was comparatively high, at around 4,000 tonnes, the excise duty rebate was allowed only on production in excess of this quantity. The company sold 4,861 tonnes of polyester fibre against 5,053 tonnes in 1976-77 and sales aggregated only Rs 13.05 crores against Rs 17.16 crores. Gross profit declined marginally, from Rs 2.51 crores to Rs 2.31 crores. Included in the latest completed year's profit, however, is a sum of Rs 91 lakhs written back from the earlier provision made for meeting the liability arising from export obligation, since the government has waived with retro-active effect the export obligation. Thus it is clear that the company's profit would have suffered a steep fall, but for this item of non-recurring nature. Dividend is lower by 3 points to 12 per cent which, according to the published accounts, is covered 1.72 times. The company has since commissioned its DMT recovery plant. It is seeking doubling of capacity to 12,200 tonnes per annum. Its application has been referred to the MRTP for enquiry Commission. The management is hopeful of getting the necessary licence. The research and development team of the company has modified the fibre characteristic so as to enable spinning at very high spindle speeds — hitherto not possible with standard fibre. The modified fibre has been tested in various textile mills and the management has planned to commercialise it in the current year. Khadi and Village Industries Commission has sponsored a research project in the company to optimise not only fabric constructions but also the polyester blend compositions of Khadi fabrics for shirting and dress materials. The company also provided technical assistance to KVIC in Murshidabad for the production of extra-super-fine muslin type khadi fabric using 0.9 denier 'Jailene' in blend with Indian cotton. The management says that there has been some increase in ovrseas prices of fibre, which may help support prices of indigenous fibre.

ASSOCIATED BEARING has suffered a setback in its performance during 1978 because of the four months' strike at its factory which spanned the first three months of the year. Net sale declined from Rs 19.86 crores to Rs 18.16 crores, and gross profit fell from Rs 4 01 crores to Rs 3.48 crores. According to the management, sales would have been higher by Rs 7 crores had there been no strike. Profit margins have also decreased slightly. Production has returned to normal following the new settlement with the union, which will remain in force upto the end of 1980 Demand for the company's bearings continues to be firm, as industries which are their main buyers — such as automobiles, electric fans, electric motors, diesel engines and agricultural tractors — have registered increase in their respective production levels. In the textile field, market conditions showed rapid improvement from the beginning of 1978 after a recession of almost three years. Textile mills have started investing more funds for rehabilitation and expansion, leading to a larger demand for ring frames where the company's components are used. The improved market conditions are likely to continue during 1979 and the company hopes to achieve higher sales of textile components this year.

COATES OF INDIA, which has brought down non-resident interest in its share capital to less than 40 per cent, has shown satisfactory performance for 1977-78 and is raising dividend by 2 per cent to 18 per cent. Enhanced distribution on increased capital is covered 1.59 times. The management has decided to diversify the company's activities into a high technology area to take full advantage of its existing technology and infrastructure. Negotiations were finalised for the acquisition of a majority interest in another newly formed company for this purpose, but this has run into difficulties. The management is now exploring other opportunities for diversification. The directors view the current year's prospects as satisfactory, although the prolonged printers' strike in West Bengal area following the devastation caused by floods has been a depressing feature.

M M RUBBER has undertaken a project for manufacture of biaxially oriented polypropylene film (BOPP), which is a superior and cheaper substitute for cellophane film. The project is being set up at Ranipet, a declared 'backward' area of Tamil Nadu, and is expected to go on stream in the latter part of 1979. At full production, the new product will add about Rs 4 crores per annum to the company's turnover and also enhance profitability considerably. Meanwhile, the company has turned out good results for the year ended September 1978, with sales rising from Rs 3.82 crores to Rs 4 19 crores and profit after tax from Rs 5 lakhs to Rs 7 lakhs. The proposed dividend of 10 per cent will absorb Rs 4 lakhs. The company has retained its leadership in the foam rubber field and has established centres for after-sales service at its depots in Bombay, Madras, Delhi, Calcutta, Bangalore and Hyderabad in order to serve the growing clientele for its products.

NEW DELHI

Scuttling Indian Know-How in Fertilisers

B M

THE report of the so-called expert group on the choice of a foreign collaborator for the proposed 1,350 tonnes per day ammonia plants based on Bombay High gas has some curious features which deserve close attention before the government takes a final decision on it. It is understood that the choice of the group has fallen on a fresh entrant to the fertiliser scene in India, a US firm called C H Brown. The other bidders who have done some work in India for setting up fertiliser plants in the past in association with one or other Indian public sector agency have been rejected. According to knowledgeable sources, C H Brown is not among the leaders in the field and its experience in setting up large fertiliser plants, specially in the range of 1,350 tonne per day and above, is nowhere near that of some of the competitors, such as, for instance, Kellogs of USA or Halder Topsoe of Denmark.

Another and more curious feature is the recommendation in respect of technical fees that are proposed to be paid to C H Brown for its collaboration. It is understood that this firm had, to start with, quoted a fee of Rs 20 crores for one plant. But it transpires that on the conclusion of negotiations with it by the expert group, the amount of fee has been increased to Rs 40 crores. This interesting development has come about because the Indian experts themselves insisted that its role and area of responsibility for the construction of the projects should be larger than the firm had envisaged for itself while making its original bid. In addition to providing process know-how and basic design and engineering services, the foreign collaborator has been called upon to provide supervisory services for procurement of plant and equipment indigenous as well as foreign, and for detailed engineering, erection and commissioning of the plants as well as overall management of the project This enlargement of its services, it is argued, entitles the collaborator to a larger fees.

The arrangement is justified on the ground that this will help to ensure speedy construction and sound erection of the project since, in the view of the expert group, Indian technical agencies are not good enough and cannot be relied upon to assume responsibilities beyond functioning as sub-contractors and understudies of the foreign collaborator. The upshot will be that, if the government finally approves the expert groups recommendation, we will revert to almost total turnkey arrangements for the setting of the new fertiliser plants. This will be an extraordinary development after building a score of large fertiliser plants in the country in which Indian technical agencies have competently played the role of prime consultants and have performed well enough to win recognition of even the World Bank for their ability.

The justification advanced by the expert group is simple enough — that Indian agencies do not have any experience in setting up fertiliser plants of capacity higher than 900 tonne per day. Why mere scaling up of the size of a plant, without basic modification of process know-how and design, should disqualify Indian agencies and restrict their role to that of understudies even in detailed engineering and supervision of erection, is difficult to understand. But arguments along these lines in favour of maximising foreign collaboration is a familiar experience in our country, more specially in the case of the fertiliser industry since its expansion was launched in a big way in the mid-sixties.

From 600-tonne plants which were taken up for construction as the starting point, it was decided to shift early in the seventies to 900-tonne plants even before the first generation of plants were installed and stabilised. The story is being repeated with the decision to launch the proposed 1,350-tonne plants. With every scale-up of the size of the plants, it has been found necessary to rely on "experienced" foreign firms to do the job since Indian agencies were always found inadequate. The experience, to the extent it is gained, in the setting up of one generation of fertiliser plants, is thus dismissed as of no consequence for the purpose of the next generation of plants. Essentially turnkey arrangements are favoured with every switch-over to bigger size.

The only exception to this trend was in the setting up of some of the 900-tonne plants. Indian technical agencies were able briefly to assert themselves in certain favourable circumstances and were able to convince even the World Bank specialists with their capability. Even here the condition was that they had to agree to supervision and monitoring of their work by some foreign firms — a condition to which they submitted. It was thus that they succeeded in securing a right to a substantial share in the construction of some of the World Bank financed plants, among them those at Nangal and Sindri.

But several "weighty" reasons were soon discovered to revise official policy in regard to the setting up of new fertiliser plants. It was argued that speed of construction and reliability of operations demanded that all eggs should not be put in one basket, especially an Indian basket. These arguments were advanced to invite a Japanese firm to set up plants of even 900-tonne capacity on what was called a "crash basis", side by side with the plants being set up under World Bank approved terms by the design and engineering division of the then unified Fertiliser Corporation of India.

Most interestingly, this line of reasoning was extended to apply to even the management of operating plants. A scheme for the break-up of the Fertiliser Corporation of India into smaller, and what were claimed to be more manageable, corporate bodies was pushed through with unusual energy and determination. How far the break-up of the FCI has served the ostensible objective of improving efficiency of the production units, of the design and engineering services or even of marketing is a moot point and will require detailed examination to determine.

But the more noticeable and direct consequence has been the sequestering of the design and engineering services which had been built up over the years with so much painstaking effort by a band of dedicated scientists and engineers in the FCI. The Planning and Development Division of the FCI has been restructured as part of reorganising FCI to be made an independent engineering and consult-

ancy company named Fertiliser Planning and Development India Ltd (FPDIL). But it is the one corporate body, out of the five which were created by breaking up the FCI, which has remained without an executive head and a functioning management body. It is also not without significance that FPDIL and its specialists have not been given any worthwhile say in the arrangements which have been negotiated for the setting up of the proposed 1,350-tonne plants. The entire decision-making process in this connection has been assumed to be the prerogative of the civil bureaucracy in the Petroleum and Chemical Ministry in association with a few selected executives in the industry known for their hostility towards Indian technical expertise.

It is learnt that the ruling fees of a foreign firm for the supply of process-cum-basic design engineering for the proposed 1,350-tonne ammonia plant are of the order of Rs 8 to 10 crores. If detailed engineering is entrusted to FPDIL, which it has the proven capability of undertaking, the cost of its services will come to about Rs 15 crores. But under the arrangements being negotiated, the foreign firms alone are being offered as much as Rs 40 crores.

It is argued that these additional fees will ensure speedy and reliable construction and any stoppage or shortfalls will carry stiff penalties for the foreign collaborator. This is exactly how arrangements in favour of Toyo of Japan for the plants at Bhatinda and Panipat resulted in the payment of double the fees paid to the FCI for the same work at Nangal and Sindri. Performance-wise, the work at Nangal and Sindri has a definite edge over what has been done at Bhatinda and Panipat.

The contention of Indian technical opinion, which wants to limit foreign participation to the minimum essential, is that the share of the foreign collaborator in technical costs can and should be reduced to the proportion of one for the foreign services and three for Indian services without any risk. This is the position with respect to the construction of the far more difficult coal-based plants at Talchar and Ramagundam. Again, even in the case of the World Bank-aided projects at Nangal and Sindri, the two sides were able to share these costs half and half. There was no reason why the Japanese should have been allowed for similar plants at Bhatinda and Panipat to double their share of technical costs. It will be worse if, as appears likely, the technical fees to be paid to foreign collaborators for the proposed plants based on Bombay High are further raised.

POLITICS

Money for All

Mohan Ram

WHATEVER be the truth of former US Ambassador Daniel P Moynihan's claim about secret US Funds being made available for the Congress party at the 1967 elections — and in 1959, directly to party President Indira Gandhi — the fact is that the Government of India itself has admitted that foreign money did play a role in the 1967 elections.

After the 1967 elections, following widespread apprehensions and allegations about foreign involvement, the Government of India instituted a discreet inquiry into the matter. The report of the Intelligence Bureau which was entrusted with the inquiry was not made public But the New Delhi correspondent of a leading US daily reported in 1968 that the inquiry had established that all the important political parties had benefited from foreign funds in the 1967 elections. The government dismissed the newspaper report as a conjecture but would not go beyond sharing with Parliament the cryptic conclusion — that foreign money had played a role and the government would take measures to prevent such inflow of foreign funds in future. This assurance was the starting point which finally led to the legislation to regulate flow of foreign money to vital areas of Indian life, like political parties, academic institutions and the media.

Those early allegations about the role of foreign money in subverting Indian institutions and processes came in the wake of disclosures in the United States on the role of the CIA. What added to the fears in India was the fact that foreign governments held huge rupee resources; and these foreign governments included not merely the US with its vast PL-480 rupee accumulations, but also the Soviet Union and some other East European countries which too held rupee accounts (result of rupee trade) in India.

It is possible that the then Home Minister, Y B Chavan knew about the role of foreign money at the 1967 elections in all its ramifications and the report in the US newspaper was not altogether unfounded. When an embassy held rupee accounts, it was possible to divert funds to promote or thwart the chances of not merely a party, but also of a particular candidate. If the United States poured money to secure the defeat of the Communists in West Bengal in 1967 and in Kerala in 1959, it is equally possible (and almost certain) that money was also spent to secure the victories of 'progressive' candidates even from outside the Communist parties.

Much before the 1976 elections, Parliament had heard of the Bank of China's role in India. The bank had wound up its sole branch in India (in Calcutta) amidst deteriorating Sino-Indian relations. But following allegations that certain Indian communist leaders had benefited from their Bank of China connection, an inquiry was instituted. But once again the report, ready in 1965 or thereabout, was not published. The suspected reason was that the report had found that, apart from communists, prominent personalities of the ruling Congress party and their families also had benefited from the Bank of China connection.

The reluctance of the government to take Parliament into confidence on the details of the Intelligence Bureau's report in 1967 elections is therefore understandable. The excuse given then was that the inquiry was not a formal one and the findings were not based on firm evidence. But what is rather obvious about the operations of foreign money is that the Congress, the Praja Socialist Party, the Jana Sangh and the anti-communist parties in general have benefited from western funds (not limited in origin to the United States) while the CPI and its 'progressive' allies inside the Congress and outside have been helped from the rival quarter. Since the Congress was involved, it would not have suited the government to say more about the findings than what Y B Chavan did in the Lok Sabha. It is also possible that the report of that inquiry might be unpalatable not only to the party which ruled India then but to the conglomeration that now constitutes India's ruling party.

LABOUR—I

New Threat to Public Sector Labour

Timir Basu

THE Bureau of Public Enterprises (BPE) has been of late emerging as a threat to public sector workmen. This is illustrated by the recent happenings in Garden Reach Shipbuilders and Engineers (GRSE) where some 10,000 workmen have been on strike since January 22. The workers' demands include implementation of the written assurances by the management in respect of settlement of their charter of demands. But what the authority agreed to concede was later withdrawn at the instruction of the BPE, thus reducing collective bargaining to a farce.

The Garden Reach Workshop (GRW), a joint venture of British India Steam Navigation Company and Rivers Steam Navigation Company, was set up in 1884 and was subsequently converted into a limited company in 1934. The firm was taken over by government in April 1960, since then its story has been generally one of steady growth and progress in production and diversification. The company is no longer a tiny dockyard engaged in ship repairing jobs; apart from being closely involved in production for defence, it manufactures vessels required for maintenance of ports, sophisticated equipment, road rollers, structural goods, to name only a few of its products. In West Bengal alone it possesses seven units and its new plant at Ranchi is specially designed to manufacture marine diesel engines with West German collaboration. Mahaganga, Asia's biggest estuarine dredger built by the GRSE, is being used by Calcutta Port Authority in the Sagar-Haldia channel.

The pay and allowances of the workmen of GRSE compare unfavourably with those existing in other public sector undertakings. The organisation is also understaffed and recordkeepers and cardwriters who are deployed for clerical work against their will are at the same time denied the status and remuneration of clerks. Draughtsmen do not get the appropriate grade while engineering diplomaholders are designated as supervisors. Office assistants have been kept outside the purview of industrial benefits rendered to different sections of workmen for no fault of their own. Nowadays an unskilled labourer draws an all-inclusive pay of Rs 440 per month while a highly skilled hand does not get more than Rs 561. A charter of demands presented to the management sometime in early 1977 included upward revision of wage, abolition of contractual practice, employment of apprentices after successful completion of training period, rationalisation of DA. The charter also demanded the reinstatement of four employees who were detained under MISA during Emergency and who were subsequently dismissed for alleged 'Naxalite' activities. The GRSE authority paid little heed to them, leading to further discontent among the workers and a token strike on December 31, 1978. Discussions with representatives of the employees who are now fighting under the banner of joint action committee comprising all the political trends followed in Delhi and some commitments were made by the authority. To back away now from that original commitment amounts simply to breach of trust but the GRSE management hardly differs from private sector management in this respect.

In a letter of February 26, 1979, addressed to the minister for defence production, the Garden Reach Workshops Mazdoor and Staff Union led by the AITUC urged the minister to go through the recorded minutes of earlier discussions between the representatives of workers and management as the records would speak for themselves why the workmen had to resort to strike. According to these minutes, on May 27, 1978, the joint secretary, ministry of defence production, had assured in writing that "the workmen would not lose anything in view of the fact that the ensuing settlement which would be arrived at for a period of at least five years might be given effect from January 1, 1977". The managing director of the GRSE was a party to this commitment. What is more, on July 11, 1978, the managing director had further agreed that "workmen would not lose anything since the agreement so arrived would be given effect from January 1, 1977" and that the "charter of demands in respect of the workmen of GRSE would we settled irrespective of the fact whether the tripartite engineering settlement is finalised or not". Again on January 18, 1979, the minister of defence production had assured the workmen that all commitments, whether written or verbal, would be honoured.

On March 8, the forty-sixth day of strike, the joint action committee appealed to the Union defence minister to intervene. According to the joint action committee, the workmen were compelled to go on strike because the GRSE management, at the instance of BPE, had refused to honour written commitments. Earlier on March 3, the central trade union had called upon the Union government to direct the management of GRSE to settle the disputes through collective bargaining in terms of the agreed commitments.

The crux of the matter seems to be that the BPE has been urging the GRSE management to agree only to a settlement in accordance with the tripartite agreement in engineering industry in West Bengal. If a settlement in accordance with that tripartite agreement were to be imposed in GRSE, the workmen will lose even many of the existing rights and facilities, let alone the extra benefits which they are demanding and which are presently enjoyed by employees of other public sector undertakings. All that the GRSE authority is willing to concede is just Rs 500 in lieu of back wages.

What is happening in GRSE needs to be seen in the context of the Bhoothalingam panel's recommendations. The wage freeze and the attempt to evade written commitments implicit in the actions of the GRSE management will further encourage private employers to indulge in similar practices. The expenditure on labour has gone down to 12 per cent in recent years against 36 per cent in early sixties in terms of annual production value. The BPE wants to lower it further.

LABOUR — II

Poor Award for Textile Workers

Sandeep Pendse

EVERYONE was impressed by the award in the Bombay textile labour wage dispute announced on April 13 by the chief minister of Maharashtra and the Union Industries Minister. The media made sure that everyone would be impressed. The award was described as epoch-making, unprecedented, etc. The textile workers, however, were not impressed; they were disappointed. The largest rally of the campaign was on April 15, called by the unions which rejected the award. The protest strike on April 16 (once again described by the media as a 'failure') evoked a larger response than expected by most; 60 to 70 per cent workers participated in the strike; 30 mills were affected; eight were completely closed and the rest had nominal attendance. Another eight mills, claimed to be strongholds of the striking unions, were also closed, as Monday happened to be their weekly holiday. The statement of the Rashtriya Mill Mazdoor Sangh (RMMS), which actively opposed the strike, also broadly accepts this claim, though unwittingly.

The protest strike was, however, only symbolic. The threatened indefinite strike has been averted, or rather aborted. The RMMS, never a part of the move, sought the first opportunity to back out. The Girni Kamgar Sabha (GKS) of Janata heaved a sigh of relief and, expressing its satisfaction with the award, called off the strike. The three red-flag unions, *viz*, Mumbai Girni Kamgar Union (AITUC), Lal Bavta Mill Mazdoor Union (CITU) and Mumbai Kapad Kamgar Sanghatana (Lal Nishan), were not in a position to carry out an indefinite strike on their own. A protest was registered but the award has been imposed. Peace has been secured, however temporarily.

Many things about the award, its method as well as its terms, are objectionable. The workers have every reason to feel cheated. The basic problems have remained unsolved. The award grants an increase of Rs 45 pm net. The workers will also get an annual increment of Rs 6 p m, including DA, for the next five years. Considering the indirect burden (provident fund, ESIS, leave wages, bonus and gratuity) the total gains are Rs 61.26 p m. The disappointment with this figure is not unreasonable if the current trend in other industries, the demands of the workers and the existing conditions of textile workers are taken into account.

Wages in the textile industry are surprisingly low. In spite of the history of organisation and struggle (as well as the organised large-scale nature of the industry), the textile unskilled worker gets only Rs 468 p m, if he gets work for 240 days or more in a year. Further, there are no fixed wage scales with definite annual increments, he gets no casual leave, his jobs have not been classified and standardised and 240 days of work in a year is a compulsory condition to avail of any casual leave whatsoever. There is in addition the problem of 'badli' (leave vacancy) workers, who have no guarantee and security of employment. 'Badli' workers form nearly 30 per cent of the total workforce in the textile mills of Bombay. There are in addition a sizeable number of workers employed on contract basis.

An overhauling of the entire structure of service conditions rather than a mere wage rise was thus the natural demand of the textile workers this time. The rising profits of the mills over the last two years (seen by the workers in the working of all machines in all the shifts) had added to the workers' determination. The recent jute industry settlement of West Bengal had been cited by the unions. The jute workers not only received Rs 65 as wage rise but also secured a committee to go into the question of standardisation of service conditions and guarantee of wages for leave vacancy workers. The terms of the award which ignore these problems were unsatisfactory.

The manner in which the award was given was equally objectionable. The red flag unions have termed it as a betrayal and a unilateral imposition. Neither the chief minister nor the Industries minister had been accepted as an arbitrator, except by the RMMS. The four other unions, including the GKS, had agreed to mediation only. The settlement was to be between the unions and the Mill Owners' Association. The unions had in fact insisted that no figures should be announced without consulting them. The evening of Friday, April 13, saw a virtual breakdown of negotiations. The owners, starting with Rs 12 p m as the increase, refused to move beyond Rs 29 p m. The non-INTUC unions asked the ministers to end the mediation efforts. The strike seemed certain. The ministers however asked for a few hours more, to make a final effort. The union representatives were called to the chief minister's residence at 9 p m. At the scheduled hour the award was announced simultaneously to the press and the unions. There were obviously no negotiations. All specific undertakings had been ignored. The minimum demands of the workers had been trampled upon. Only the Janata union could pretend to be happy. With the involvement of George Fernandes, it could not have done otherwise anyway.

The role of the GKS in this dispute had been dubious from the beginning. Its very formation in 1977 was more a political move of trying to consolidate anti-Congress feelings than a trade union initiative. The focus of its attempts had been to displace the RMMS as the recognised union. It did not really challenge the unpopular Bombay Industrial Relations Act, but only sought a secret ballot within its framework to determine the representative union. The tendency of this union to withdraw from the struggle at the last moment had first become evident in 1977, at the time of the bonus struggle. This time too its uneasiness with the developing situation and the looming strike was visible. The strike was scheduled originally for March 29. It was postponed in response to an appeal and assurance of mediation by the chief minister on the floor of the Assembly. The GKS's efforts at mobilisation till then had not been much in evidence. Even later it was not very much noticeable.

GKS had to ally with the red flag unions as one of the compulsions of the situation. Not a single joint meeting was held nor was any joint statement ever issued. Persistent suggestions (by the Lal Nishan's MKKS) to create a general council for the strike, consisting of worker activists of all unions, were turned down. It was also suggested that the terms of the award should be approved or rejected by a meeting of worker activists from all the mills. This too

was turned down. This form of democracy was considered by the GKS as unworkable.

Political considerations, it is clear, have shaped the award. The demands of the RMMS have been met to a large extent. This, it is hoped, will stem the steady erosion of its base. At the same time, the involvement of George Fernandes is expected to enhance the prestige of the GKS. The communists, it is thought, have been isolated. The efforts made by the RMMS and GKS activists to coax the workers (and in places to force them) to go to work on April 16 certainly indicated new alliances. It was a confrontation between the communists and the anti-communists. Polarisation among textile workers will certainly be rapid in future. The lines are getting drawn more sharply.

Coal-Railways-Steel Tangle

ONE of the curious features of the Indian polity is that once a problem crops up, it hardly ever is solved, even partly. The backlog of unresolved problems continues to mount and people learn to live with it. A typical case is the wrangle between the railways and the coal department which has been going on for over the last one year. At the start it was all a kind of joke about how our government works, or does not work, but in course of time it has become a tragedy that can cost the nation dearly.

The whole episode is so full of contradictions that it is difficult to understand how such a situation could arise at all. The coal department is saying that there are nearly 13 million tonnes of coal at the pitheads and that, except a small part, much of this stock is eminently usable. Curiously, coal production in 1978-79 is not likely to be any higher than in the previous year. The final figure is likely to be around 102.5 million tonnes at the most, against 101 million tonnes in 1977-78. It would thus be fair to conclude that the Indian economy has burnt less coal during the current year. And yet the industrial sector has still managed to achieve a growth rate of something like 8 per cent. How could this happen?

Similarly, the railways are claiming that the rate of wagon loadings in the vital Bengal-Bihar coalfields during the first two and a half months of 1979 has been higher than in the corresponding period of the previous year. The railways would like us to believe that the bottlenecks lie in slow loading and unloading operations which do not fall within their area of operation. The question is if the railways are doing their part of the job so well, how is it that one industrial unit after another is being forced to go in for road transport, though road transport rates for coal are being merrily raised? How is it again that complaints are pouring in from all parts of the country of coal shortage?

By early March a situation had developed when the five public sector integrated steel plants (Rourkela, Bhilai, Bokaro, Durgapur, Indian Iron) were virtually forced to scrape the bottoms of their barrels to keep themselves going. Their total stock of coal at one time had come down to just about 110,000 tonnes against a norm of about 500,000 tonnes.

The steel authorities managed to save the situation, as they had done on similar occasions in the past, by cutting down drastically the number of coke oven pushings. Some of the ovens were blanked out and some of the units just managed to carry on by hurriedly drawing upon the imported low-ash coal without even waiting to get it blended with local supplies. But there is a limit to cutting down the number of pushings and, if the emergency situation continues for much longer, the health of the coke ovens may be severely affected. That would create an entirely new type of problem. But who is afraid of such things? Not certainly the government.

Ever since the dislocation caused by the flood during the last monsoon, the railways have been faced with a backlog of held-up traffic. It is also believed that a larger-than-usual number of wagons are now out of circulation as they are not fit for use because of missing parts of delayed repairs. In the past, when the pressure on the wagon fleet was less, the railways could afford to leave wagons in the colliery sidings for longer hours for loading or unloading. Now they cannot, but the efficiency of coal handling cannot be raised by pressing a push-button. Sometimes even half-filled or half-emptied rakes are taken out of the sidings and the wagon turn-round time has become longer.

For all this, the authorities cannot ignore, ostrich-like, the real problem. The hard fact is that the level of discipline in our railways and in our coal mines is steadily going down and the crisis is but a symptom of this malaise. The government in its wisdom has chosen to keep the question of bonus for the railway staff hanging for a long, long time. It is certainly an issue of wide-ranging implications but what is difficult to understand is what the government expects to gain by dragging its feet over it for month after month. On the coal front also the workers are pressing for a rise in their minimum wages and increases in other fringe benefits. They had already observed a one-day token strike on February 5 and are expected to take a decision on whether to go on an indefinite strike soon.

As past experience shows, labour productivity and discipline, which even in normal times are not something to write home about, are always the first casualty when workers prepare for some sort of 'action'. And what is happening in the two primary sectors of our economy only confirms the truth of this statement.

The Janata government has been calling even the smallest of the small unions in all-India industries like steel, coal and railways to the conference table, irrespective of whether they are recognised or not. But the trade union culture — to use a much-used word in these days — being what it is, the gesture is only construed as licence to do many things that should normally not be done. Side by side, the country's political culture is also such that ministers would rather bash at the chairmen of companies than at the trade union leaders. But, there are good men and bad men in all groups and till the authorities learn, and choose, to make a distinction between them, things would continue to remain much the same.

The coal-railway controversy has become only the most demonstrative case of how a problem should not be tackled. There must be other such cases. They call for a little more co-ordination between the administrative ministers. Is that too much to expect?

Colombia: Another Chile, Argentina?

Rosemary E Galli

AMERICANS are very familiar with Madison Avenue's stereotype of Juan Valdez, the hardy Andean Mountain coffeegrower, carefully selecting his beans for export to the United States. They know by ill repute his counterpart in the semi-arid low-lying plains of the Guajira supplying the well known Colombian gold on contract. Yet, beyond these stereotypes Colombia remains a mystery. And that is the way the government of President Julio Cesar Turbay Ayala would prefer it to be. For behind the smile of the proud Juan *and the lucrative harvests of dreams* and behind the facade of civilian government, dubbed by President Carter as a bastion of civil rights, lies the bloodied baton of military rule. For over twenty years, Colombia has been under the classically Latin American state of seige.

Military repression is not new to Colombia: peasants have been its object since the beginning of Spanish conquest. In the twentieth century workers, too, have felt its heel. The massacring of striking banana workers on United Fruit plantations is celebrated in Garcia Marquez's "One Hundred Years of Solitude". Under the government of President Lopez (1974-1978) strikes themselves were declared illegal. In 1977, on the occasion of a general strike in September, the government sent out the troops to "keep order". The death toll is unknown but over fifty deaths were reported in the US press.

Since 1978, the army has made a sweep of national universities, arresting and torturing students suspected of urban guerilla activities. As reported in the *Chronicle of Higher Education* (December 4, 1978), 34 students were alleged to have undergone torture, causing an outcry in the country. Now that outcry is being stifled as the military turns its weapons against all unorganised left opposition among the middle classes. Doctors, lawyers, architects, university professors, ex-magistrates, retired military personnel, artists, editors have been rounded up and subjected to the ten day detention rule by the military. Also arrested were the editor of *Siglo XXI* and several other Argentinians, a number of Uruguayans alleged to be tupamaros and several Germans, one of whom was an arms dealer (*El Espectador*, February 4). More than 3,000 have been rumoured to have been arrested during January 1979. The exact number is unknown. Five are said to have died under torture.

The pretext is a sweep of the country for militants operating under the banner of the Movimiento — 19 (M-19), an urban guerilla group that arose in 1974 to carry out a number of spectacular operations including kidnapping, assassination and the January robbery of over 5,000 weapons from a Bogota military arsenal. The M-19 was borne out of the deep sense of frustration with electoral politics in Colombia. Since its independence from Spain the the country has been ruled by one of two parties, Liberal and Conservative, and for many years was ruled by a coalition of the two parties under a National Front. In 1970 that coalition was challenged successfully by a populist party known as ANAPO. However, the outgoing government defrauded the electoral count on April 19, 1970, and ANAPO was not allowed to take power. The name M-19 refers to that event.

Among Colombians at large, elections have little significance; only 35 per cent of the population generally bothers to vote. Thus the great mass of people express their dissatisfaction through passive resistance. The M-19 represented a small proportion of people — generally intellectuals and upper and middle classes — who chose the path of open and violent confrontation with the political system. This contrasted radically with the growing numbers of intellectuals, workers and peasants who have been organising to form electoral coalitions and platforms for a constitutional seizure of power. Neither segment of the left has a mass following and only a strategy of a broad alliance of opposition offers such a possibility.

The M-19 has provoked the confrontation it was seeking: the Constitution has been suspended; the military has taken over the enforcement of law and order and the violence is escalating. But instead of polarising society, the situation has only allowed the military to consolidate its power further, to pick off its "enemies" one by one and to institutionalise torture as another instrument of repression.

The "enemies" not only include the left but any outspoken critic of the government. The government decrees suspending the civilian judicial process, known as the Estatuto de Seguridad, have been under attack by Supreme Court justices. On February 9, these justices were publically threatened by President Turbay for not toeing the official line. On that same day, it was announced that a young niece of one of the justices, Maria Velasco, a sociologist of the National University in Bogota, was arrested by the military. The three top sociologists in the country have been arrested: Orlando Fals Borda, Maria Cristina Salazar de Fals and Saturnino Sepulveda, all awaiting charges. An internationally known anthropologist, Nina Sanchez de Friedemann, was dismissed after fifteen years in the Institute of Anthropology for refusing to sign a letter of loyalty to the director of the Institute. She was the twelfth such anthropologist to be fired for this reason. Her life has been threatened.

As the repression grows, Colombia begins to take on the aspect of Chile and Argentina. Why? One reason we have seen is that the Colombian political system has lost all claim to legitimacy, at least among the great majority of people in the country. The Employment Programmes begun under the Pastrana government in the 1970s

and the Social Welfare Programmes initiated by Lopez Michelsen in 1974 have failed or at least have not had much impact; they are thus being replaced by open military coercion in the Turbay government.

In Colombia, as in most parts of the world, the divide between rich and poor has widened in the 1970s. Close to 80 per cent of the land is monopolised by a small number of families. Nineteen thousand individuals control more than 17 million hectares out of a total of approximately 24 million hectares in agricultural use. On the other side of the equation were one million peasants farming only about 7 per cent of the land and receiving somewhat more than 20 per cent of agricultural income.

Colombian workers had been experiencing a decline in real wages since 1970; their income in 1978 was 87 per cent of what it was in 1970 in real terms. Workers' salaries made up only 37.9 per cent of the total GNP in 1977, a figure also in decline. The very limited dimensions of the internal market has meant that Colombian industry has had to find export markets in order to expand and also in the direction of capital-intensive rather than labour-intensive technologies. Thus, Colombia, like most Third World countries, has found itself facing a paradoxical situation of rapid industrialisation and growing unemployment. Open unemployment in 1975 was 14 per cent. This figure did not include underemployment which was calculated in an official Census of 1964 as 18.8 per cent in agriculture, 17.55 per cent in industry and 17.18 per cent in the services sector. The unemployment situation has continued to be aggravated by peasant migration to the large cities. Bogota is one of the top ten fastest growing cities in the world.

The coffee "boom" of 1975-1977 increased Colombian reserves to US$2 billion but it also caused a rampant inflation in the country. The Federation of Coffee Growers invested much of the coffee profits in US Treasury Bonds, some of it in banks and industries, and the rest in speculative enterprises such as real estate. Another source of easy money has come from commerce in marijuana and cocaine. This money is laundered in many ways, but not in the form of productive investments to relieve unemployment. Moreover, the 35-40 per cent annual rate of inflation since 1975 has eaten away at the incomes of peasants, workers and the salaried middle classes.

Thus, Colombia finds itself in a similar, although less pronounced, situation as Chile, Argentina and Brazil: countries whose booming export possibilities have worsened the internal distribution of income.

In the face of increasing inequality in Colombian society, the government is called upon to contain popular discontent. Since the state represents only the ruling classes and mainly those profiting from coffee, drugs and other exports, it has no interest in modifying the social or economic structure and chooses to defend it with all the weapons at its disposal. What is *new* about the present stage of repression is that it has not only turned against the left, and particularly the petty-bourgeoisie of the left, but has also spread to dissenters among the aristocracy.

UNITED STATES

Heroic Victims

Noel Castelino

THE Oscar awards can be very handy tools in the rewriting of history. Having received its measure of Oscars and critical acclaim, Michael Cimino's film, "The Deer Hunter", is bound to reach millions of cinema-goers around the world in the years to come. The film is an attempt to depict the Vietnamese people as a barbarous race and the Americans as well-meaning people who somehow blundered into an Asian snake-pit.

Three young steel-workers, Michael, Nick and Steve, are called up for the war from the warmth of their closely-knit Russian immigrant community in Pennsylvania. We see a traditional Russian wedding against a backdrop of American flags, with lots of dancing, loving and vodka, followed by a deer hunt amidst some beautiful scenery in the Alleghany mountains.

The scene shifts without warning from a quiet Pennsylvanian bar-room to a Vietnamese village: a group of women and children lie huddled in a shelter. An NLF soldier discovers them and flings in a grenade. A woman runs out with her baby and the soldier takes aim. But Michael (the deer hunter) is at hand and stops him dead with a flame-thrower. Justice is meted out and the American presence vindicated.

Michael, Nick, Steve and some others are now held in a cage by NLF guards whose favourite pastime is a form of gambling in which their prisoners are forced to play Russian roulette. The images are explicit: a prisoner takes a gun to his head. The suspense mounts while he hesitates. The sadistic commissar goads him on until he pulls the trigger. Jets of blood are shown streaming out of his head as he subsides to the ground.

The three Americans manage to escape. Nick ends up in Saigon's underworld as a drug addict and professional player of Russian roulette. It seems that the Vietnamese on both sides love to bet on this game, especially when there are white players to provide extra titillation. Steve returns to Pennsylvania as a cripple and Michael as a decorated hero. Michael makes an attempt to rescue Nick from Saigon but the latter loses an ultimate game of Russian roulette. The film closes to the strains of "God Bless America" after Nick's funeral in his home town.

This film is the kind of lie that says: "The truth is more complicated than you think." It admits that the Viet Nam War was a mistake and then identifies the main victims of that war as Americans. In a recent interview with a French film and television magazine called *Telerama*, Michael Cimino said he had not found any time (in this three-hour film) to depict the sufferings of the Vietnamese. "The Deer Hunter" is thus an attempt to exorcise the demons of the past without coming to terms with the disaster visited upon the land and people of Viet Nam, like someone who keeps returning uncomprehendingly to the scene of his crime.

The film is also distinguished by its lack of moral and aesthetic integrity. In his interview, Cimino said that the Russian roulette scenes (he could not vouch for their authenticity) were necessary to create suspense. It is a measure of the decadence of this film that it should draw upon all the resources of colour photography and wide-screen projection to create fear as the medium for a political message. In doing so it brands itself unmistakably as the product of a corrupt and heavily armed society and reveals a trend that bodes ill for the future.

A Political Testament

If I Am Assassinated... by Zulfikar Ali Bhutto; Vikas, New Delhi, 1979; pp 243; Price Rs 35.

FROM March 18, 1978 when the Lahore High Court announced its verdict in the Nawab Mohammad Ahmad Khan murder case sentencing Zulfikar Ali Bhutto and four others to death to the early morning of April 4, 1979 when Bhutto was hanged, he was confined in "a congested and suffocating death cell" in the Lahore and Rawalpindi district jails. It would be unfair to judge a book written under such conditions, "with the paper held on my knees", as anything but a political testament. The book is actually two books in one.

Part of it, almost the whole of the first eight chapters, is an attempt at refuting the voluminous White Paper that the martial law regime produced on the "Conduct of the General Elections in Pakistan, March 1977" which sought to show that the widespread protests (which the Bhutto regime suppressed with a heavy hand, and in the course of which more than 200 people were killed before Bhutto himself was deposed) against the "rigging" of the elections were based on legitimate grounds, for the Bhutto regime itself had maintained voluminous records of such plans for rigging. Bhutto's efforts to discredit the White Paper are anyway not very successful; but no matter. What comes off most strongly in this part of the book is the tremendous confidence that Bhutto displays, so much so that frequently he is admonishing his tormentors for not presenting a more credible case against him.

But the interest of the book does not lie in the rather unconvincing refutation it attempts of the charges of rigging the March 1977 elections, or in the more convincing and telling points Bhutto has to make on the findings of the second White Paper which details the "misuse of mass media" under Bhutto. What is of greater interest and also of greater political relevance is the 'other book' interwoven into this testament (roughly the last five chapters) constituting Bhutto's reflections on Pakistan and its place in history which also amount to Bhutto's reflections on his own place in history.

Bhutto never lost faith in the system that had produced him even though he was on the point of being killed by the very instruments he had devised in defence of that system. That Bhutto was so much a child of the system, that he was so authentically a product of the Indian muslim gentry which provided the political and intellectual leadership to the Pakistan movement is again and again demonstrated in this testament where the dominant note is one of outrage.

One of the charges made against Bhutto was that he perverted and almost destroyed many of the established institutions in Pakistan. But even though Bhutto might have subjected many of these institutions to severe strains, it is significant that he never tinkered with, never 'played politics', with the one permanent institution in Pakistan, the armed forces. Nor, for that matter, did he really attempt to break the power of the Islamists, and while scoffing at them, also pendered to them without a qualm. Thus, in this testament, almost before he properly gets going, Bhutto has to discredit the testimony of the secretary to the election commission on the ground that the person concerned was not merely related, albeit in a distant manner, to Masood Mahmud, the director of the Federal Security Force and the principal approver in the murder case which finally led to his conviction, but also on the ground that he was an 'Ahmadi' and so bore a grudge against him (Bhutto) for the measures he took in declaring the Ahmadis to be a 'minority community' in Pakistan. That measure, like the other measures taken by Bhutto towards the end of his rule, was entirely in character, for it is most unlikely that Bhutto himself had any strong views on the matter; the party he headed had anyway more pressing priorities and had made more material commitments to the people; and yet, the last weeks of Bhutto's rule were occupied with initiating many measures to further 'Islamise' the country, for which, to go by the evidence of this book, Bhutto took great pride.

Or take the matter of the army and its role in the politics of Pakistan. The testament shows that Bhutto held only the conventionally 'correct' view that the armed forces should not be allowed to 'play politics'. It also provides many details of how it was he who nursed and cherished the Pakistani army and give it the muscle to enable it to strike at its master. He even quotes Zia-ul-Haq's own testimony to the effect that under Bhutto, the Pakistan army received the utmost "attention and affection", and yet is paradoxically outraged and indignant that the army should want to bite the hand that had fed it so generously. He even goes to the extent of arguing that Islam is in danger under the generals — a less than credible tactic to mobilise opposition to the generals.

In fact, these reflections on Zulfikar Ali Bhutto and his place in History (naturally with a capital 'H') are a strange mixture of potted history, fictional recreation of the past (there are references to Bhutto's anti-imperialist pretensions going back to his school days, and a letter to the French President written from the death cell which speaks of Bhutto's being a follower and fellow freedom-fighter of Jinnah and Nehru), reflections on the destiny of Indian Muslims and the unique nature of the political system of the sub-continent with recondite references to both Ashoka the Great and the Panchayat system, rhetorical flourishes to the effect that the time for playing marbles is over and that his tormentor should cease to play at being the Mehdi, and many dark references to mysterious, but identifiable 'foreign hands' who are accused of engineering his fall. At the same time, there is no attempt at examining his own role in the developments that culminated in the invasion, defeat and dismemberment of his country. Nor has he anything to say on the conduct of his regime towards the provincial governments in the Sarhad and Baluchistan or towards former leading members of his own party who had had left him, except to justify those actions on grounds of national security. Loyalty to Pakistan, in Bhutto's view, meant loyalty to him personally; and if the generals and the mullahs are damned as American stooges, any opposition to him from the Left was equally strongly damned as being communist-inspired

But this very incoherence is the strength of this narration; for better than any properly 'composed' book, the outpouring truly reflects the man, both his strengths and drawbacks. Zulfikar Ali Bhutto was very much part of an authentic lineage of political leaders of the sub-continent, though it is possible that other political cultures too have given birth to their own Bhuttos. What is universal to leaders of his mettle is an effortless graduation into positions of leadership by virtue of some very material advantages that they enjoyed.

[illegible] seems to have been, in most of these cases, influenced by mere habit and tradition, and not out of any deep convictions. This is not to suggest that they did not bring to bear on their chosen profession all their intelligence and even passion, and at some point in their careers, they perhaps even began to believe in their own rationalisations. They also succeeded in earning the goodwill and affection of the mass of people, not because they succeeded in ameliorating their miserable conditions, but because they highlighted this wretchedness with a view to using the disaffection as a weapon to fight their own battles.

The arrangement worked in the relatively civilised battles that these stalwarts of the freedom struggle in undivided India waged against their imperial masters — struggles in which the leaders themselves suffered few personal privations even as they further exhorted the mass of their followers to make the utmost sacrifices But the arrangement could not last under altogether altered circumstances, when fresh battles had to be joined against native rivals and opponents, broadly belonging to the same classes.

A notable feature of this testament is the fairly numerous references to India and its politics It is clear that Bhutto, like so many among the Muslim elite of the sub-continent, was both fascinated and repelled by "Hindu India' The feeling of repulsion is understandable, and Bhutto is unrelenting even in this last testament about his determination to keep Pakistan on a 'separate and equal' keel. But this obsessive desire to 'show' India that Pakistan is more than a match to her barely conceals a wistful admiration for this country's political culture. This is perhaps not very surprising, for Bhutto could have risen to great heights as a politician even, perhaps especially, in India Certainly, his credentials were much better than that of many 'nationalist Muslims' who were merely suffered by the Congress leadership; and he had greater talents and political intelligence to take him far in Indian politics

The question whether Bhutto's refusal to 'bend' before the martial law authorities and plead for his life was due to his hopeless belief that they would never dare touch him, or whether it was due to his conviction that he had indeed come to the end of the road and would not bear further humiliations, will never be resolved. Being an intelligent man, Bhutto probably saw the logic of the military coup and the inevitable course it had to take; but a [illegible] martial law authorities, in every sense his own creatures, could be actually planning to murder him — is also evident. The defiance that is in evidence throughout this testament [illegible] pride that as a civilian and duly elected leader he would not plead for his life with an army man, as to a different kind of price brone out of his awareness of his own position in 'History'.

India in 2000, with Ifs and Buts

Thomas Timberg

India in Perspective: Development Issues, Volumes I and II; Volume I by D N Basu, Volume II by A Lahiri and R Nagarajan; Arnold-Heinemann, New Delhi; Volume I pp 263, Rs 50 and Volume II pp 307, Rs 50.

THE books under review represent projections by various sorts of simulation and iteration of India's use of resources and development over the next few decades, done professionally and competently The attempt highlights the differing results that will follow from varying policy inputs and outcomes and highlights the policy choices presented

One is, needless to say, happy to inform the reader that the future is medium bright Under the worst of four scenarios — high population and low economic growth — the total size of the GNP will treble and per capita income a little less than double by the year 2000 Under the most optimistic scenario the total GNP will increase more than four times and per capita income almost triple Under the best of scenarios, only 2 per cent of the population will find themselves under the absolute poverty line (Rs 27 a month in this case) in 2000 and under the worst still only 30 per cent will be in absolute poverty These figures contrast with the figures in the "World Development Report, 1978" which, in talking about low income countries as a whole, gives a "base" scenario showing 27 per cent in poverty by 2000 and a happier "alternative" one in which 13 per cent are in absolute poverty. Even in the optimistic version sufficient foodgrains will be available, presuming the most minimal of technological improvement, and surpluses are considered highly probable. Sufficient supplies of aluminium and iron will be available and coal for fuel, though, unless prospecting turns out to be successful, large quantities of oil and smaller amounts of certain metal may have to be imported. The conclusion here reflects one of the limitations of the basically input-output nature of the matrix, since it excludes the sufficient development of alternative solar or nuclear or even fibre-based fuels to permit their economic substitution for oil — and these possibilities are explicitly disavowed on page 223 of Volume II. There is also an assumption that energy saving technologies will not change radically the industrial patterns of energy use.

We should note that the results of this effort by a team of researchers for the Operations Research Group in Baroda Parallel in general terms those contained in the Second India project (albeit probably most optimistically) and to some extent the work of J Kapur in Delhi as it has been described to me More broadly, this is of the genre of projections we have been deluged with since Forrester and the Club of Rome predicted global doom and suffers from the shortcomings of the genre The Russians have a saying that "if it weren't for the ifs and the buts he would have been a general a long time ago", in the same vein these surveys are no better, and sometimes worse, than their underlying assumptions

These projections most typically exclude revolutions, technological and social, of a sort that one can expect in a three-decade span. They presume constant technology and social structure. In addition, in this case the worst alternative seems over-optimistic. To start with, it presumes that the present obstacles to growth will remain roughly the same — incremental capital output ratios will rise slightly, by 10 per cent, and only after 1986, and marginal propensity to save will rise and stabilise at 13-14 per cent. The population growth rate will actually decline. One disappointing feature of the study is that ORG which runs one of the country's best market surveys was unable to draw on that body of data to get some sense of the likely direction of change in consumption and living patterns and relied instead on the National Sample Survey

In any case, despite the shortcomings, this is an essential book for those interested in charting India's future, alternative possible paths.

FERA: Appearance and Reality

Sudip Chaudhuri

A wide gap between the declared objectives of legislation and the actual results is nothing new in India. But what is distinctive about the Foreign Exchange Regulation Act (FERA) is that foreign companies are gaining through faithful implementation of the provisions of the Act. Violation of the Act's provisions, by taking advantage of loopholes or otherwise, has not been necessary.

This paper discusses the background, the declared objectives and the legal provisions of FERA, the guidelines announced for administering section 29 of the Act, the problems of implementation and the impact of FERA on the operation of the foreign corporate sector in India.

The discussion leads to the following conclusions:

(i) No inbuilt legal bias against foreign capital has been introduced through FERA. A section of the foreign corporate sector has in fact been excluded from the purview of the Act.

(ii) The hold of foreign firms over the corporate sector will be strengthened as a result of the implementation of FERA. Indian portfolio investors who participate in the share capital of foreign companies may benefit, but the benefit is likely to be limited, if the foreign firms now declare less dividends and repatriate a higher proportion of profits through other means such as, for instance, transfer pricing.

(iii) The foreign exchange outflow resulting from expansion of foreign companies is likely to increase.

AMERICAN transnational corporations (TNCs) Coca-Cola and IBM, both the largest in the world in their fields, have been asked by the Reserve Bank of India (RBI) to stop their operations in India for failing to comply with the provisions of the Foreign Exchange Regulation Act, 1973 (FERA). Fifty-two other firms are also in the process of winding up their operations in India.[1] The Union Law Minister has ruled out the possibility of any change in FERA and has emphasised the need for "self-reliance rather than inviting big foreign capital and allowing them to exploit the country".[2] Other ministers also have declared that the government is determined to implement FERA, pointing out that they are against any liberal policy towards foreign capital. But is FERA really restrictive? Is it going to hurt the foreign corporate sector as a whole in India? We shall try to analyse these questions in the present paper. In Section I we shall discuss the background and the declared objectives of the Act, and in Section II the legal provisions. Section III shall be devoted to the guidelines announced for administering section 29 of the Act. In section IV we shall be concerned with the problems of implementation of FERA and the factors explaining delay in implementation. In Section V we shall discuss the impact of FERA on the corporate sector. The emphasis here will be on whether foreign capital as a whole is being adversely affected or not.

I

Objectives of FERA

The preamble to the Act describes it as "An Act to consolidate and amend the law regulating certain payments, dealing in foreign exchange and securities, transactions indirectly affecting foreign exchange and the import and export of currency and bullion, for the conservation of the foreign exchange resources of the country and the proper utilisation thereof in the interests of the economic development of the country".[3] This gives the impression that in regard to foreign companies[4] the objective of FERA is not as such their regulation but the conservation of foreign exchange and its proper utilisation. Of course, the operation of the foreign companies has its impact on the foreign exchange situation, but the regulatory aspect is much wider in scope. The Union Finance Minister recently announced[5] that foreign companies may be allowed to retain a higher proportion of foreign equity provided they agree to use for investment purposes in India their earnings which otherwise would have been remitted abroad. This policy is consistent with the objective of conservation of foreign exchange but not with that of regulation of foreign capital.

Though not specifically mentioned in the preamble, it appears that the regulation of foreign capital is one of the major objectives of FERA. The official representatives of the Ministry of Finance, which is responsible for the formulation of the Act, pointed out while giving evidence before the Joint Parliamentary Committee on the Foreign Exchange Regulation Bill[6] that it was found necessary to replace the previous Foreign Exchange Regulation Act, 1947 by the new one, in order to deal effectively with the following three aspects:

(i) regulation of foreign capital in India,

(ii) regulation of employment of foreigners in India, and

(iii) making enforcement of provisions regarding foreign exchange leakages more rigorous.

Our interest in FERA in this paper is restricted to the first aspect. We shall be concerned with only those provisions of FERA and their implementation and impact which are related to the regulation of foreign capital.

The foreign corporate sector in India consists of:

(i) branches of companies incorporated abroad; and

(ii) companies incorporated in India (rupee companies), but controlled by foreigners.

Only the first group, however, is statutorily recognised. The definition of for-

...eign company under Companies Act, 1956 is simply that of a company incorporated outside India, but having a place of business in India.[7] Both in terms of the present size and the trend of growth, the second group is more important, but its existence as foreign controlled is not recognised in the Companies Act, 1956 or in the other Acts, like Monopolies and Restrictive Trade Practices Act, 1969 (MRTP). The RBI has defined a category — foreign controlled rupee company (FCRC) — which it uses in its studies on company finance, on international investment position, etc. FCRCs are Indian joint stock companies (i) which are subsidiaries of foreign companies; (ii) in which 40 per cent or more of share capital is held outside in any one country; (iii) in which 25 per cent or more of the share capital is held by a foreign company/its nominees; and (iv) which are managed by a foreign controlled managing agency company.[8] This category however does not have any statutory backing. In fact the concept is not at all used in the context of industrial licensing under the Industries (Development and Regulation) Act, 1951 [I (D and R) Act]. As one of the representatives of the Ministry of Finance pointed out, "any industrial activity is guided by that Act and there is no separate enactment which enables us to say to a concern with foreign equity 'you cannot do this'. So we thought this lacuna should be filled up."[9] Further, regarding branches of foreign companies no permission is required under the present law to establish a place of business in India, though after its establishment certain requirements (e g, submitting the names of the directors and the secretary, names and addresses of the authorised representatives, etc) have to be satisfied.[10] All these deficiencies are supposed to be removed through the enactment of FERA. To make a distinction between the Indian companies and the foreign companies, so that the latter may be separately regulated, appears to be a major declared objective of FERA.

In practice, of course, special conditions were at times imposed on the foreign companies. While granting licences under I(D and R) Act, or permission under MRTP, the government often asked the foreign companies to dilute foreign equity. It can also be questioned to what extent the failure to control and regulate foreign companies can be attributed to the lack of appropriate legislation. But this is a separate matter. Our main interest in this paper is to analyse whether the declared objective of regulation of foreign companies is being realised through the implementation of FERA.

II

Legal Provisions

For our purpose only section 29 — out of a total of 81 sections — is relevant. Under section 29 of FERA, all non-banking foreign branch companies and rupee companies[11] with foreign equity more than 40 per cent require the permission of the RBI to (a) carry on (b) establish (c) purchase shares of and (d) acquire wholly or partly any undertaking engaged in activities whether of trading, commercial or industrial nature.[12] Companies already existing at the time of commencement of the Act (i e, January 1, 1974) are required to apply to the RBI for permission to continue their business within six months (or as specified by the RBI). The RBI "may after making such inquiry as it may deem fit either allow the application subject to such conditions, if any, as the Reserve Bank may think fit to impose or reject the application".[13] If no permission is given or if no application is made, then the company concerned will have to close down within a specified period. It is important to note that section 29 of FERA is as such not prohibitive. It only requires permission to be obtained. What is more important is the basis on which the decision regarding the acceptance or the rejection of the application is to be taken. This is provided by the guidelines for administering section 29, announced by the government in December 1973 and later modified in April 1976. This is purely an executive action and lies outside the purview of the Act. To give an example, if the guidelines are such that all the companies are allowed to operate in any field without any restrictions whatsoever, then this will amount to total freedom for foreign capital will still be perfectly consistent with the implementation of FERA. No inbuilt legal bias against foreign capital has been introduced. There is ample scope for administrative manoeuvrability. If anything, what FERA does is to exempt a part of the foreign corporate sector from the regulations. Rupee companies with less than 40 per cent foreign equity may be foreign controlled but they lie outside the purview of the Act. More about this later.

III

Guidelines for Administering Section 29 of FERA

The guidelines[14] are essentially that foreign branch companies will have to register themselves in India with foreign equity not more than 40 per cent and rupee companies with more than 40 per cent foreign equity will have to reduce it to 40 per cent or below. This holds for all companies whether engaged in industrial, trading or other activities like consultancy, construction, etc. Foreign airlines and shipping companies will be treated on a reciprocity basis and hence for the present will be allowed to operate as before. Under certain conditions exemptions will be given. Industrial companies will be allowed to hold foreign equity upto 74 per cent if they are engaged in

(i) the core sector, i e, the production of items specified in Appendix I of Industrial Licensing Policy, February 1973. These are items classified under 19 product groups and include such products as steel castings and forgings, equipment for transmission and distribution of electricity, agricultural machinery, inorganic fertilisers, manmade fibres, drugs and pharmaceuticals, portland cement, etc;

(ii) predominantly export oriented industries (i e, minimum exports 60 per cent of total turnover);

(iii) manufacturing activities which need "sophisticated technology"; or

(iv) a combination of the above three such that the combined activities account for not less than 75 per cent of the total turnover.

Foreign equity upto 51 per cent will be allowed if

(i) the combined activities account for not less than 60 per cent of total turnover; or

(ii) exports account for not less than 40 per cent of total turnover.

Companies engaged in trading and other activities like consultancy and construction may be allowed to hold foreign equity upto a maximum of 74 per cent if they have developed skills or technology not readily available indigenously. In trading, however, no fresh foreign equity participation will be allowed. Tea will be considered

just like any other product in Appendix I and hence tea companies will be entitled to hold foreign equity upto 74 per cent. Manufacturing and trading companies who presently do not qualify to hold more than 40 per cent foreign equity may be given exemptions if they change their character from the present activities to predominantly manufacturing activities — producing an item in Appendix I or exporting more than 60 per cent of the total turnover. The entire product group "drugs and pharmaceuticals" is included in Appendix I. But for the purposes of FERA, only drug intermediates manufactured from the basic stages for the production of high technology bulk drugs will be so considered. In fact, for drug companies, the government in its new drug policy, has announced a two-tier equity dilution formula. The degree of dilution will vary inversely with the quantum of sophisticated technology used.[15]

The Janata government's industrial policy stated that "after the process of dilution under this Act [FERA] has been completed, companies with direct non-resident investment not exceeding 40 per cent will be treated on par with Indian companies, except in cases specifically notified, and their future expansion will be guided by the same principles as those applicable to Indian companies".[16] What is apparently restrictive about FERA is that foreign companies will have to pay the cost of diluting foreign equity to 40 per cent to be eligible for the benefits of obtaining equal treatment with Indian companies and facing no additional impediments on their growth. Alternatively, they will have to pay the cost of restricting their activities to specific areas, as mentioned above. But does this reflect the real content of the guidelines? Before turning to this question let us briefly discuss the nature of implementation of FERA.

IV

Tardy Implementation of FERA

The FERA came into force on January, 1, 1974. As required under the Act, 881 foreign branch and rupee companies applied to RBI for permission to continue their business in India. RBI's Annual Report, 1977-78, states that 814 cases have already been disposed of. In 321 cases it was not necessary to take permission from RBI or to dilute foreign equity; 66 companies already had foreign equity at the required levels; 343 companies have been directed to dilute foreign equity to 74 per cent, 51 per cent or 40 per cent, depending on the nature of activities of the companies. Fifty-four companies are winding up their operation in India. Applications from 30 companies were rejected either because they were dormant for several years or because continuance of foreign investment in those activities was considered undesirable. Later, a minister while replying to a question in Parliament pointed out on November 27, 1978 that 350 companies have been directed to dilute foreign eqity — 236 companies to 40 per cent and 114 to 74 per cent or 51 per cent. Of these, 227 companies have already complied with the direction — 159 companies diluting to 40 per cent and 68 to 74 per cent or 51 per cent.[17]

Thus even after five years of operation, about 60 cases are yet to be disposed of, including 33 drug firms, and 123 companies are yet to dilute to the desired levels. Initial performance was much worse and it is only recently that implementation has been expedited. After receiving the applications, the RBI invited proposals for equity dilution from August 1975 onwards. After scrutinising these, the RBI from April 1976 onwards started granting permission subject to conditions as specified in the guidelines. Usually two years' time was given to the companies to take appropriate action. A FERA committee consisting of the secretaries of five government departments — *viz*, economic affairs, industrial development, commerce, science and technology and company affairs — was also set up to advise the RBI whenever required. The processing of the applications, scrutinising the proposals and referring cases to the FERA committee took an unusually long time. A company, for instance, complained that even after three years of submission of its proposals, RBI had failed to take any decision.[18] Initially it appears that RBI was not concerned about the speedy implementation of FERA. It has been reported that sterling tea companies[19] have been told at the highest levels in RBI that there was no particular urgency to comply with the FERA time limit.[20] The government of India also perhaps did not expect quick implementation. T A Pai, the then Minister of Industry, felt worried that if all foreign companies are told to accept Indian equity, then enough finance may not be left for Indian companies.[21] RBI failed to take appropriate action promptly, especially in cases where large TNCs were involved. Even in cases without any ambiguity regarding the steps to be taken, RBI has a tendency to follow a 'wait and see' policy and does not send the final order unless specifically instructed by higher political authorities. IBM is an important case in point. Its initial proposal was submitted in June 1974 and a modified version in April 1976 after prolonged discussions. In September 1976 the FERA committee took the decision not to allow IBM any exemption regarding equity dilution. The company, however, backed by powerful lobbies continued to discuss various other proposals with the government, and it was not till September 1977 that the final decision was taken and that too following a categorical directive from the Prime Minister.[22]

The treatment of income tax dues of the sterling tea companies has delayed their rupeeisation plans. The tea companies used to remit certain amounts to their London based secretaries and agents, as general administrative and management expenses. These being considered as expenses related to their business in India, were tax free. The British Price Commission, however, came out with the startling fact that very little of such secretarial services were in fact provided by their London agents.[23] It follows that the remittances were in fact profits in disguise. Since then the Income Tax department has served notices for assessment of tax dues, including penalties, on such remittances over the last 16 years (the maximum permissible under Income Tax laws). Initially the companies demurred, but later cooled down and started negotiations with the Income Tax authorities for arriving at a compromise settlement.[24] However, the government failed to act promptly and a final decision regarding the nature of assessment is yet to be taken. The sterling companies, in order to comply with FERA, are floating new companies in India and transferring the assets of the sterling companies to the former against payment in the form of equity shares. Naturally, therefore, delay over the settlement of tax liabilities is holding up the rupeeisation plans. Again, with the recent boom in the tea industry, it has become the object of much negotiations and attempts are being made to have behind-the-scene deals. The Indian agents of the sterling companies, for instance, are lobbying to hold 26

Table 1 : FERA Companies which Have Diluted Foreign Equity through Public Issue of Shares

	Name of Company	Fresh Issue of Shares to Indians (Rs lakhs)	Offer for Sale of Shares by Parent Firms (Disinvestment) (Rs lakhs)	Percentage of Foreign Equity before Dilution	Percentage of Foreign Equity after Dilution	Cost of Projects (Rs lakhs)	Total Assets at the time of Expansion (Rs lakhs)	Col (6) as Per Cent of Col (7)
	1	2	3	4	5	6	7	8
(1)	Hindustan Lever*	351.09	—	85	65	2764.0	12168.45	22.7
(2)	ITC	—	399.0	60	40	—		
(3)	International Combustion (India)*	8.5	—	100	66	8.5		
(4)	Ingersoll Rand (India)*	25.65	—	100	74	180.0	650.0	27.7
(5)	Ion Exchange (India)*	20.0	—	60	40	77.69	342.04	22.7
(6)	Indian Duplicator Company	109.2	—	100	40	—		
(7)	India Foils*	50.0	—	100	74	75.0	349.11	21.5
(8)	Gramophone Company*	10.71	—	60	40	68.9	1039.76	6.6
(9)	Godfrey Philips*	97.45	—	84	49	97.4	1239.2	7.8
(10)	Searle India	9.0	14.0	45	39.13	—		
(11)	Coates of India	20.0	—	66.6	40	—		
(12)	Cadbury India*	99.36	—	100	60	99.37	974.27	10.2
(13)	Corn Products Company(India)	29.0	16.0	100	40	—		
(14)	Hindustan Dorr-Oliver	22.0	—	100	66.6	—		
(15)	Reckitt and Colman	—	75.25	70	39.9	—		
(16)	KSB Pumps*	20.0	—	65	51.3	241.5	306.2	78.9
(17)	Tinplate Company*	375.0	-		66.6	2120.0	2488.6	85.2
(18)	Tribeni Tissues*	49.39	—	74	51	1035.0	1999.32	51.8
(19)	WIMCO*	282.18	—	52.8	40	2097.0	2244.96	93.4
(20)	Tri Sure India*	19.77	—	100	49	19.8		
(21)	Wheels India*	50.60	-	44.9	35.9	152.6	804.67	18.9
(22)	Ennore Foundaries*	78.0	—	100	74	224.0	340.05	65.9
(23)	Devy Ashmore India*	63.3	—	100	40	345.0	263.95	130.7
(24)	Duphar Interfran*	25.0	—	50	39.13	62.0	278.8	22.2
(25)	Boehringer Knoll	20.0	1.33	48	40	—		
(26)	British Paints (India)	26.22	—	54.9	44.38	—		
(27)	Jokai India	64.99	—	100	74	—		
(28)	Otis Elevator*	45.0	—	70	56	66.0	1093.37	6.0
(29)	Perfect Circle Victor*	101.29[1]	—	55	38.8	448.0		
(30)	Britannia Biscuits*	270.0	—	53	less than 40	270.0	1491.15	18.0
(31)	Asea*	61.75	—	100	40	199.15	372.02	53.5
(32)	McNally Bharat Engineering*	47.86	—	65	38.3	47.87		
(33)	Alfred Herert (India)*	35.0	—	60	40	96.50	510.17	18.9
(34)	Mackinnon Mackenzie*	15.0	—	100	40	1444.4		
(35)	Warren Tea	84.5	—	100	73.6	—		
(36)	McLeod Russel (India)	51.99	—	100	74	—		
(37)	Ponds (India)	63.0	-	100	40	—		
(38)	Crescent Dyes and Chemicals	—	172.8	100	40	—		
(39)	Indian Card Clothing Co	—	56.34	100	74	—		
(40)	Bimetal Bearings*	85.0	—	50	33.3[2]	85.0		
(41)	Atul Chemicals*	92.0	—	100	49	92.0		
(42)	Hindustan Milkfood Manufacturers	—	115.78	60	40	—		
(43)	Colgate Palmolive	—	294.75	100	40	—		
(44)	Remington Rand of India	—	106.02	51	0	—		
(45)	Metal Box Co of India*	200.0[3]	—	—	—	970.6	4129.48	47.7
(46)	Lipton Tea (India)	122.28	102.71	100	40	—		

(*) Indicates companies having specific expansion programmes.
— Denotes nil.
(1) Includes Rs 35.46 lakhs shares sold to the parent company
(2) If indirect foreign holdings are included, then the percentage of foreign equity will be 43.32 per cent.
(3) Convertible bonds at 10.5 per cent, convertible into equity shares on March, 31 1981.

Note : The above list is not exhaustive.

per cent of the shares of the new rupee tea companies. Though the government has announced that, in principle, it is against such deals, at least one Indian agent, Macneil and Magor, has been permitted to hold block shares.[25] Shaw Wallace also may get block shares in the Assam Frontier Tea Co.[26] It has also been reported that London offices of the tea companies are receiving take-over bids from influential Indian interest.

The dominant factor explaining the slow implementation appears to be the poor response of the companies. They indulged in various types of dilatory tactics to derive maximum benefits in the situation arising out of FERA. Very often the companies violated the RBI directives. Thus in July 1976, the RBI asked the companies to submit their dilution plans within three months; but few responded.[27] More than 100 foreign companies did not dilute their foreign equity within the two-year period provided by RBI for the purpose.[28] Of course all these could not have been done without the tacit approval of influential interests. Though legally empowered to take action, RBI

TABLE 2 : NATURE OF FINANCING OF EXPANSION PROJECTS OF 227 FERA COMPANIES

		(Rs Crores)
(A)	Cost of projects	143.45
(B)	Nature of financing	
	Additional Indian share capital	34.52 (24.1)
	Additional foreign share capital	0.35 (0.2)
	Domestic loans	68.22 (47.6)
	Foreign loans	0.65 (0.5)
	Internal cash accruals	33.60 (23.4)
	Central government subsidy	0.60 (0.4)
	State government interest free loans	5.51 (3.8)

Notes : (i) Figures within brackets are percentages of the total cost.
(ii) Metal box convertible bonds have been included under additional Indian share capital.
(iii) Foreign loans are those arranged by the companies themselves.

Source : Prospectuses of the companies.

hardly resorted to this. Moreover it extended on a yearly basis, the permission for loans and overdraft facilities provided by the banks to the FERA companies though this could have been used as an indirect pressure. Of course, RBI has directed foreign companies to stop accepting public funds pending a decision on their future. But here too relaxations have been made. Glaxo, for instance, was allowed to accept public deposits though it is yet to satisfy the FERA requirements. Lately, RBI has threatened that profit remittances will be suspended unless the companies follow the directives regarding FERA.

Regarding pharmaceutical firms an expert committee was set up to ascertain the nature of technology used. The firms, however, refused to answer the questionnaire sent by the committee. The pharmaceutical firms, it is reported, have told the government that the exact nature of the technology used cannot be revealed because of the secrecy clause in the collaboration agreements. Further, in their view all technologies used for producing bulk drugs are sophisticated.[29] The deadlock is yet to be resolved.

V

Impact of FERA

Our emphasis here shall be on two inter-related aspects:

(i) whether the stranglehold of foreign capital over the corporate sector is likely to be reduced; and

(ii) whether the outflow of foreign exchange due to the activities of the foreign companies is likely to fall.

Very little systematic data are available regarding FERA. In fact, till very recently not even the number of companies complying with the provisions of FERA was publicly known. Till now about 227 companies have diluted foreign equity. But not all have approached the capital market. Some are diluting their foreign equity by privately allotting shares to Indian employees, Indian shareholders, financial institutions, etc. We could not obtain the list of these companies. But it appears that the smaller companies are being permitted to dilute foreign equity in this manner, the larger and the more important ones usually being asked to go for public issue of shares. For information we have essentially relied on the prospectuses of companies which have already issued shares to the public. Hence the analysis that follows should be considered to be applicable to the larger foreign companies. But this may give a fairly good idea about the overall impact because the distribution of assets between different sizes of firms is highly skewed. The largest 50 subsidiaries, for instance, account for more than 80 per cent of the total assets of all subsidiaries.[30]

Our sample consists of 68 companies.[31] Some however are yet to totally fulfil the FERA requirements and thus will have to dilute foreign equity again to the lower prescribed levels. One notable feature of FERA is that, separate rupee companies are being formed to take over the different companies belonging to the same business group. Thus Warren Tea was incorporated recently to take over 11 tea companies, Mcleod Russel 7 companies, and Lipton Tea 5 companies. Assets of one sterling company were transferred to India Foils. The entire undertaking of Beecham (India) was vested in Hindusthan Milkfood Manufacturers. Out of 68 companies in our sample, therefore, only 46 exist at present (see Table 1).

Indianisation

The process of diluting foreign equity is being referred to as 'Indianisation' of the foreign companies. The idea is that since the percentage of foreign share holding is going below 50 and Indians are holding the majority shares, control is passing to them. This would have been the result if there were only a few shareholders, each interested in the management of the company. But when a company has a large number of shareholders, the controlling block need not be more than 50 per cent or even 40 per cent of the total equity. Without going into details, let us point out that the small investor normally considers his equity holdings as portfolio investment and is interested only in the return. He does not take the trouble of attending annual general meetings and even when he does, he does not have much say. He usually supports the present management through proxies. Mobilisation of scattered shareholders for the purpose of defeating the present management is considered to be a tremendous task and in all probability is likely to fail even in cases of mismanagement. There is practically no threat to the present management unless someone else holds a large block of shares, i e, if other shares are not widely dispersed. The Industrial Licensing Policy Inquiry Committee (Dutt Committee) found that much less than even one-fourth of the equity was adequate to exercise control. Thus Birla controlled India Steamship Co, having 11,320 shareholders, with 5 per cent of total equity. Tata controlled Tisco, having 10,222 shareholders, with only 6 per cent. Walchand controlled Premier Automobiles with only 9 per cent of total equity. Many such examples can be given.[32]

The way FERA is being implemented, practically ensures wide dispersal of shares of the companies. The government directives have contributed a lot to this. Except in cases where there is little market demand for shares, the companies have been asked to approach the shares market for public issue of shares. In the case of over-subscription of shares, the stock exchanges have been directed to allot shares in such a manner that small investors are preferred. Initially the ceiling was fixed at Rs 5,000 value of shares per individual. Now, the ceiling has been reduced to Rs 2,500. Announcement of public issue of shares by FERA companies is being accompanied by tremendous en-

Table 3 : Extent of Increase of Manufacturing Capacities of Some FERA Companies

	Name of Product and Name of Firm Manufacturing It	Manufacturing Capacity before Expansion	Percentage Increase of Capacity
(1)	Compressors (Ingersoll Rand)	2704 nos	101
(2)	Drilling equipment [Ingersoll Rand]	212 nos	218
(3)	Ion exchange [Ion Exchange (India)]	20000 cu ft	150
(4)	Water treatment plants [Ion Exchange (I)]	Rs 120 lakhs	100
(5)	Aluminium foils (India Foils)	3000 MT	25
(6)	Tinplate/tinfree steel (Tinplate Co of India)	90000 tonnes	77
(7)	Paper (Tribeni Tissues)	8500 tonnes	59
(8)	Sodium, ammonium and potassium perchlorates (WIMCO)	50 tonnes	900
(9)	Wheels (Wheels India)	320000 nos	134
(10)	Tank wheels (Wheels India)	4880 nos	100
(11)	Top rollers (Wheels India)	1440 nos	100
(12)	Elevators (Otis Elevators)	480 nos	68
(13)	Rubber chemicals (Alkali and Chemicals)	2770 nos	116
(14)	Sintered tungsten carbide (Sandvik Asia)	84 tonnes	78
(15)	Rubber chemicals (Bayer)	2500 tonnes	160
(16)	Ball bearings (Associated Bearing)	3.75 mill nos	80
(17)	Textile machinery components (Associated Bearing)	21.1 mill nos	38
(18)	Commercial vehicles (Ashok Leyland)	5400 nos	85
(19)	Thinwalled bearings, bushings and thrust washers (Bimetal Bearings)	10 lakh numbers	900

Source : Prospectuses of companies.

thusiasm on the part of investors to subscribe to such shares. Shares of most of the companies are being over-subscribed several times. The shares of Mcleod Russel, for instance, have been oversubscribed 41 times, those of Warren Tea 27 times, Cadbury India 16 times, Britannia Biscuits 20 times. Hindusthan Lever received applications for a record number of 30,874,725 shares. This is perhaps one of the few occasions where FERA companies are following government orders in toto. No wonder that they are ending up with a large number of shareholders. Hindusthan Lever, for instance, ended up with 95,000 shareholders, the largest in any joint stock company in India. This is of course an extreme case but others are also having their shares widely dispersed. Britannia Biscuits has about 27,000 shareholders, India Foils more than 7,500.

The possibility of benami shareholding and clandestine cornering of shares is of course there. But the fact that the companies concerned are themselves allocating the shares in consultation with the stock exchanges, reduces the chances. Indeed a representative of the Bengal Chamber of Commerce and Industry, Calcutta (an organisation where foreign companies are represented to a large extent) said in his evidence before the Joint Parliamentary Committee on the Foreign Exchange Regulation Bill that 40 per cent is an arbitrary percentage for determining foreign control and will not necessarily lead to further Indianisation of foreign companies. Ironically enough even RBI, which has been entrusted with the task of implementing FERA, considers, as we have already noted, a company to be foreign-controlled if 25 per cent or more of the shares are held by a foreign company.

Further, in the Articles of Association of some of the FERA companies, the right of the parent companies to appoint or remove the top management has been explicitly mentioned. Some instances may be cited. Unless the equity share holding by Unilever, UK, in Lipton Tea (India) is less than 26 per cent and that of Warren Plantations, Holdings, UK, in Warren Tea is less than 40 per cent, the parent companies shall have the right to appoint or remove te managing director in the rupee companies. So long as Chesebrough-Pond, USA, is a member of Pond's (India) it can appoint or remove one third of the total number of directors, including the managing director(s). CPC International too is empowered to appoint or remove the chairman, the vice-chairman and the managing director of Corn Products Company (India).

Investment through fully-owned subsidiaries or branches is no longer the dominant pattern. For quite some time now there has been a growing tendency of accepting local equity. Foreign branch investment is decreasing not only relatively but also absolutely.[34] Further the number of Indian subsidiaries of foreign firms (i e, rupee companies where foreign equity is more than 50 per cent has been steadily decreasing over the years. From 243 around 1968 it went down to 197 around 1970 and to 188 at the time of enactment of FERA.[35] So, long before FERA came into force, many foreign companies had issued shares to the Indian public, thereby diluting foreign equity. Obviously foreign firms would not have done this if no additional benefits were to be obtained.

Some general factors which may explain the increasing trend of accepting local equity are:

(i) Need for local intermediaries: smooth functioning of many foreign companies requires interaction with Indians at different levels. They have to deal with government officials for industrial licences and import licences, with financial institutions and banks for finance, etc. Foreign companies realised the need for local intermediaries having vital contacts and capable of performing these functions efficiently. One way of securing such services has been to allot some shares to the local intermediaries and appoint a few of them on the board of directors, while keeping the overall control in foreign hands.[36]

(ii) Need for local portfolio owners: the foreign firms are usually criticised from nationalistic angles. Anticipating or responding to this, they have often adopted local owners to create the impression that the firm is a sort of a joint venture, operating in the interest of both, though in effect the Indian interests are totally subservient to the foreign controlling interests. Further, the returns from such portfolio investment may prompt the Indian parties to oppose moves which try to hurt the firm.

(iii) Government policy: For quite some time now the government has adopted the policy of asking the foreign companies to dilute their foreign equity as a condition for granting industrial licences. This is an important factor explaining increasing Indian equity participation in foreign companies.

Expansion of FERA Companies

Responding to the provision of FERA regarding foreign equity dilution, the

foreign firms are not passively disinvesting their shares. They are utilising the opportunities and are enthusiastically implementing expansion schemes. Previously, often, they used to dilute foreign equity in order to obtain licences for expansion, now they are expanding as part of the process of foreign equity dilution.

Three options were open to the foreign companies who were required to dilute their foreign equity:

(i) diluting foreign equity by issuing additional shares to Indians, the absolute foreign share holding remaining the same (or even increasing);
(ii) diluting foreign equity through disinvestment, i e, selling the existing shares to Indians so that the total amount of shares remains the same; or
(iii) merging the company with an Indian company so that foreign equity in the new company comes down to the prescribed percentage.

Only a few companies have adopted the second and third methods. Issue of additional shares to Indians has turned out to be the most popular way of diluting foreign equity. Thus in only seven out of the 46 companies being studied has foreign equity been diluted solely through disinvestment. In four other cases, a part of the foreign shares has been disinvested, but simultaneously fresh shares have been issued so that the total share capital has increased (see Table 1). The implication is significant. The very process of equity dilution is generating additional funds for expansion. The government on its part is liberally granting licences for the purpose, as we shall soon discuss.

Out of the 46 companies, 27 have specific expansion proposals. All these companies have pointed out in the prospectuses that the object of public issue is two fold (i) to dilute foreign equity as required under FERA, and (ii) obtain funds for financing at least a part of the expansion projects. Twelve companies have pointed out that the money so obtained will be utilised for the working capital or general business requirements. The remaining seven, as we have already noted, have disinvested a part of foreign shares. But the fact that schemes for expansion have not been mentioned in the prospectuses does not necessarily mean that they are not expanding. It is probable that they are also planning expansion programmes which may take final shape in the near future, Horlicks of UK, for instance, have reduced their shares in Hindusthan Milkfood Manufacturers to 40 per cent through disinvestment, but the latter is in the process of expanding its capacity.[37] The case of Remington Rand is indeed exceptional. Sperry Rand of USA, the parent company has disinvested its entire share, the primary reason being that it has decided to discontinue its conventional office equipment business.

The cost of projects of the 27 companies amounts to about Rs 143 crores. Out of them, for 20 companies, the costs (ie, Rs 121 crores) constitute roughly 37 per cent of the total assets of these companies at the time of expansion. It is also interesting to analyse the nature of financing of these projects as shown in Table 2. The size of expansion has not been restricted by the availability of additional share capital. In fact about 24 per cent came from this source. They also approached the financial institutions, banks and state industrial development corporations for additional finance and other facilities. They are also taking advantage of the provisions of Central government subsidies and state government interest-free loans offered to specific types of projects. Hardly any foreign resources are being used for the purpose. Roughly 76 per cent comes from domestic sources external to the firm (i e, domestic loans, additional Indian share capital, government subsidies), 23 per cent from domestic sources internal to the firm (i e, internal cash accruals) and less than one per cent from foreign sources.

The aggregate figures discussed above may conceal the relative importance of the expansion of some firms already exercising significant economic power over the corporate sector. It may also obscure the impact on product concentration.

Hindusthan Lever, which already has eight factories (excluding 12 small units for producing animal feeds) in different parts of the country producing such diverse items as toilet preparations, chemicals, vanaspati, milk powder, etc, with sales of more than Rs 261 crores (in 1976-77), is simultaneously implementing four projects to produce synthetic detergents, STPP, a raw material for synthetic detergents, ossein/di-calcium phosphate and fine chemicals. The cost is estimated to be Rs 27 crores. Through its public issue in November, 1977, the company has reduced the foreign equity from 85 per cent to 65 per cent. RBI initially directed it to reduce foreign equity to 40 per cent. But the company's plea that it is employing 'sophisticated technology' and thus eligible for holding foreign equity upto 51 per cent, appears to have received favourable response from the government, though a final decision is yet to be taken.[38] In any case in the near future it may again approach the share market for diluting foreign equity to 51 per cent (or 40 per cent) and thus may get the opportunity of further expansion.

WIMCO, another TNC operating in India, which has already diluted foreign equity to less than 40 per cent is undertaking modernisation and expansion programmes covering five years till 1980 at a cost of about Rs 21 crores. This will increase total assets by more than 90 per cent. The items of production involved include glue, semi-chemical pulp, paper and paper board, canned and minced meat, bromine and bromides, etc. It is also making arrangements for raising plantations for the supply of good quality timber. Metal Box is diversifying into bearings production at a cost of Rs 19.7 crores. Tinplate Co is adopting new processes of production and expanding its capacity of tinplate/tinfree steel at a cost of about Rs 21 crores, which constitutes about 85 per cent of the total assets. Tribeni Tissues, KSB Pumps, Ennore Foundries, Davy Ashmore anl Asea are among the other firms expanding in a big way, the costs of new projects as a percentage of total assets ranging between 50 and 130 (see Table 3).

The impact on project concentration is also likely to be significant.[39] All the prospectuses do not give adequate data on the expansion of capacities of individual items. Data given in Table 3 is all that could be obtained from the prospectuses. The Table is self explanatory. Suffice it to say that the percentage increase of manufacturing capacities is quite large, ranging from 25 per cent to 900 per cent. Product concentration, therefore, can be expected to increase in a significant way.

What is worse is that as part of their plans for equity dilution, the government is permitting the TNCs to encroach upon areas where the small units can produce without the help of any foreign technology. It is anticipated that many small units may close down. The establishment and growth

of a large number of others may also be adversely affected. Thus in the name of FERA, a sort of deindustrialisation is being carried out just to make more room for foreign capital. We shall discuss some instances.

While agreeing to reduce foreign equity from 100 per cent to 40 per cent, Colgate Palmolive has obtained or is expected to obtain industrial licences to produce a large number of low investment, soft technology items like menthol, sorbitol (an ingredient for making general tonic), sports goods, special toilet articles, modern cosmetics, etc,[40] though these have not been mentioned in the prospectus. The impact is likely to be the displacement of a large number of small scale producers. Take menthol as an example. There are 200 small units engaged in its manufacture, the total number employed being 35,000. The small units have pointed that Colgate Palmolive (with a licence to produce 100 tonnes) together with another large unit (which has been recently granted a licence) will be in a position to meet the entire domestic demand, thus forcing them to close down.[41]

Cadbury India currently engaged in the production of malted foods and other processed foods like chocolates is arranging for diversification into Cocoa butter substitute, marine processed foods, apple juice concentrate and expansion of capacity for malt extract. Britannia is also planning to set up a soyabean complex to produce a variety of 'high protein foods'. Production of such food products by TNCs is often defended on the ground that they are necessary for the health of the people. But there is evidence[42] to suggest that not all food products marketed by MNCs in the poor countries are safe for health. It is the high pressure sales technique rather than the inherent qualities of the products which usually makes them successful in the market.

In the government's view, of course, the influence of foreign capital is not increasing, because a company with 40 per cent or less foreign equity will be considered just like any other fully Indian company. Government, in fact, is defining away the problem of foreign capital. Its control is supposed to be reduced by the magic rule of dilution of foreign equity to 40 per cent. Sometime back, George Fernandes, the Minister of Industries announced[43] that he had asked Hindusthan Lever and WIMCO to stop the production of soaps and matches, respectively, after three years. He also gave an idea about the favourable impact of such a move; 70 per cent of the production of matches comes from cottage industries employing about 4.5 lakhs of people and 30 per cent is produced by WIMCO employing only 15,000 people. Naturally, therefore, the proposed action will have a large impact on the employment situation. The minister, however, later pointed out in the Lok Sabha that the government was only having discussions with the foreign multinational companies to persuade them to get out of consumer goods industries. The implication is that WIMCO will not be affected, because as the company pointed out in this context in its annual report (1977), it no longer can be considered to be a "foreign multinational company" as its foreign equity is below 40 per cent.

Impact on Foreign Exchange Situation

Even before FERA, the government has been insisting on equity dilution on the ground that outflow of foreign exchange will be less. It is our contention that the outflow of foreign exchange is not likely to decrease as a result of the implementation of FERA because of the following reasons:

(i) As we have already discussed, the dominant pattern has been to dilute foreign equity by issuing additional shares to Indians rather than selling existing foreign shares to them. This implies that though the percentage of foreign capital falls, the absolute amount remains the same. In fact, a lower percentage is consistant with a higher absolute amount. Perfect Circle Victor Co, for instance, reduced its foreign equity in April 1976 from 55 per cent to 38.8 per cent through public issue of shares including additional sales to foreigners. Dividend remittances depend on the rate of dividends and the absolute value of foreign share capital. The latter remaining more or less constant, dividend remittances will decrease only if the rate of dividend falls. But this again, is highly unlikely, particularly when the foreign companies are being allowed to expand in diverse fields including low investment, highly profitable areas of simple consumer goods. Even if the result is lesser dividend remittances, the outflow of foreign exchange may not be reduced, as we shall now discuss.

(ii) In the case of TNCs, declared profit is not usually a true indication of the effective or actual profit, nor is dividend remittance the only way through which foreign exchange outflow takes place. A large volume of transactions usually takes place between the subsidiaries of the same TNC spread over different countries. One of their favourite practices is to manipulate the prices of such sales. The materials imported by a subsidiary, in India, eg, may be overpriced to inflate the costs and thus show a lower amount of declared profit in India. This may be done for a variety of reasons, the important ones being (a) to increase the global after-tax profit — what is lost by the Indian subsidiary through overpricing is gained by another subsidiary of the same group; but if the rates of taxes are different, the total profits will increase; (b) to contain the adverse public reaction to high declared profits, specially in third world countries; and (c) to bypass the foreign exchange control measures that might be in force restricting dividend or royalty remittances.

Overpricing is generally considered to be the principal form of earning profits by TNCs. For the pharmaceutical industry in Colombia, Vaitsos,[44] for instance has found the extent of overpricing by TNCs to be 155 per cent. He has calculated that 82.6 per cent of the effective profitability comes from overpricing, 14 per cent from royalties and only 3.4 per cent from declared profits. Studies for other countries and for other industries confirm this practice. Such thorough work for India is yet to be done. But on *a priori* grounds, there is no reason to expect the operation of TNCs in India to be different in this regard, particularly so because they operate in a structure and within regulations (or the absence of them) not much dissimilar. Isolated findings, in fact, confirm the practice of overpricing. Subramaniam and Pillai,[45] for instance, have found the extent of overpricing in the case of six materials required for the manufacture of dye stuff, to be quite high — ranging from 124 per cent to 347 per cent. Thus since the TNCs have the power and the opportunity to earn profits in different forms, what it loses on account of lesser amount of dividend remittances may be made up by relying more on alternative sources, thereby frustrating the attempts to conserve foreign exchange by preventing dividend remittances. The necessary condition of regulating the foreign exchange outflow through TNCs is to control them and this is precisely the element which we find missing in FERA.

(iii) A number of expansion projects are being implemented through new technical collaboration arrange

ments. Royalty payments and other technical fees will, therefore, increase. Moreover, the import bill is likely to increase not only through increased imports of fixed capital during the construction phase, but also increased imports of raw materials and intermediates when the projects become operational and a larger volume is produced. Hence, even in the absence of overpricing outflow of foreign exchange is expected to be significant.

Implications of Exemptions

So long we have discussed how through the process of equity dilution, the foreign companies are expanding and the impact of this on foreign control and the foreign exchange situation. But *many foreign* companies are not even required to dilute their foreign equity to 40 per cent. Exemptions in the form of higher foreign equity upto a maximum of 51 per cent, 74 per cent or even more will be allowed to companies which are engaged in the following areas or those which are willing to change their present character in favour of these:

- (a) core sector,
- (b) export oriented,
- (c) production requiring sophisticated technology.

The rationale of the presumption appears to be that production in such areas deserves priority attention, it being necessary or important from the point of view of the economic development of the country, that without foreign investment production in these areas will be hampered and that without the exemptions regarding equity dilution, foreign investment here may not be forthcoming. But is this valid? We now turn to this question. The doubt that the real motive of FERA was not at all the regulation and prevention of foreign capital is strengthened if we examine the nature of these exemptions closely.

Take the items specified in the Appendix to the Industrial Policy, February 1973. These are items of "basic, critical and strategic importance for the growth of the economy"[47] and are usually referred to as constituting the core sector. Whether all the items are of such importance is a pertinent question. But even if we assume that production of all is necessary, should foreign investment be allowed on an increasing scale? It is not that investment in the core sector by the foreign companies is less profitable or that they will not produce in the absence of special incentives. Neither is it the case that Indian firms cannot or do not produce most of these items. Consider the period before FERA.

A detailed classification of the industrial activity of all the foreign companies to find out the share of core sector in total investment is not available. But by restricting ourselves only to the foreign companies with more than 50 per cent foreign equity we have calculated that more than 55 per cent of their total assets are engaged in the core sector.[48] Further, a large number of the core sector products can easily be manufactured without the help of foreign firms. The government for some time now has started the policy of announcing illustrative lists of products where foreign capital and/or foreign technology are not required.[49] We could identify 65 items (*including 29 items in the industrial* machinery group and 23 items in the paper, pulp and allied industries) of the core sector where the government does not consider any collaboration (financial or technical) as necessary. In 32 other items no financial collaboration is considered necessary. These are the items where the government itself considers foreign capital unnecessary. But items which Indian firms with no *financial collaboration* are producing can also be considered to be areas where foreign capital is not necessary. This is because the foreign companies also essentially rely on domestic resources and there is no evidence to suggest that they can do it more efficiently. Higher profitability should not be considered here as an index of efficiency because profitability depends on a large number of other factors unrelated to efficiency; for instance, xenophilia.

Data regarding the lists of producing units and the nature of collaboration (if there are any) are provided for a sample of products in the DGTD publication, "Handbook of Industrial Data, 1975". We could identify 67 such products which are in common with the core sector list. Out of this, we could find only three products where all the units have some sort of financial collaboration. For all the rest, units existed which had no collaboration at all or had *only technical* collaboration.

To specify such areas — where not only foreign firms invest on their own without any special incentives but also where Indian firms are involved on a large scale — for special treatment and exemptions is an indirect way of exposing the economy more to foreign capital. If these products are really of basic, critical and strategic importance to the economy, then there is more reason why foreign investment should be prevented here. Otherwise, their bargaining strengh will increase and they will be in a position to insist and obtain more concessions than they presently enjoy.

Exemptions are also permitted if foreign companies are engaged in the production of items where sophisticated technology is used. Regarding the definition, the guidelines said, "in determining whether a technology is sophisticated or not the Department of Science and Technology will be consulted and consideration will be given *inter alia* to aspects such as (a) whether the technology is used for the manufacture of products which would otherwise necessitate imports, (b) whether the discontinuance of the *manufacture of products with the technology* would have adverse impact on the economy, etc". The second part of the definition is vague and anything can be justified by suitably defining 'adverse impact'. Regarding the first part, it is important to note that the necessity of imports is not something which is autonomously given; it is very much a part of the structure of production. It depends on how production is organised — the nature of technologies used, the nature of the firms, etc. To apply the criterion in a structure which is dominated by foreign capital is to invite them to expand still more. Many products can be manufactured by alternative technologies, the raw materials differing *not only quantitatively* but *often* qualitatively. The foreign companies which employ foreign technologies usually have a tendency to depend on foreign sources for the supply of raw materials. Hence, to accept foreign capital and technology in certain fields is to make certain imports necessary. In fact one of the common methods of the foreign companies to enlarge their sphere of operation is to obtain initially licence for a particular product and then induce the government to grant further licences to produce other items on the ground that these are necessary for the product. Attempts to produce imported goods on the basis of foreign capital and technology are self-defeating. The technology used being capital-intensive little employment is generated. Hence the growth cannot be sustained for long because of the lack of demand. Moreover, it may not ultimately result in lesser imports as the experience of poor countries shows.

The performance of the TNCs regarding manufactured exports from India has been very poor, these ac-

counting for about 5 per cent of total manufactured exports.[56] It may be claimed that because of this, incentives are necessary to induce the foreign firms to export more. But what are the advantages? The limitations of the export-oriented growth strategy have been widely discussed[57] and we need not reproduce them here. It is enough to point out that if the foreign companies end up exporting more, their hold over the economy will increase, but not necessarily the net foreign exchange earnings, because of their large foreign exchange costs.

The main thrust of our discussion so far has been that FERA is not harmful to the foreign companies. But it may be legitimately asked if it is really so then why is it that a number of foreign companies are winding up? There is little doubt that Coca Cola Export Corporation and IBM World Trade Corporation would have continued their business in the absence of FERA. But these are among the exceptional cases. It has been the corporate policy of IBM to insist on 100 per cent equity in their subsidiaries all over the world, perhaps to make secrecy fool proof in this high technology area. It appears that they did not want to set a bad precedent, particularly when market in India constituted about 0.2 per cent of their total sales in 1974-75.[58] Similarly, given the strategic importance of the formula of the concentrate, Coca Cola was not willing to dilute foreign share holding and run the risk that the formula might be divulged. The complete list of the other FERA companies which are winding up is not available. Most of the 33 companies (for which we could obtain information) are foreign branches engaged in trading and that too marginally. It includes companies like Nestle products and Columbia Gramophone Co, whose winding up does not matter much because they were essentially engaged in the distribution of the products of their sister concerns, and these concerns continue to operate. It is important to stress that firms engaged in the dominant and dynamic sector of manufacturing are not winding up except in a few cases. It appears that given the meagre size of business these trading companies do not find it worth their while to undergo the trouble of floating separate rupee companies. More so, because gains from dividends will be drastically reduced as majority Indian share capital is accepted, the alternative sources of transfer pricing and royalty earnings being absent here.

VI

Conclusion

Recapitulating our discussion, we have arrived at the following conclusions:

(i) No inbuilt legal bias against foreign capital has been introduced. A section of the foreign corporate sector in fact has been excluded from the purview of the Act.

(ii) The stranglehold of the foreign firms over the corporate sector will be strengthened as a result of the implementation of FERA. One of the beneficiaries of this will be Indian portfolio investors who are participating in the share capital of these companies. But the benefits may be limited, if the firms now declare less dividends and earn a higher proportion of actual profits through alternative means, for instance, transfer pricing.

(iii) Foreign exchange outflow resulting from the expansion of the foreign companies is likely to increase.

A gap between the declared objectives of legislation and the actual results is nothing new in India. But what is distinctive about FERA is that the foreign companies are gaining by faithfully implementing the provisions of the Act. Violation of the provisions by taking advantage of the loopholes or otherwise has not been necessary.

Notes

[In writing this paper, which was completed in December 1978 (and hence does not contain references to later events), I immensely benefited from ideas from N K Chandra. A K Bagchi gave some useful suggestions. I also had fruitful discussions with Subhendu Dasgupta, Sushil Khanna and the participants of a seminar organised by *Anya Artha*, in which the paper was read.]

1 RBI's Annual Report, 1977-78, page 37.
2 In a press conference in Gauhati, see the *Economic Times (ET)*, Bombay, February 13, 1978.
3 Foreign Exchange Regulation Act, 1973, Delhi 1975, page 1.
4 By the term "foreign companies" we shall mean in this paper, unless otherwise stated, companies which are controlled by foreigners whether they are incorporated in India or not.
5 See *ET*, August 2, 1978.
6 See the Report of the Joint Committee on the Foreign Exchange Regulation Bill, 1972, Evidence, Lok Sabha, Delhi.
7 See section 591, Companies Act, 1956, Delhi.
8 For the definition of FCRC see "India's International Investment Position, 1968-72" in *RBI Bulletin*, July 1975.
9 Evidence of the Secretary, Ministry of Finance; see Report of the Joint Parliamentary Committee, *op cit.*
10 Evidence of the Secretary, Department of Company Affairs, *ibid.*
11 By the term "rupee companies" we shall mean in this paper companies incorporated in India.
12 Section 29(1), Foreign Exchange Regulation Act, 1973, Delhi 1975, page 18.
13 Section 29(2)(c), *ibid.*
14 See Guidelines for Industries, 1976-77, Delhi, and Report on Currency and Finance, 1975-76, RBI, Bombay.
15 *ET*, July 25, 1978.
16 "Text of Industrial Policy statement", *ET*, December 25, 1977.
17 See *ET*, Calcutta, November 28, 1978.
18 *ET*, April, 13, 1977.
19 Tea companies incorporated in the UK, but operating in India.
20 *ET*, August 9, 1977.
21 *ET*, May 19, 1977.
22 *ET*, September 10, 1977.
23 *Business Standard* (BS) Calcutta, March 1978
24 *Financial Express*, April 5, 1978.
25 *ET*, July 25, 1978.
26 *ET*, September 15, 1977.
27 *ET*, Calcutta, March 19, 1977.
28 *ET*, September 13, 1977.
29 *ET*, July 25, 1978.
30 See "Indian Subsidiaries of Foreign companies as on 31-3-75", Department of Company Affairs, GOI.
31 At the time of collection of data, the complete list of companies which had gone in for public issues was not available. Hence, some such companies might have escaped our notice. We are grateful to the Bombay Stock Exchange authorities for allowing us to consult the prospectuses from the files maintained at their office.
32 For an illustrative list of 9 other firms see Report of the Industrial Licensing Policy Inquiry Committee (Main Report), GOI, 1969, page 16.
33 See report of the Joint Parliamentary Committee, *op cit.*
34 See RBI studies on "India's International Investment Position". The latest one appeared in *RBI Bulletin*, March 1978.
35 See *Report of the Dutt Committee*, RBI's Second Survey Report on Foreign Collaboration, and Indian Subsidiaries of Foreign Companies as on 31 3.1974, Department of Company Affairs, GOI.
36 M Kidron, "Foreign Investments in India", London, 1965, pages 263-4.
37 *ET*, Calcutta, October 28, 1978.
38 *ET*, August 2, 1978.
39 To find product concentration, the proper thing would have been to compare the percentage of total

production before and after the expansion. This obviously cannot be done because the extent of capacity utilisation cannot be predicted without error. The next best course would have been to compare the percentages of total capacity of the products concerned. This too cannot be done because of lack of data. The latest issue of the Annual Report of DGTD, the usual source for such information, appeared in 1976 giving data for 1974 and 1975. Most of the companies, however, have been expanding after that.

40 See *ET*, June 6, 1978; *ET*, October 22, 1977; and *BS*, November 23, 1977.

41 See *ET*, June 6, 1978.

42 See Susan George, "Nestle Alimentana SA: The Limits of Public Relations", in *EPW*, September 16, 1978 for a discussion of the evil practices of Nestle in promoting its infant foods.

43 In the Tamil Nadu Janata Party convention at Coimbatore. See *BS*, March 18, 1978 and *Indian Express*, March 13, 1978.

44 C V Vaitsos, "Intercountry Income Distribution and Transnational enterprises", Oxford, 1974.

45 K K Subramanian and Mohanan Pillai, "Multinationals and Indian Exports: A Study of Foreign Collaboration and Export Performance in Selected Indian Industries" (mimeo). Sardar Patel Institute of Economic and Social Research, Ahmedabad, 1978.

46 For the industrial policy statement and the appendix see Guidelines for Industries, 1975-76, New Delhi, 1975.

47 *Ibid.*

48 Calculated on the basis of *Indian Subsidiaries of Foreign Firms as on 31.3.1975, op. cit.*

49 See Guidelines for Industries, *op cit*, for the illustrative lists that we considered.

50 The figure refers to the time around 1970. See Deepak Nayyar, "Transnational Corporations and Manufactured Exports from Poor Countries", *Economic Journal*, March 1978.

51 See, e g, N K Chandra, "Monopoly Legislation and Policy in India", *EPW*, Special Number, August 1977; and A K Bagchi, "Theory of Efficient Neocolonialism", *EPW*, Special Number, July 1971.

52 Source: "50 largest Industrial Companies in the World", *Fortune*, August 1975, and Branches of Foreign Companies in India as on 31.3.1975, Department of Company Affairs, GOI, 1977. Dollar values converted into rupee values at the exchange rate 1 \$ = Rs 8.50.

53 See *ET*, September 2, 1978, for an incomplete list.

Female Labour in the Unorganised Sector

Profile of a Brick Worker

Leela Gulati

Brick-making is a major cottage industry in Kerala. According to one estimate, not less than 1.20 lakh workers, male and female, are engaged in making hand-moulded bricks in the state. Since no brick kiln employs more than 20 persons at a time, brick-making is considered a cottage industry.

There is rigid compartmentalisation of work on the basis of sex in the brick industry. Women are employed exclusively for carrying head-loads, while all skilled and semi-skilled work, such as moulding, shaping, stacking, etc, is done exclusively by men. As a result, women's wages, for work which is not physically less exhausting than that done by men, are only about half those earned by men. Nevertheless, women cling to the brick industry because of the uncertainty of work opportunities elsewhere and the continuity of employment which brick work offers.

This is the story of a middle-aged, untouchable woman brick-worker, Jayamma, her work and her family.

JAYAMMA is a middle-aged Ezhava[1] brick worker.[2] She has six children, three boys and three girls. All her children are grown up; even her youngest, a boy is about 14 years of age. Among her six children, four are already married and three stay separately in their own homes. Her oldest son stays with his own family, a couple of miles away from where Jayamma lives. But her two married daughters stay near her in the same neighbourhood. So the people now sharing the roof with Jayamma are her 55-year old husband Kannan, her recently married son, Sukumaran and his wife, and her teenage daughter Vanaja and son, Anant.

Jayamma lives in a medium sized hut built on a four cent piece of land. The hut has three rooms, one 10 ft by 10 ft. and two about 5 ft by 8 ft. One of the latter two rooms is used as kitchen. The other room which is exactly the size of the kitchen is used by Sukumaran and his wife. The walls are made of unburnt bricks and the roof is thatched. There is a small platform built in front of her house where they can all sit down and relax in the evening. To one side of her kitchen, there is a small thatched enclosure built with coconut palm leaves for the goats. Both of the other two rooms have separate entrances. One enters the kitchen from the bigger room, which is also the living room. This room has only one small window overlooking the steep ridge, behind the hut.

Before this particular settlement of huts came into existence some ten years back, the site on which it is built was waste land belonging to the government. It was a steep slope full of bushes and trees. Like the other first settlers, Jayamma's husband and sons cleared the land and carved out a house site for themselves. The particular row of houses, of which Jayamma's is one, is a narrow ribbon-like stretch of land touching the top of the slope, barely wide enough for a hut. Actually, from Jayamma's back window all that you see is a steep slope with huts precariously perched here and there, giving one the feeling that they might get washed down any time in heavy rain. However, the window also commands a fantastic distant view, looking on to a lake and a vast stretch of green.

Jayamma had to move into this settlement ten years back after she was evicted from a similar settlement in an area which now comes within the city limits of Trivandrum. She and her

Table : Daily Calorie Intake in Jayamma's Household

(In calorie units)

	Working Day				Non-Working Day			
	Kannan	Anant	Jayamma	Vanaja	Kannan	Anant	Jayamma	Vanaja
Breakfast	700	711	585	570	700	700	600	600
B Lunch		308	220	206	—	—	—	—
Lunch	545	1,315	824	1,085	600	560	477	517
Tea	120	330	80	206	120	80	80	80
Dinner	1,038	1,170	1,091	1,012	939	1,025	600	700
All meals	2,403	3,834	2,800	3,079	2,359	2,365	1,737	1,897
Recommended norm (ICMR: 1968)	2,400	3,900	3,000		2,400	2,400	2,000	2,000
Shortfall or excess	+3	+66	−200	+79	−41	−35	−253	−103

Notes : (1) In the case of Kannan, the difference between working and non-working day revolves round the family's working and non-working day. He, however, manages to eat more or less the same every day.

(2) Jayamma not only eats less on both working as well as non-working days but she also tries to give up her share of rice for tapioca so that the men, particularly Anant, can have more rice. She skips her proper noon lunch even on working days.

(3) Jayamma tries constantly to see that Anant, the growing son, gets more to eat by giving up her share on a non-working day.

(4) Not only Anant but also Vanaja try to eat out as often as possible, both on working and non-working days. So even on non-working days they both are generally not deficient in calorie intake. Their problem arises only when there are four or five continuous non-working days at a stretch.

children were working already for brick kilns in that vicinity and decided to move here as this too was government land and it had a number of brick kilns close by. All of Jayamma's family works for the kilns except her husband. Her eldest son, however stayed behind near the old settlement to work for the old brick kiln where they all were working before. He was already married and wanted by then to set up a separate house with his wife.

Husband and Children

Jayamma is really the head of the household though her husband, Kannan is very much there. Kannan gave up work for good, some five years back. He spends his time now tending three goats (a mother and two kids) and looking after the house. When Kannan retired, his union paid him some sort of gratuity. Out of that money he had bought a female goat for Rs 150. This goat had two kids. After it went dry, Kanan sold it for Rs 110 and bought another goat, ready to deliver within a month or so, for Rs 150. Kannan kept the kids, however, so that once they are grown up, each of them will fetch the full price.

Kannan spends most of his time now taking the goats grazing in the ravine at the foot of the slope and collecting grass and leaves for them to eat. Being a man, he does not, nor is he expected to, help Jayamma with any of the female type tasks like carrying water, sweeping the house or cooking, though he has plenty of time and energy. Kannan does frequently work as a baby sitter not only for his married daughters living in the same settlement but also for other Ezhava neighbours. Though there are people from all castes living in the settlement, the Ezhava families tend to stick together.

Kannan once was a boatman transporting coconut husks, taking them through the backwaters,[3] but now he feels too old and his eyesight is weak. Boatmen who transport coir husks have very often to spend nights on the boat, taking a load of husks to its proper destination for retting. It is a strenuous kind of work involving long hours at a stretch, but lasts only a few days a week. Kannan depends completely on Jayamma for his survival except that when his goat gave milk he sold it to the tea shop and bought with that money beedies to smoke and also tea to drink.

None of Jayamma's six children went to school. She has trained them all as brick workers taking them along with her to work as they grew up. The brick industry is one where people of practically all ages can work. In a way, it is a temptation for parents to send children there, instead of school, to earn a living. Since the wages are paid according to the quantum of work done, all have a chance to perform and earn according to their respective abilities.

Jayamma would have very much liked her youngest son Anant to go to school. Actually, she could have spared him, for when it was his turn to go to school there were at least two or three earning members in the family. Earlier Jayamma could not afford the luxury of sparing any of her other children for school. She needed all the help she could get to make both ends meet. Unfortunately, Anant was not at all interested in school and preferred always to go along with his mother to the work site.

Work and Wages

Jayamma's work starts early in the morning at 7 o'clock. In order to present herself at the work site at that early hour, she has to get up at about five in the morning. She usually times this by the early morning plane that comes in from Madras to Trivandrum. She is the first one in the house to wake up and her first task is to go and fetch two pots of water. She has to get on to the main road and walk about a furlong to do this. For sometime the public water tap was disconnected as there were complaints against the squatter households bathing on the roadside. This is usually forbidden but it is seldom that municipal authorities go to the extent of cutting off the water supply. After the tap was disconnected, an unauthorised dent was made in the main pipe and water had to be collected with the help of small tin cans. Jayamma, and also other women of the settlement, had to spend thrice the amount of time they normally spend and never had the satisfaction of getting clean drinking water. There was nothing that she or the other residents of the settlement thought they could do to get the water connection restored. They have such a low status in the eyes of not only others but also themselves that they had no courage to take up the issue with the concerned authority. Since this was the only public water tap servicing more than forty households all of them were put to considerable hardship. Luckily, after about six months the water connection was restored. So Jayamma's first task in the morning has been made much easier.

Once she has brought the morning supply of water, she sweeps her front yard and kitchen and then goes down to the ravine for her toilet. The ravine has been divided into two parts, one used exclusively by women and the other by men.

It is too early in the day for her to have a bath. Moreover, she doesn't have time for it. Anyway, once she

comes back from work, she needs the bath badly as she is usually covered with mud and sweat. So she has only a small wash in the morning near the banana tree at the back of her house. She combs her hair in front of a small mirror and goes to the tea shop in the settlement itself to have a cup of hot sugary tea mixed with milk. Practically everyone in the settlement, men and women, stop for tea at the tea shop on the way to work.

Jayamma's work site is about three furlongs from the squatter settlement. Though there are a couple of other brick kilns, she and her family have always worked for the kiln belonging to an ex-military sergeant, a havildar, ever since she came to this settlement. She feels that it is better to work for the same brick kiln. Then she can not only be sure of work but also can expect to get a small loan in an hour of crisis. Also, her children are assured of employment.

On a clear day when the sun is bright, she is sure to get work. However, as a routine she will first present herself to the kiln owner and then start work. The place where the bricks are moulded and dried is usually a 10-minute walk from the brick kiln. Jayamma has to go there to start her work. She carries a small piece of old towel to be twisted into a coil to rest a wooden plank, 2 ft by 8 inches, on her head. The plank is used as a base on which the bricks can be placed. An adult woman carries 20 bricks at a time. She herself has to stack the bricks on the plank on her head while standing. She has to walk fast, virtually run, in order to dispose of the load quickly. As she reaches the brick kiln, a man will be standing there to receive and stack the bricks she unloads. He cannot help her unload it as she will lose her balance. The danger is two-fold, the bricks may fall and break or she may sprain her neck. Actually, the main brunt of the weight falls on her neck. So Jayamma unloads the brick herself, two at a time from the sides, handing them over to the man who is there to receive and stack them. Thus the whole operation of loading, transporting and unloading falls on her. The man helps her just at the final stage.

Whatever be the number of bricks she has carried which usually varies between 600 and 700 per day, Jayamma's wages are never more than five rupees. If she has carted more, it is because the distance she covers then is less. Her wage depends on both the distance she covers and the number of bricks she carts in the course of the day.

Jayamma has been doing the same job for the last thirty years. The day she was strong enough to cart twenty bricks on her head she had reached the limit. She cannot hope for any improvement in her work or earnings. Occasionally, the men may ask her to join them in stacking bricks in the kiln for firing. This needs some extra skill. Two bricks are lightly tapped and thrown at a time a few feet to the next man who in turn throw them to another man till they reach their final destination for stacking. The brick kilns are about 20 ft high and men usually form a conveyor belt to stack bricks. Doing this male work, however, does not bring Jayamma any extra remuneration, only it confers recognition on her as an experienced hand.

Sex-Typing of Work

In the brick industry there is very rigid compartmentalisation of work on the basis of sex Women are used here exclusively for the unskilled job of carrying head loads. If they are not carting bricks they are carting clay, but they do not have access to any of the other jobs, such as moulding, shaping, stacking and arranging in the kiln.[4] These are all exclusively male jobs. Moreover as we shall see, all these other jobs carry much higher wages, some nearly twice as much as women get for the load carrying jobs they do. The work that men do is also more interesting without always being physically more exhausting.

Compared to the woman brick worker's daily wage of Rs 4.50 to Rs 5, the woman construction worker, who too is usually confined to carrying head loads from one place to another, gets Rs 8 a day So even compared to women workers doing similar work elsewhere those engaged in carting bricks are at a disadvantage regarding their daily earnings.

Since at any one time no kiln employs more than twenty persons, the whole industry belongs to the unorganised sector Brick making is therefore considered a cottage industry. The workers, female as well as male, do not belong to any trade unions. But, as we shall see, women are the more exploited ones They hang on to it however because of (a) the uncertainty of work opportunity elsewhere, say in construction and (b) the continuity brick work offers in terms of employment.

Brick moulding is usually undertaken after paddy has been harvested. It is undertaken in the fields where the soil is clayey. Trivandrum, Quilon, Ernakulam and Trichur districts of Kerala are supposed to have the right clay, but brick kilns are spread all over the state.[5] You find, in between paddy fields, many patches whose land is left fallow and brick making takes place. It is common for cultivators to lease out their paddy land for brick making once in every two or three years. Usually land is given on lease for six months after harvesting. The idea is to get thereby the level of the land lowered somewhat so that (a) it can be terraced and water can flow from other parts more easily and (b) the top soil is removed and fresh soil from elsewhere mixed with manure can be put in its place.

Once a brick maker has taken a piece of land on lease — the going rate around Trivandrum (in 1976-77) has been around Rs 1,300 for the entire six months for 20 cents of paddy land — water is let into the patch to flood it for some days. Then the soil is dug up and kneaded into a clayey consistency They are supposed to dig only 2 ft deep all round. Dug thus, a twenty-cent piece[6] usually yields enough clay for 2,00,000 bricks. Usually, the soil is dug up in patches of 4 ft by 4 ft by 2 ft. Two men dig out the mud with a shovel and knead it thoroughly with their feet. They know by experience when the soil has reached proper consistency for the purpose of moulding If it is not raining, they make small clay mounds very near the place where they are kneading.

Each clay mound is 3 ft in height and diameter. Once clay is heaped to the required height and diameter, the outer edges of the mound are nicely smoothened and covered with coconut palm leaves which are supposed to shield it from the sun. In this way, the clay looses some of its moisture without forming a crust or cracking and remains soft to the touch. The mound has to be left like this for three days. After three days, the clay has just enough moisture to be shaped into a brick when pressed into the mould. The men who knead and heap the clay make about nine rupees a day, on a piece rate basis. But the job these men do is, no doubt, both strenuous and messy. They have to be knee deep in slush, constantly stamping away for eight hours with only small breaks.

Sometimes when it is raining, or threatens to rain, the kneaded mound has to be transported to an elevated site near the kiln itself so that the rain won't harm it.[7] Then the moulding is done near the kiln. Usually this need

arises during the monsoon season when brick moulding takes place intermittently. This task of transporting clay to the kiln site again is delegated to female workers. Moving a mound of clay carries a wage of twelve rupees irrespective of the distance and number of women working on the job.

A mound of clay yields 1,300 bricks and at least two mounds will have to be transferred to keep the team of two men occupied in moulding for a day. Thus if five women workers transfer two mounds a day they together can make Rs 24. When Jayamma has to cart clay she shares the work with her daughters and friends. The job is divided in such a way that one woman scoops out the mud with a ply plank and loads it on the other's heads. This is a messy job, though slightly more paying, but it is only done during the rains. Brick kiln owners themselves usually avoid this. They do not find it always economical in comparison to transportation of bricks. Moreover, space around the kiln can be a major constraint to undertaking moulding of bricks there. A normal-sized brick kiln around Trivandrum, with a thatched shed which has to be re-built every year, takes in around 75,000 dried bricks at a time. One moulding team of three men consisting of a mistry and two helpers can turn out about 2,600 bricks a day. Thus it takes roughly a month to feed the kiln which is usually fired once every month, except during the rainy season. Usually the same team of three, ie, the moulder and his two helpers, also undertake the firing of the kiln after the bricks have been set in.

Thus, with three men employed on moulding, two men in the field digging and kneading clay, five to six women carting bricks, and two men unloading and stacking bricks at the kiln, each kiln of an average size in Trivandrum district can be said to employ regularly 12-13 persons a day. In the monsoon months, however, the firing does not take place every month. On an average, a kiln is fired ten times in a year. Therefore, in the monsoon months, the work, be it moulding, transporting or stacking, gets staggered and employment opportunities are less.

The mistry in the moulding team makes the highest piece rate wage of around Rs 12 a day; his two helpers come next with Rs 10 a day. The kneading of the clay, though strenuous, does not carry high wages. The men engaged in kneading, as already stated, make Rs 9 per day. The men engaged in stacking bricks at the kiln make more than Rs 10 a day. As for the women who only cart bricks or clay, they never make more than Rs 5 a day.[6]

Jayamma's two sons have, luckily, graduated to the position of moulding assistants and therefore make about Rs 10 a day. Her eldest son helps with moulding for a brick kiln that Jayamma herself worked for several years back. Her second son does similar work for the kiln she is now working for. Her three daughters, two married and one still unmarried, also work for the same kiln, but being women cannot aspire to do anything better than head load carrying. So while her sons make Rs 10 a day each, Jayamma and her daughters make Rs 4.50 and Rs 5 everyday they are in employment.

Feeding the Family

Jayamma does her shopping every day on her way back from work. She buys only fish and spices at the evening bazar held near the squatter settlement. These together cost her between one and one and a half rupees. Her neighbour, who is a tapioca vendor, delivers tapioca at home. Kannan is there to collect it. Jayamma herself does not buy soap or oil. The earning children must do that out of their wages, for each gives to the mother only between one and two rupees each in cash. Most of the rest of what each earns is spent on tea/coffee, breakfast and lunch. Since Jayamma buys only tea and tiffin, she herself does not spend more than one rupee on eating out. But she is a 'pan' addict and that means 50 paise every day. So she herself comes back home from work with a cash amount of three rupees. With half of that accounted for, by fish and spices, the balance is just enough to pay the tapioca vendor for the four kilos of tapioca she has a standing order to supply.

Jayamma has always bought her rice from the ration (fair price) shop. On a 14 unit ration card, she is entitled to 11.20 kgs of rice every week which costs Rs 17.15. She does not buy any wheat whatsoever and surrenders her sugar entitlement in favour of the grocer who is always ready to buy sugar from her at 50 paise per kg below the ruling retail price. It is important to note that Jayamma can buy her rice ration out of the money which her earning children give her every day because, as has been noted above, her own wage is enough to buy tapioca, fish, spices.

Though her two younger children, unlike the older ones, don't contribute to the mother's pool of daily cash more than the very minimum, largely because of the widespread practice of eating out, their contribution has been adequate, so far at least, to enable Jayamma to avail herself of the rice and sugar entitlement. Indeed Jayamma, unlike several neighbours of hers, has never had to pawn her ration card, not even to raise money once every two years to replace her thatched roof.

In Jayamma's house, there has all along been only one major meal, which is cooked by her in the afternoon after she gets back from work. Since the household consists of virtually all adults and earning members the system works out reasonably well, at least now. Practically, every one has his/her tea, breakfast and lunch at the wayside eating places. There are plenty of such places to go to. The result is that everyone spends a major portion of his/her wage on eating out. Jayamma, is the one who usually spends possibly the minimum on eating out. But the younger members of her family are not that careful in spending. Kannan, who stays behind, having retired from work, goes to the tea-shop in the squatter settlement for tea and shares whatever is left over from the previous night's rice gruel with Anant, the younger son, if he hasn't found some work. The day Anant gets work, he eats his lunch and tiffin out. Since Kannan must have his tea cups every day at the tea shop and his quota of bidis, he needs about one rupee a day for his pocket expenses. When the goat was giving milk, he sold it to the tea shop and was nearly self sufficient. Sukumaran, the second son, has so far always made up whatever is his father's daily deficit which may range from 25 paise to one full rupee.

Bringing up Children

Jayamma has virtually grown up around the brick kilns. Her parents died when she was very young and she was raised by her mother's sister who was also a brick worker. Her father was a landless labourer attached to a big landlord and her mother eked out a livelihood as a vegetable vendor while she was alive. Even when Jayamma was nine or ten years old she would often go to the paddy fields to cart a few extra bricks for her aunt. As was stated above, brick carting is done by people of all ages. Young children carry just as much as their tender heads can hold and try to earn some money for their parents. Her aunt got Jayamma married at the age of 16 to Kannan, an Ezhava boatman

from a nearby village whose job was to transport coconut husks through the backwaters. Jayamma moved to her husband's house and stayed home without working, but only for a year. The very next year, her husband Kannan got an offer to work as a coolie for the army. He went all the way to distant Assam and Jayamma was left to fend for herself. So she started working for the brick kilns, the job she was familiar with, and came back from her husband's village to live near her aunt.

Traditionally, the Ezhava community has always been closely associated with the coconut and palm culture. They have been traditionally toddy-tappers. Also, they are known to do all jobs which have generally anything to do with cocount cultivation and use, including transportation of coir husks and coir making. After he came back from his brief interlude with the army, Kannan went back to his old job as a boatman, transporting coir husks through the back waters. But he himself never owned a boat of his own. The coir husks were collected from different places and then loaded on to a country craft. A boat of this kind can carry about 75,000 husks Kannan used to ply the boat between Pachallur and Akulam, some 20 kms apart. Usually, he worked in a team of three men. It takes a long while to manoeuvre the boat with the help of a pole, as in some parts the back waters are not only not deep but also densely covered with water hyacinth, the African payal.[9] It took them 24 hours to reach the destination. Together, the men got Rs 20 for every trip, but their in-transit expenses were also quite high. Being a strenuous job, lasting long hours, in damp surroundings, a good portion of wage was spent on food and drink. The men who worked on this job were almost all given to liquor. Kannan too spent a good part of his earnings and by the time he got home he could give Jayamma hardly three to four rupees. This was just enough to take care of feeding Kannan for the rest of the week. The rest of the family had therefore to be provided out of whatever Jayamma and her children earned from carrying bricks.

Jaymma's earnings were always so important to the family that she had to work till the last day of her several confinements. She delivered all her chidlren at home with the help of a mid-wife and her aunts. Jayamma feels that she didn't have much of a problem working till the last day and her deliveries were easy since her body and muscles were all supple. She remembers staying in the house after delivery for only a month and then getting back to work leaving the baby either at the neighbour's or with a relative. As her children grew up, she decided against sending them to school and started taking them with her for work. She felt that it was no use sending them to school just for a short while as they would anyway not get any better job with just a little bit of education.

When her first son became a helper to a mistry, Jayamma got him married the moment she got an offer from one of her caste group. They got some two tolas (i e, about 25 grams) of gold and some 300 rupees in dowry.[10] This was the first time in her life she had some money to spend. Within a year however the son and his wife decided to set up a separate establishment and Jayamma could not do anything about it. After all, the son was economically independent.

Daughters' Marriages

Two of her daughters, Suvarna and Shamala, were now going to work with her. Though Jayamma had taken some dowry for her son's marriage, she had not, and could not, make any provision for her daughters' marriages. She knew however that no match could be arranged for the girls without dowry. So she just waited and hoped for the best. Both the daughters were very good looking, however, so she knew something would turn up one day. Her only wish was that they should get married to Ezhava boys.

Very soon an Ezhava boy Ravindran, fell for Suvarna and she decided to go and stay with him. Ravindran, however, was only a casual labourer and was already a drink addict. Jayamma didn't quite like the match therefore, but had nothing to say as she had no alternative to offer. Then one day, some two years after Suvarna started living with him, Ravindran fell down while riding a rented cycle and broke his arm. He went to the nearby public hospital and got it fixed but somehow the fracture was not attended to properly and to this day he has the full use of only one hand. So he has been a drag on Suvarna ever since. Quite often, however, he goes away from the house to stay for days on end with his own mother. But so far he has always come back. Suvarna is happy whenever he comes back, because she feels it is better to have a man around the house than none. Thus Suvarna had to take over the full responsibility of running the house soon after her marriage and now has two children, a son and a daughter, to look after as well.

When Jayamma moved to the present settlement 9 or 10 years back she asked her daughter, Suvarna, also to move and be near her. With her husband already dependent on her, Suvarna needed the moral and physical support of her own family. They cleared another two cents of land towards the foot of the same hill for a hut and moved Suvarna and her family there.

Within a year of the move, Ravindran decided to undergo vasectomy. Suvarna needed money to re-do her roof which wasn't good. The thatched roofs need to be done every two years, on average, and this can be a major expense for a low income household. To get money for re-doing the roof, the choice was between 'mortgaging' the ration card or one of them going to the family planning clinic where he or she would get paid for undergoing the 'operation' Since they already had two children, one son and one daughter, Ravindran decided to undergo vasectomy and make a contribution. This happened also to be the time when a major vasectomy camp was organised in Trivandrum.[11] Unfortunately, after that their son got jaundice and died. So they are left with one child only, a daughter. She has studied upto the 5th class, and is the first literate person in Jayamma's family. But now she is going to work at the brick kiln with her mother to supplement the family income.

Recently, when her house roof gave away again during the rains, Suvarna had to come to her mother Jayamma for shelter in her house. Suvarna cooked separately for herself and her daughter in the goat shed but slept with her parents in their room. Ravindran went away to his mother. Eventually, when they can collect some money to buy the materials, Suvarna's father, Kannan and her second brother will rebuild her roof. Ravindran will probably turn up to lend some help in the manual work.

Jayamma's second daughter, Shamala has been a great help to her. She would go with her mother to the brick kiln and all her wages went to the family. Actually, it was with the help of Shamala and Sukumaran's wages that Jayamma could build all her house with unburnt bricks and even put in doors and windows. But this could not last for all time to come. Shamala is extremely good looking. So young men in and around the

settlement were always hovering around her. Between working for brick kilns and at building sites, Shamala prefers the latter as the work there is better paid. But apart from construction work being seasonal, it is difficult to get regular work unless one is close to a mistry. Some years back Shamala was working at a construction site where her mother's cousin's son also had a job. They got to know each other intimately. Among the Ezhavas, however, such an alliance is not considered right. So the boy's parents in particular *disapproved of the growing* relationship between him and Shamala. The young people decided all the same to go ahead and set up a house of their own and started living together. Shamala had a small gold chain which she sold off to put up their hut. Unfortunately, the arrangement did not work for long. The boy was always suspicious of other workers' intentions about Shamala and also was uncertain that Shamala was disinterested in other young men. So there were often quarrels between the two and Shamala was back home with Jayamma, her mother, within a year. According to Jayamma, men who work for the construction industry, like taxi drivers, cannot be trusted with girls, for they are apt to change their women at the slightest pretext.

After a lapse of two years, Shamala fell in love with a Pulaya[12] low caste boy, Suren. His family also lived in the same settlement. Jayamma knew of the budding romance but was hoping that it would eventually fade out. He was younger than Shamala by about five years. His widowed mother was a poor agricultural labourer and he had two younger brothers to look after. The other people in the colony felt however that Jayamma was encouraging the romance. At least, she did not put her foot down to stop it. Anyway, one fine day, Shamala decided to elope with Suren. Now Shamala and Suren live in the same settlement in Suren's mother's hut. When Shamala had a baby boy, she would leave it with her father, Kannan while she was at work. Jayamma had a small cloth cradle made for the infant and it was hung up in her living room. Indeed, the child is now really a part of Jayamma's house

Though Suren finds work off and on and *brings* in some money, his responsibility is great. His mother doesn't make much money. His two younger brothers are still going to school. There was a short period when no one in Suren's house had work except Shamala who was going to the brick kiln, Shamala resents however sharing her wages with Suren's family and has started cooking separately in the same hut. Suren's mother, in turn, is not prepared to share with her daughter-in-law the ration allotment.

When the roof of their hut collapsed recently the two separated families had to live right there with some makeshift shelter. Unlike Suvarna, Shamala does not have access to her mother's house in such circumstances, certainly not along with her husband, for she *is married below caste.*

A Dowry Marriage

All along, the person who was until very recently a real help to Jayamma was Sukumaran, her second son. He earned ten rupees a day and contributed a good part of his earnings to the family. He had no vices. Jayamma liked having him work for the same kiln. This meant a lot of respect for her and the other workers were scared of treating her roughly lest Sukumaran pick up a quarrel with them on that score.

Though Sukumaran was only twenty two years old, a good offer came for his marriage. The girl's party was willing to give a dowry of one thousand rupees and two tolas of gold. Also, the girl would have in her name some 25 cents of garden land, ie, land on which you can grow tapioca and coconut but not paddy, in a village called, Attapara, only 10 kilometres away. The girl was literate, having attended school for five years, and good looking. Kannan, Jayamma and the rest of the family went with Sukumaran to visit the girl's family and the marriage was agreed upon.

The date was to be fixed for the earliest auspicious period. Jayamma and Kannan were very excited about the offer of dowry and did not want to take any chances lest Sukumaran might decide to marry of his own accord. Given the type of neighbourhood in which they were living, this sort of things could happen any day. Not only would Jayamma then have to put up with any sort of girl but also lose all chance of a dowry In the settlement, though the common law type of marriage (ie, living together as husband and wife by mutual consent *without any formal contract* sanctioned by law or religion) is looked down upon, it has been quite the order of the day. Both Suvarna and Shamala had this type of marriage. Why expose Sukumaran to the same danger? A dowry marriage was a real prestigious affair. In this particular case, the girl's party was better placed than the boy's party since the girl's three brothers were masons, though she had lost her father.

Jayamma's first job was to go and get a horoscope cast for her son. They got hold of an Ezhava pundit and paid him fourteen rupees to cast Sukumaran's horoscope. The pundit also matched the horoscope with the girl's and found that the earliest most auspicious day for their marriage was the *day of Onam*[13] *in 1976. They had to* pay him another five rupees for this. After all, this was a proper marriage, which would give the family a lot of prestige in the neighbourhood; hence these expenses had got to be incurred.

Once the marriage arrangements were finalised, Sukumaran collected the cash from the girl's party in three instalments. With the first instalment of 300 rupees, Sukumaran brought two nylon sarees, with blouses and petticoats to match, two lungis and two towels, all for the bride. He also bought a small box, the first of its kind in their home, to keep the clothes. Ordinarily, they hung all their clothes on a clothes line or two running lines between the two walls.

Sukumaran bought for himself one new lungi and two new shirts. Also, he bought a set of new clothes for his parents, his unmarried sister and *younger brother. He bought all these* clothes from the same shop after he collected some more cash from the girl's party. By the time everyone in the family had new clothes, he had spent some 500 rupees.

Suvarna, the eldest daughter, went to the city market and did all the grocery and vegetable shopping. A nearby bakery and the suqatter tea shop were asked to supply cakes, banana chips and coffee. Women from the neighbouring households were mobilised to help make idlies for the marriage feast.

The marriage took place on the Onam day in a temple about 2 kilometres away from the squatter settlement For a week after the wedding, the house was full of people, visiting and congratulating Jayamma Sukumaran and Sujatha used the smaller of the two rooms in the house and the rest of the *family* shared the living room No one from Jayamma's house had gone to work. Anyway, the brick kiln itself was closed for more than a fortnight because of rains. Then Jayamma got ill from over-exhaustion. For nearly a

fortnight, the six people in the house were living on the left over dowry money. The two married daughters and their children were also present most of the waking hours. Then, because of a spell of heavy rains soon after Sukumaran's marriage, Suvarna's roof gave way and she along with her daughter had to be accommodated by Jayamma. It was not for nothing, therefore, that Sukumaran, the newly married son, was showing signs of irritation with the house and the people living therein.

Jayamma's Illness

Jayamma was aware of the tension that was building up in the house. She moved out her goats and gave the little 8 ft by 4 ft goat-shed to Suvarna to cook her food separately. Sukumaran started going to work; but whatever he brought was not enough. He could not even take his bride to a movie. Day by day, he started giving less money to the family So Vanaja, the unmarried daughter, also resumed going to work

Jayamma's flu showed no signs of leaving her. So she went to the nearby Medical College Hospital. She had to take her ration card for identification and wait in a long queue. They finally examined her and gave her an injection and a prescription for medicines to buy. Jayamma was however not happy with the way the doctor disposed her of. She was sore also at the long time it took the doctor to see her. So she did not buy the medicines and refused to go for further injections. Instead, she went to a nearby clinic run by a church school. She felt she got better attention there, but it did not really put her back on her feet. Finally, she went next time to the Government Ayurvedic Clinic and only then did she start feeling better.[14]

When Jayamma was ill she almost felt like giving up work altogether. She felt that the work at the kiln was too hard. But when she saw the tension building up at home she thought it was better for her to go to work somehow. But even before Jayamma could do this, Sukumaran and Sujatha went away for a while to stay with the latter's family.

Ostensibly Sukumaran wanted to have a look at the land which was in Sujatha's name. Sujatha too was happy to go back to her mother after a month and a half, with her in-laws. Once they went, it took them over a month to come back. Sukumaran decided to plant tapioca on Sujatha's land. Also, his mother-in-law's roof needed replacing. So he pawned off Sujatha's gold and bangles for a loan of Rs 400 from the bank. He lent his monther-in-law Rs 150 to re-do her roof and spent the rest on planting tapioca with the help of two other men.

In the meantime, the family at Jayamma's house had to manage with only Vanaja's daily earning. That hastened Jayamma's decision to go back to work. She thought she could start by carting smaller loads of, say, 250 bricks at a time. Having mentally reconciled herself to the idea that she could not stop working, she soon started to feel better. Onam, 1977, is already past and Jayamma has been fully at work for over a vear since Sukumaran's marriage.

When Sukumaran and Sujatha came back after six weeks, Sujatha was expecting a child. Sukumaran had come back determined not to contribute to the daily family pool of cash more than 3 or 4 rupees. Before his marriage, he gave 5 to 6 rupees daily. Naturally, there were constant arguments. Finally, Jayamma told Sujatha in a huff, to cook separately if she wanted. That was what Sujatha and Sukumaran wanted but had not been bold enough to suggest to her. They started using the goat shed as their kitchen The news of separation of the kitchen spread like wild fire in the neighbourhood.

The seeds for the eventual complete separation of Sukumaran from his mother had thus been sown. Luckily, the application with the village office for the allotment of land on which she is squatting with her family is in Jayamma's own name. If ever it is allotted, the land on which her house stands will therefore belong to her, and not to Sukumaran, who must eventually move out.

Jayamma knows she has nearly lost Sukumaran and will soon lose Vanaja, her unmarried daughter, because she is bound to go off with some boy or other the same way that her elder sister went off. Jayamma still has one more son to hold on to. Though she has gone back to work, she has not given up hope that some day she can stop work and someone will look after her and her aging husband, Kannan.

Death of a Goat

Kannan too was so involved with the quarrels going on in the house after Sukumaran's wedding that one day he forgot to check on his pregnant goat at lunch time. He had taken her down the slope to graze early in the morning and had tied her near Suvarna's house at the foot-hill of the ridge. The goat was tied up with just a two ply coir rope which snapped. It appears that wandering around it must have found tapioca peels and eaten some. But tapioca peels are poisonous and make animals giddy.[15] By the evening, the goat was ill and bleating in pain. When the message reached Kannan, Jayamma and Kannan immediately rushed to see what had gone wrong Their first suspicion was foul play. Jayamma even suspected for a moment that Sujatha, her own new daughter-in-law, might have, herself or through some lady, done some black magic on the goat. Luckily, the goat still had some small pieces of tapioca skin in its mouth and that should have dispelled all such doubts. Still, while they immediately tried to get some local herb medicines, they also looked for the squatter washer-woman to remove any possible spell Every neighbour who came to watch had his or her own remedy to recommend. Jayamma ended up spending some three rupees desperately trying to save the animal But it was too late.

Naturally, Kannan's immediate concern was to recover as much money as possible. He asked his paraiah[16] neighbour, a professional butcher, to cut up the goat. The neighbour demanded in return not only the usual one kilo of meat but also the goat skin, knowing that it was too late in the evening for Kannan to get anyone else to do the job for him. The goat skin, if properly reclaimed, usually fetched around Rs 20. Naturally, Kannan refused to part with it free. The butcher still cut up the goat but cut up the skin so badly that Kannan could not sell it. He could only sell the goat meat to the neighbours but that too at half the market price and recovered only around Rs 20.

The loss of the goat was a major setback, particularly for Kannan. As was mentioned earlier, Kannan had bought the goat for Rs 150. It was pregnant Kannan was hoping that it would not only start giving milk soon but also deliver a couple of kids that he could bring up. Already he had two young goats from his earlier goat. Eventually he hoped to get together enough money to buy a cow for the household. Only two other households, in this squatter settlement of forty two, have cows. All his plans were now dashed.

Jayamma was sad too not only be-

cause the goat was so close to Kannan's heart but also because it made Kannan feel useful. Kannan was able to buy his bidis and an occasional cup of tea at the nearby shop with the money he made from the goat's milk. Now Kannan was left with only two young goats to tend. If nothing happens to them, he should be able to sell them for Rs 150 each in about a year. But that sum will not be enough to buy a cow for his family.

With Sujatha cooking separately and Kannan's goat dead, the year beginning with Onam of 1976 did not turnout to be as good as Jayamma had expected.

Propitiating the Goddess

It was the month of March 1977 and the nearby Devi[17] temple was being got ready for its annual celebrations which are timed more or less with the harvesting of the winter (mundakan) paddy crop. Jayamma's third son, Anant, wanted to join other children of his age group, 11 to 15, in the ceremonies. On the appointed day, the children roll round the temple deity in a lying down posture. (This particular ceremony is called 'urul'.) To do so, Anant would have to prepare himself by going on a completely vegetarian diet for a whole week. Also he was not to eat during that week any food cooked the previous day. Obviously, this meant that he could not eat for breakfast left over rice from the previous night. Jayamma would have to either cook fresh food or give him money to buy his breakfast. Also she must cook a proper vegetarian meal for him in the evening. Ordinarily, she cooked some fish which they all ate with rice and tapioca. Buying vegetables would mean extra expense. Then a new towel would have to be bought for him. Excluding the sweet rice (Ponkala)[18] offering at the temple, all told it would cost Jayamma at least 25 rupees.

On the appointed day, Anant had to fast and go without food altogether from morning. He was taken to the temple in the afternoon. There, he wrapped himself in the new towel after a dip in the pond near the temple. The priest took all the boys in a group to the pond. Then he and other boys were brought ceremoniously to the accompaniment of drums and tom toms. Once the boys reached the temple entrance they were asked to lie flat on the stomach and start rolling round the deity[19] to the accompaniment of drums. Kannan and Sukumaran helped Anant roll round and round the temple. In about one hour Anant and all others in his group were in a sort of trance. This took about an hour. Rolling round and round on an empty stomach with the sound of the drums and tom toms, even an adult would feel dizzy after some time.

Jayamma had taken a vow to cook sweet rice and offer it to the deity. So she was in the temple yard cooking sweet rice in a new mud pot in the company of some 200 other women all sitting next to each other in a row, each with her own stove, mud pot and cooking ingredients. The Ezhava temple priest came round and sprinkled the holy water on everyone's sweet rice. Jayamma left a portion of her cooked sweet rice for the temple and took the rest home to share with Anant and the family. Kannan and Sukumaran walked Anant back home and gave him first a cold water bath and then coconut water to drink.

Jayamma prayed before the Devi and asked her for the early allotment of the land on which she was squatting. She felt mentally much better thereafter and more reconciled to the family situation as it had evolved during the year. She felt that the extra money she had spent on Anant was well worth it.

On the eve of Onam 1977, Jayamma's house had two kitchens, one Sujatha's who now had a two-month old baby girl, and the other Jayamma's own. Sujatha had not gone out for work ever since she was married. Will Sukumaran ever ask, or let her go out for work? Jayamma doesn't know. Probably not, but why should she bother now? Sukumaran doesn't help his mother with any money whatsoever any longer.

The Last Four

Going by the Census definition of a household comprising only of those who share a common kitchen, Jayamma's household consists now of only four members. Kannan, her husband, is the only dependent member. The other three, including Jayamma herself, go out to work as often as possible depending on the availability of work. And since brick kilns, at least in Trivandrum district, work practically all round the year except during the south-west monsoon when they go slow, work opportunities are there for 280 days in a year. But the daily wage for women working for the brick kilns is distinctly lower not only in comparison to men working for the brick kilns but even to women working in the construction industry. The nature of the job women do in construction industry is exactly the same as they do for brick kilns, namely head-load carrying. But working for brick kilns, a woman has to work for every paisa because what she collects by way of wage at the end of the day is calculated on the basis of the number of bricks or the basketfuls of clay she has carried. Still she never earns more than two-thirds of what she would get in construction. Jayamma knows all this. However, unlike other women including Suvarna, Shamala and Vanaja, who do switch over to construction work during its peak days when anyone available is taken on, Jayamma stays with the brick industry. But as she grows older and therefore weaker, she will be able to carry fewer and fewer bricks in a day. So her daily earning will also decline.

It is this thought of the not-too-distant future which makes Jayamma feel extremely dependent on Anant, the young unmarried son. Anant spends the major part of whatever he earns on eating out. Still, when he comes back home, he must be attended to most. Jayamma serves him larger quantities of food. He gets more of rice than tapioca. So, as can be seen from the distribution of calorie intake within the household, Anant does relatively the best, even on a day he is not working. Who fares worst in this regard? Not Vanaja because she is an earner in her own right and insists that she too must have full freedom to do what she likes with her wage. Not Kannan either, because after all he is the head of the household. So naturally, it is Jayamma herself who eats more of tapioca than rice, who eats only the left over of fish and who in the end has a shortfall in calorie intake on both the days she is working and the days she is not working. But the shortfall is greater when she is not working. Will this pattern of her living itself not bring the day she fears most closer? "No, this is the only way I can provide for our old age."

Notes

1 According to the 1961 Census, which gives figures caste-wise, Ezhavas comprised 22 per cent of the population of Kerala State. They are, as George Woodcock puts it "the leading caste of all outcastes". See "Kerala: A Portrait of the Malabar Coast", Faber and Faber (1967) p 63.

2 Brick-making is a major cottage industry in Kerala involving making and baking of hand moulded

[illegible] mate, not less than 1,20,000 workers are engaged in making hand moulded bricks in the state. See Report of the Minimum Wages Committee for Fixation of Minimum Rates of Wages for Employment in Bricks Manufactures, Kerala (1971), Government Press, p 8. (Hereafter, we refer to it as Report of the Minimum Wages Committee for Bricks.)

3 Till the middle of the last century there were no good roads in Kerala and inland trade was carried on almost entirely (in boats) by backwaters and rivers and connecting canals. They provided excellent means of transport for conveying the commodities of the interior to the ports and thus contributed to the early economic development of the state. (See "Travancore State Manual", V Nagam Aiya, Trivandrum, Government Press, 1906, p 155.) While the major part of the state's agricultural output is now transported by road and rail, backwaters and connecting rivers and canals are still used extensively for the transportation of coconut husks to the retting centres.

4 See Report of the Minimum Wages Committee for Bricks, *op cit*, p 21, for a complete list of the various types of jobs involved in the industry.

5 The districts mentioned in the text are observed to employ the largest number of workers in brick making industry. See Report of the Minimum Wages Committee for Bricks, *op cit*, p 9.

6 In Kerala land area is expressed traditionally in acres and cents. Thus 20 cents represent one-fifth of an acre.

7 If during drying, even a few drops of rain fall on the brick it has to be wetted and kneaded back to clay and moulding repeated. For this reason, manufacture of country bricks takes place at a very much slower pace during the rainy season.

8 According to the minimum wages fixed in 1971, the differentials between the skilled, semi-skilled and non-skilled workers were to be rather small on the basis of the piece rates recommended by the Minimum Wages Committee. While the daily wage for unskilled work would work out to Rs 3.25, it would be Rs 3.55 for semi-skilled work and Rs 3.85 for skilled work. Evidently, the differentials have become very much wider between unskilled work, which is very largely female, and semi-skilled and skilled work, which is exclusively a male preserve.

9 Traction by poles through shallow water has been the primordial means of locomotion, but it must be noted that this involves continuous and hard exertion for the boatmen.

10 Dowry to the bridegroom was in fact absent among Ezhavas in the olden days. Rather the bridegroom had to give a nominal amount to the girl's father as bride price. [illegible] recent years [illegible] dowry is becoming more and more common now even among the low income Ezhavas. See Census of India, VII, Kerala, Village Survey Monograph, Trivandrum District, (1963) p 129.

11 The sterilisation programme is far advanced in the state. Of the 26 per cent couples "protected" by the end of 1975-76 by various family planning methods in the state, 92 per cent had undergone sterilisation. See "Statistics for Planning", Kerala Bureau of Economics and Statistics, (1977) p 249.

12 The Pulayas, a major scheduled caste in Kerala, occupy a very low rank in the social scale. They were considered such a polluting caste that even other polluting castes above them were polluted by them. See, "Travancore State Manual", V Nagam Aiya, Government Press (1906) p 407.

13 Onam is the principal festival in Kerala. It falls in mid-September, towards the end of the south-west monsoon. It commemmorates the golden age of King Mahabali, a legendary ruler of Kerala, who is supposed to revisit his land on this day. The Malabar New Year also starts then.

14 In 1974-75, there were 65 Ayurveda hospitals and 382 dispensaries in Kerala, in addition to a very large number of private clinics practising the same system. In addition there were 8 hospitals and 113 dispensaries practising homeopathy. Over and above these, there were 135 hospitals, 162 public health centres and 552 dispensaries, all practising modern medicine, with 27,568 beds, spread all over the State. See "Statistics for Planning", *op cit*, p 245.

15 That tapioca skin can be very poisonous is very widely known in Kerala. See Census of India, 1961, Vol VII, Kerala, Village Survey Monograph, Trivandrum District (1963).

16 Paraiahs comprise the second largest scheduled caste in Kerala, after Pulayas.

17 Devi, the personification of female energy, is the source of all divine and cosmic evolution. "Devi Mahatmya" says that Devi takes three forms, Mahalaxmi, Maha Saraswathi and Maha Kali, representing the Sathvika, Rajasa and Thamasa attributes or Gunas of Prakriti. In the fierce aspect she is mentioned as presiding over other minor goddesses controlling epidemics, sickness and evil spirits and is worshipped under the names of Mahakali, Chamundi, etc, in accordance with Tanthric rites. See *"Travancore State Manual"* STK Velu Pillai, Government Press (1931) p 582.

18 Ponkala is an offering usually made in Bhagavathy temples on the 9th day of the Devi festival. It is prepared in the form of pudding by cooking together rice, jaggery, coconut shavings and plantain fruit in varying combinations. By the evening almost all the Ponkalas [illegible] all over the [illegible] around the temple, [illegible] innumerable ponkalas would have been prepared, and blesses them by sprinkling holy water and flowers. See Census of India (1961), Vol VII, Kerala Part VII, B(i), Fairs and Festivals, 1966, p 101.

19 Urul Nercha is done by males of all ages. It starts at about 4 pm with accompaniments like nadaswaram, drum, etc, and continues for one or two hours in the midst of a packed crowd. There will be several persons participating in the Urul. Every such person will be flat on the ground and rotate himself sidewise and circle the temple at least thrice. See Census of India, 1961, VII, Kerala, Part VII B(i), Fair and Festivals, (1966) p 106.

ECONOMIC AND POLITICAL WEEKLY

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TO BUTCHER OR NOT TO BUTCHER

DIRECT TAX REFORM

POLICE TERROR IN KHAMMAM

NAINI VILLAGERS' STRUGGLE FOR EMPLOYMENT

MONEY-PRICE SPIRAL

DUAL PRICES FOR FOODGRAIN PROCUREMENT?

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Not By Good Intentions

NECESSITY, in our conditions, produces not invention but statements of good intentions. The sharp rise in oil prices in 1973 provoked instant concern about an energy policy. Accordingly, the Ministry of Energy was constituted in 1974 with responsibility for, among other things, preparing and implementing such a policy. Now, five years later, we once again hear the Minister for Petroleum and Chemicals saying that if he had his way he would permit the use of petroleum products and gas only as feedstock for industry and not as fuel for power generation and domestic purposes.

The provocation for this latest outburst of good sense is the prospect of a stupendous rise, estimated at around Rs 500 crores, in the import bill for crude oil and petroleum products in the current year. This increase is only partly the result of the decision of the OPEC countries to raise the price of crude oil from $ 12.70 per barrel to $ 13.335 per barrel from January 1, 1979 and, in three further instalments, to $ 14.542 per barrel by October 1, 1979. More important, because of the disruption of oil production in Iran, there has emerged a world-wide shortage of oil as a result of which actual market prices of oil are far — at times even 70 to 80 per cent — in excess of the prices nominally fixed by the OPEC. Iran used to be our largest single source of crude oil, accounting for over 30 per cent of our total crude imports. The gap left by the non-availability of Iranian crude can be filled only by purchases at or near the current high market prices.

Earlier this week, after signing a protocol for the supply of a million tonnes of crude from Algeria, the Minister of Industry declared with a flourish that "we should have no oil problem", pointing out that, apart from Algeria and Iraq, Libya had also agreed to supply 2.5 mn tonnes. The crucial question, however, is at what prices? Given the very high prices currently prevailing, and which are expected to be more or less sustained throughout this year, no oil exporting country is prepared to supply crude at the OPEC-fixed prices, except where it is bound by long-term contracts. Even supplies already contracted for are not protected against the price increase, as the attitude of the Soviet Union has shown. The Soviet Union is known to be demanding current market prices for the 1.6 mn tonnes of kerosene and high speed diesel oil which it had already contracted to supply during this year. It has also demanded the same in respect of the 6 lakh tonnes of crude which it recently agreed to supply in exchange for Indian rice (to be supplied to Viet Nam on behalf of the Soviet Union).

This situation calls for something more than a reiteration of faith in the need for an energy policy. For one thing, facts do not suggest that there has been a runaway expansion of demand for petroleum products in the country. Consumption of petroleum products rose from 17.91 mn tonnes in 1970-71 to 25.59 mn tonnes in 1977-78, which gives a simple annual rate of growth of a little over 6 per cent. To be sure, this is not to be attributed to the success of any deliberate policy of rationalising the use of petroleum products, but rather quite simply to the operation of the price mechanism following the steep rise in petroleum prices in 1973 and to the overall low rate of growth of the economy and the industrial sector in particular.

On the other hand, the general impression of petroleum exploration, production and refining having been one of the dynamic sectors of the economy is also not borne out by facts. The annual production of crude oil increased by 3.32 mn tonnes in five years from 3.47 mn tonnes in 1965-66 to 6.82 mn tonnes in 1970-71; in the next seven years from 1970-71 to 1977-78 the increase was only 3.94 mn tonnes. The rise in domestic crude production did not keep pace even with the altogether modest rise in the crude throughput of refineries in the country. The annual throughput of the refineries rose by 8.15 mn tonnes from 10.23 mn tonnes in 1965-66 to 18.38 mn tonnes in 1970-71 and by 6.52 mn tonnes between 1970-71 and 1977-78. The gap between domestic crude production and the throughput of the refineries widened from 6.76 mn tonnes in 1965-66 to 11.56 mn tonnes in 1970-71 and further to 14.14 mn tonnes in 1977-78, necessitating growing reliance on imports of crude oil. On the oil products side the annual output of the domestic refineries went up by 7.55 mn tonnes from 9.56 mn tonnes in 1965-66 to 17.71 mn tonnes in 1970-71 and by only 6.11 mn tonnes between 1970-71 and 1977-78. The gap between consumption of petroleum products in the country and their production by the indigenous refineries, which had been almost bridged by 1970-71, has widened in the last few years. It was 2.37 mn tonnes in 1977-78 and 3.46 mn tonnes in the first nine months of 1978-79.

Immediately, the situation on the petroleum front is attributable also to the crisis in the coal and power sectors. The power crisis has necessitated

desperate measures like the import and installation of generating sets run on diesel. It has increased the demand for diesel for running agricultural pumpsets. In many parts of the country, diesel is reported to be selling at a black market premium of 40 per cent or thereabouts over the official prices. The non-availability of coal has similarly forced industrial users to switch to fuel oil. Statistics of coal production and despatches present a truly appalling picture. According to the annual report of the Ministry of Energy, production of coal in the first 11 months of 1978-79 was 90.76 mn tonnes, which means that coal production was stagnant for the third year in succession. The position with regard to despatches is even worse. At 86.74 mn tonnes in the first 11 months of 1978-79, despatches from the mines actually showed a fall of 3.58 mn tonnes over the same period of 1977-78.

In dealing with this situation, any talk about the importance of an energy policy or about not permitting the use of oil as fuel in industry or for power generation is largely beside the point. What is called for, above all, is the cleaning of the Augean stables in power generation and coal production and transport. Talk of maximising the use of coal in place of oil can have any meaning only after this has been done. In fact, however, the chances are that, thanks to the still easy foreign exchange situation, the government will take the relatively painless path of contracting for import of more and more crude oil and petroleum products at exorbitant prices — all the while reiterating its faith in an energy policy.

Politics

Well Served by the Cow

VINOBA BHAVE ended his five-day fast demanding a total ban on slaughter of cows on Thursday just after the Prime Minister announced in the Lok Sabha that the government would introduce a bill to amend the Constitution to include cow protection in the concurrent list. The constitutional amendment, if enacted, will make it possible for the Centre to ram a total ban on the killing of cows down the throats of West Bengal and Kerala, which now permit the killing of aged cows. Thus the attempt at using moral force by the supposed saint of Paunar has been converted into straightforward use of the State machinery in support of a plainly obscurantist Hindu communal demand.

Just before starting his fast on Sunday, Vinoba Bhave was reported to have expressed the hope that people in all states would find inspiration from his fast to work for a total ban on cow slaughter. This rather immodest expectation was completely belied. In the two states of Kerala and West Bengal, the fast failed to evoke any popular response in support of the cause for which it was undertaken. Even over the rest of the country, the people by and large showed little concern over the fast, despite newspaper reports of the fasting Bhave's condition deteriorating, growing worse and causing concern.

In fact, apart from the inmates of Bhave's ashram and very small numbers of Sarvodaya workers in different parts of the country, the only people who were really exercised over the fast were the leaders of the various political parties. The Janata party president, Chandra Shekhar, rushed to Paunar and, we are told, engaged in hectic consultations with Vinoba Bhave and his associates as well as with Central leaders in Delhi before evolving the formula which enabled Bhave to call off his fast. From the other side, Indira Gandhi was actually on her way to Bhave's ashram when, no doubt much to her disappointment, the fast was broken.

The effort to make political capital out of Vinoba Bhave's fast is seen most clearly in the behaviour of Indira Gandhi and her party. The Congress(I) had adopted a resolution supporting the fast and Indira Gandhi had even called upon her partymen to undertake token fasts in sympathy with Vinoba Bhave's fast. Clearly, no effort was to be spared to cause as much embarrassment as possible to the ruling party and government. And now, pursuing the same objective, Indira Gandhi has declared that it is by no means certain that her party will support the government's bill to amend the Constitution to include cow protection in the concurrent list. The CPI(M), CPI and DMK have made known their intention to oppose the bill, but what will be vital is the attitude of the two Congress parties. In fact, the support of the Congress (I) in the Rajya Sabha will be critical.

Thus, while Vinoba Bhave may have denied Indira Gandhi some limelight by breaking his fast before her arrival at Paunar, he has still provided her with an opening for bargaining with the Janata party and the government. The opening must seem a valuable one at a time when her efforts to take over the other Congress have failed, when challenges to her authority in her own party have begun to surface and when she is faced with the threat of having the charges against her and her Emergency cohorts tried before special courts.

Foreign Companies

Unsuspected Allies

GOVERNMENT pronouncements on the subject of regulation of the activities of multinational corporations often give the impression that this is essentially an administrative matter. They ignore that such corporations, especially those which have been established in this country for some length of time, have close linkages with many segments of the economy and society. As a result, any government-enforced change in their activities is likely to have widespread repercussions and any policy towards the multinationals must also aim to cope with these repercussions. Two recent developments illustrate this point.

Safety matches is one of the industries in which it is the government's declared policy to encourage small-scale and cottage production and restrict, and eventually phase out, the operations of the only large-scale producer, a multinational company. As a step in this direction, the Budget for the current year had sharply raised the excise duty on matches produced in the large-scale sector while reducing that on hand-made matches. This has immediately met with the opposition of trade unions representing workers of the multinational corporation who have represented to the government that a part of the company's workforce may lose their jobs if the company is forced to cut production.

A second case in point is the government's recent decision to reverse its earlier policy announcement and permit foreign pharmaceutical companies to continue their existing loan licence arrangements for another year and even allow fresh such arrangements. Under these arrangements the pharmaceutical companies get items, for producing which they hold licences, produced in the plants of small drug units. The items so produced are, of course, sold by the foreign companies under their brand names and are included in their turnover. The advantage to the companies is that the small units' wage and other costs are very much lower and

they themselves can enlarge their turnover and profits without setting up production facilities and through what is essentially trading activity. In this instance it was apparently the opposition of the small drug units — whose plants are being used by the foreign companies — which compelled the government to reverse its earlier decision to disallow loan licence arrangements.

In both the above cases, the foreign companies concerned may well have used the workers in the one case and the small drug units in the other to try to secure changes in government policy to their advantage. But the two cases do underline the importance of fully taking into account the wide ramifications of foreign companies' operations in the country while formulating policies in regard to them.

Punjab

Plight of Migrant Labour

Amarjit Chandan writes:

THE phenomenon of exploitation of migrant labour — such as of Oriya and Bihari bonded labour by contractors, dalals and British tea companies in Assam and Darjeeling in the days of the British Raj — has recently emerged in Punjab. Agriculture in most of the districts of Punjab has taken to mechanisation. This should have resulted in surplus labour in the agricultural sector. But as a result of mass migration of Punjabi labour, skilled and unskilled, to the Gulf countries, there is scarcity of labour in Punjab. (The migration of Punjabi labour to America, East Africa and East Asia started in the early part of this century.) Another factor which may have contributed to the scarcity is the large-scale recuruitment of semi-literate and illiterate Punjabi youth into the armed forces.

The gap is being filled by Munda tribals from eastern Bihar, known in Punjab as 'purbias' (easterners). There indeed is a scramble for purbias. The reason is not only the scarcity of labour. The purbias are cheaper than local labour, and they can be made to work harder. They feel insecure in an alien place and are therefore more susceptible to the pressure of the jat employers. The employers even resort to giving them drugs like opium and hemp, etc, and the purbias often return to their native land as drug addicts. They do not get their full wages. The ruthless farmers often beat them and chase them away after extracting labour for a considerable period by paying a paltry sum and sometimes even paying nothing.

For the jat farmer these are important plus points for hiring purbias. But even these are not all the reasons for hiring them. The agricultural sector in Punjab has recently witnessed sharpening of contradictions between the jat employers and farm workers, who are by and large scheduled castes. These farm workers are getting organised and are demanding better working conditions and wages. Some khet mazdoor organisations of the CPI, the CPI(M) and some Marxist-Leninist groups are active in this area. The jats are of course not prepared to take this lying down. They have been using all possible methods to suppress the audacity of the 'untouchables'. By way of economic sanctions, the jats decide not to employ them as far as possible. They also resort to social boycott (naqabandi) of the scheduled castes. The social suppression has gone so far that harijan workers are not even allowed to ease themselves in the fields, which in most cases belong to the jats. They cannot collect fodder from the fields. When a boycott takes place, the harijan men, women and children live a terror-stricken life. The women are raped and men and children beaten at will. Agricultural workers in Punjab are putting up a resistance against this suppression, but this is yet to become a proper fight. In this situation the purbias have become handy to the Sikh jats.

Among the first purbias to migrate to Punjab from the Chhota Nagpur region of Bihar was one Birsa, who ten years ago arrived in a village in Hoshiarpur district. On his return to his native place the jat farmers asked him to bring more men and promised to pay him Rs 100 per man. In the process Birsa became a dalal. Two institutions emerged, one of the Punjabi dalal and the other of the Bihari dalal. The amounts that are paid to them, which have gone up with the rise in demand for migratory labour, are deducted from the purbia's salary.

Tanda Urmur, a town in Hoshiarpur district, is the main centre of agencies connected with import of labour. The Punjab and Bihar police are parties to this trade. The Bihar police get Rs 10 per head and the Punjab police wait eagerly for the arrival of the purbias at Jullundur and Ludhiana railway stations. Farmers from all over Punjab are these days camping at Ludhiana railway station to meet incoming trains from the eastern states.

It is ironical that the people who are subjugated to such inhuman exploitation are worshippers of Bhagwan Birsa Munda, a legendary hero of the Chhota Nagpur region, who 'waged a war against British colonialists and against local moneylenders in the late 19th century. The purbias remain unorganised and, therefore, weak. The parliamentary communist parties of Punjab do not take any interest in the issue, maybe because the purbias do not have voting rights in Punjab.

Sugar

Higher Prices with Higher Production

THE peak of the sugar season has been passed. But in view of abundant crop this season, government will have to induce, and if necessary force, the industry to continue crushing for the next 13 weeks. At the time of writing, 240 factories are working and sugar production by end of March 1979 had already touched 4.6 million tonnes, i e, 100,000 tonnes more than that in the corresponding period of the 1977-78 season.

Sugar prices have gone up all over the country in March, by between Rs 40 and Rs 80 per quintal, and in Bombay the retail price has moved up from Rs 2.20 to Rs 2.60 per kg. This has happened in spite of the fact that godowns are bursting with sugar bags and the industry has managed to secure a number of facilities from the government and the Reserve Bank.

Advised by its 'experts', the government committed itself to permitting industry to restrict monthly sugar releases. The quota for March had to be later increased and the current months quota has been fixed still higher. In spite of this prices have gone up. This is not surprising. While large quotas are released under government pressure, the industry is under no obligation to sell the entire quota within a prescribed period.

The industry's position has been further fortified by the Reserve Bank's instructions to scheduled banks to grant liberal credit to sugar mills, taking into consideration the position of individual factories. In any case, industry has enough pull over the disbursers of credit, whether these happen to be nationalised or private sector banks. With sufficient credit available, the urgency to sell disappears.

The government should, therefore,

ensure that the quota for any month is fully sold before the 15th of the following month. The summer months are the period of the heaviest demand for sugar.

News about export contracts for sugar is given out periodically, but it is never revealed at what prices the deals are struck. Government efforts to persuade industry to sell directly in the export market have proved a complete flop. Export prospects are not at all bright and the world market has been receding steadily. The 1973 commodity boom took sugar price to the dizzy heights of £650 a tonne in November 1974. After that the price fell to about £150 in 1976-77, £110 in 1977-78 and is currently ruling at £94 a tonne.

Export of sugar thus involves a sizeable loss. Neither industry nor any individual factory is prepared to bear this loss in the absence of government subsidy. Exports by the STC are quite different. The STC's losses on export of sugar are fully reimbursed by the government. Industry is, therefore, keen to press the government to export the full quota of 650,000 tonnes in 1979.

In addition, industry has started raising the scare of a severe fall in sugar production in 1979-80. Industry predicts a fall of at least a million tonnes. There is absolutely no basis for this kite-flying and yet it has got nation-wide publicity.

Rhodesia

After the 'Elections'

Ninan Koshy writes:

AT the end of the elections in Rhodesia, with the apparently impressive polling percentage of 64, Ian Smith, the Prime Minister of the illegal white minority government, declared that the 'fantastic result' should encourage the leaders of the 'free world' to recognise the new regime. He claimed that he had fulfilled all the conditions laid down by the 'free world' for legitimacy. His claim was duly supported by the other champion of the 'free world' in that area, the Republic of South Africa.

The first attack against the validity and legitimacy came from within the ranks of the government, from Sithole, one of the black leaders who had signed the 'internal settlement'. He alleged 'gross irregularities' in the election and demanded the appointment of a Commission of Enquiry. He could not honestly say that the rules were violated because there were hardly any rules in this game in which he had agreed to participate.

There was no electoral roll for the elections. The last census in Rhodesia was in 1969; even that was not a comprehensive one. The election in Rhodesia seems to be an object lesson on the role of statistics in politics. In March 1978 the official estimate of those elegible to vote (those above 18 years of age) was 4.8 million. By the end of 1978 the figure quoted by the government was 3.5 million. By the time of the elections the figure went down further and was officially given as 2.8 million. This is one of the advantages of having no electoral roll.

Officially more than 1.8 million people voted. This of course is 64 per cent of 2.8 million. But problems arose when officials reported that in several polling booths, like Mashonaland west and central, the percentage of polling was as high as 108. That elections were held over a period of five days, that no proof of identity was required (or available in most cases), that resident workers from Mozambique and Malawi voted, that indelible ink may not have been always indelible and that after all there was no electoral roll — all open up fascinating possibilities.

The censored and guided media made the necessary adjustments. It was always claimed that in Rhodesia 75 per cent of the blacks lived in Tribal Trust Lands (most of which are now under the control of the forces of the Patriotic Front). But by the end of March 1978 Western correspondents based in Salisbury reported that close to 61 per cent of blacks lived urban, white farming and mining areas and one of them therefore boldly added that "the demographic breakdown of potential black voters favours the transitional government rather than the guerillas".

The elections were held at a time when the Rhodesian army was making massive attacks on Zambia, Mozambique and Botswana, claiming that it was winning the war and 'finishing' Nkomo. It is significant to recall in the light of the present predicament of Sithole that he had stated before the elections that Nkomo should be invited to become President of Rhodesia/Zimbabwe. This was of course in a way responding to the propaganda by some followers of Bishop Muzorewa that after the elections there would be an alliance between Muzorewa and Mugabe. This propaganda obviously had effect on some sections of the voters. Also the claim that 'our boys' (the guerillas) will lay down arms before a black government.

More than 95 per cent of the country is under martial law. Nearly 10,000 armed men and women were mobilised to 'protect' the black population against the guerillas. The government 'urged' all employers to 'ensure' that all their workers voted. The private armies of Sithole and Muzorewa, trained respectively in Uganda and Libya, were at the polling booths and voters in many places were asked to show how they were voting.

Bishop Muzorewa now becomes the Prime Minister of Rhodesia under a constitution the provisions of which ensure continued white minority control over all the levers of power. The 'entrenched provisions' of the constitution guarantee the special privileges of the whites regarding property and white dominance over the administration of judiciary, executive, army and police. The judges who sent hundreds of blacks to the gallows continue with the same powers; the army and the police who terrorise, torture and kill the people have even enhanced powers. The constitutional provisions regarding these key sectors of economy and politics can be amended only by "a Bill which receives the affirmative votes of not less than 78 members".

And that is the crux of the matter, because all the black parties together — and they are not united — have only 72 seats. Constitutionally the whites who form less than four per cent of the population have 28 seats in a Parliament of 100. Of course, it was one man one vote except that the vote of one white person carried more than nine times the value of the vote of a black person. The majority of the people of Zimbabwe have rejected this formula for the perpetuation of white minority rule and that is the strength of the struggle of the Patriotic Front

In the coming weeks pressure will be increasingly put on the Western countries to recognise the Muzorewa government. Muzorewa has stated that the colonial power from which Smith seized 'independence' should take the lead by recognising Rhodesia and lifting economic sanctions. In Britain some Conservative leaders had earlier stated that if the elections in Rhodesia were fair and if the Conservatives were returned to power, they would recognise the new government in Rhodesia and lift economic sanctions. That attitude has begun to waver in spite of favourable reports from the team of observers sent by the Party. The question is not one simply of relations between a British government and a

government in Rhodesia, but involves relations with the Commonwealth countries, especially those in Africa and also Britain's relations with the USA. Labour leader Callaghan has stated that there will be another attempt at negotiations, if Labour is returned to power, implying that there will be no recognition There are already indications that several black countries will walk out of the forthcoming Commonwealth Conference if Britain recognises Rhodesia. For a decision on Rhodesia for the USA, the results of the British elections are apparently more important than those of the Rhodesian elections. The trump card that President Carter has for his black constituency which overwhelmingly supported him in the last elections, is the claim of a pro-Africa policy and he may find it difficult to sustain it.

Railway authorities or the various agencies handling goods at the two places either for themselves or for the private parties engaging them for the purpose.

MOHAN SINGH

General Secretary,
The Howrah E. R.Goods
Labour Contractor's Employees'
Union, Howrah.
March 1.

LETTERS TO EDITOR

Porters of Howrah Goods Shed

I HAVE read with surprise some of the views expressed and observations made by Timir Basu in his article "Porters of Howrah Goods Shed" (December 9, 1978).

Obviously, Timir Basu did not have correct facts and figures at his disposal. At the Howrah Goods Shed, the total number of men engaged in handling work is between 900 and 950, but of these, not even 400 men including tindals, markingmen and supervisors work under the railway handling contractor The rest work under the Food Corporation of India and different outside agencies In fairness to the present railway handling contractor, it should be stated that although the workmen under him are not so liberally paid as the workmen engaged in jute and engineering industries of the Howrah-Calcutta area, the former, in conformity with the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, are in full enjoyment of the same wage rates, holidays and hours of work as are applicable to the workmen directly employed by the railway on similar kind of work in the Howrah-Calcutta area. Irrespective of the working hours officially notified for the Howrah Goods Shed, none of the workmen engaged by/under the railway handling contractor is made to work for more than 7 hours in the course of a day and without exception, they each get statutory weekly rest after six days' work It is not true that they are all made to work for 16 hours in a day through use of musclemen or by applying strong men tactics, as alleged in Timir Basu's article. Whosoever works under the contractor works under his direct control.

Another gross distortion of facts is that at the Howrah Goods Shed there is no first-aid arrangement for the contractor's men It may be news to many that these men, if injured on duty, are given by his contractor-employer not only full medical aid but also compensatory wages and allowance for the period for which he remains off-duty under medical advice

Timir Basu does not seem favourably disposed towards the Howrah E R Goods Labour Contractor's Union of which I am the secretary. This Union, which was formed and registered in 1972, commands a membership of a little over 300 men, which means that more than 75 per cent of the workmen engaged under the railway handling contractor are its members.

I am also the secretary of the Howrah Goods (Eastern Railway) Workmen's Co-Operative Labour Contract Society Formed and registered in 1974, this Society which holds the contract for handling parcels at Howrah has nothing to do with the goods handling contract at Howrah held by Messrs Dey and Agarwala. Because of this Society's acknowledgedly brilliant performance as a parcels handling contractor at a busy station like Howrah it hopes to get also the goods handling contract at Howrah

Regarding the Railway Goods Handling Labour Contract Mazdoor Union, the less said the better Though claiming to be a CITU-backed Union, it is, in fact, an organisation of vested interests with a membership of not even 40 workmen and its two principal office-bearers interest themselves more in estrangement of relations between labour and management at the Howrah Goods Shed than in the much-professed collective welfare and economic betterment of its members

In Timir Basu's article, there is a mention of some incidents as also of prevalence of certain corrupt practices in the Howhah and Ramkistopore Goods Sheds But these things in no way concern either my Union or my Society. They mostly concern either the local

China and Viet Nam

IT was amusing to read Lajpat Rai's letter (April 7) commenting on my article "Socialism by One Country" (March 3). He is of course right that I do not see the conflict in Indochina in a "simple and straightforward" way as your editorial had done. His perspective and mine are so different that it would not be possible to settle the differences in just one letter.

However, it is quite clear that he has not either fully read or understood my article. To cite just one example, quite contrary to Lajpat Rai's interpretation, I have categorically stated in the article that as regards "altering the situation in Kampuchea", "that does not seem likely either". I had also, added that it was not possible to "suggest an answer which would, in operational terms, explain the Chinese move". Lajpat Rai's difficulty seems to be the same as Deng's, in that he also cannot hear what other people are saying

As regards my assessment of Deng, I had said that I was "not sure" whether the extreme nationalist element (which was once described by no less a person than Zhou Enlai as "Han chauvinism") was altogether absent from his thinking Surely, a doubt of that kind should be permissible As regards his being revisionist, I did not in that article nor do I intend to in this letter, call him anything like that It is my understanding that "a great revision is going on in China" and it would be hard indeed to argue that it is otherwise In any event, it is just as well to remember that Mao Dzedong had called him a capitalist roader once and there is no evidence that he had revised his opinion ever If there is indeed a provocation to describe Deng one way or the other, I would much rather be in Mao's company than in Rai's But there is no such provocation — not yet anyway

GPD

New Delhi
April 21

The Coalition Idea

Romesh Thapar

THE internal crisis that continues to weaken and destabilise the Janata governments in the northern states is now taking on a character which makes it necessary to question the viability of this mess of a party. Over several months, we have been trying to convince ourselves that the five constituents of the Janata "party" will manage a working partnership and fuse into a single organisation before the next general elections. Even the President has spoken of the "miracle" of the Janata party's existence. By the looks of it, all this theorising is about to explode in our faces.

The RSS question has assumed such proportions in the Janata "party" calculations that we seem to be headed for a split. It is most doubtful that the energetic Jan Sangh constituent will agree to any restrictions on its RSS connections because the overwhelming majority of its members are also active in the *shakhas* and in conspiratorial culture. The Jan Sangh/RSS attempt to capture the Janata "party" through an intensive membership drive has apparently angered all the constituents, particularly the BLD of Charan Singh. Actually, Charan Singh is so oppressed by the failure of the party he was instrumental in founding that he now talks of the need for an honest coalition at the Centre and in the states ruled by the Janata conglomerate.

Admittedly, the problem of conducting elections in a party ridden with hidden intrigues and pressures of its five constituents has brought matters to a head. Our squabbling politicians are now convinced that no democratic party is possible within the existing framework where each constituent is openly and crudely manoeuvring for vantage positions. Thoughts are turning to the idea of coalition governments created by carefully structured agreements between the leaderships of the various parties, with each party committed to disciplining its own following in the context of those agreements. If Charan Singh pushes harder, we may see a rather rapid crystallisation of coalition thinking. Interestingly, a coalition might even defuse the present RSS tangle.

The continental politics of India have developed their own peculiarities. One of the prominent aspects being commented on is the regional manifestation of certain parties, including the Communist, and the regional consolidation that is resulting. While the break-up of a single continental party like the Indian National Congress was inevitable after its failure to carry forward and implement a model of growth upon which it was mobilised, it was absured to imagine that the mess known as the Janata party would develop a continental *elan* and replace the Congress party. However, what we have inherited is not unhealthy — every party enjoying some power somewhere on the sub-continent at a time when federal relations need reviewing and adjusting in the interests of a more democratic and participative system of governance.

It is a situation which is not to be scoffed at. An all-powerful Centre with subservient state governments — the dream of Indira Gandhi and her son — would have suffered the fate of the Shah's regime in Iran, but on a horrendous scale. Today, the confusion at the Centre gives us the opportunity to reflect the multi-party growth of India in a coalition system at the Centre with the consensus technique as a solid continuity. The demoralisation which often overtakes the political scientist rooted in Western theory has really no basis. The Indian reality has always been different. Was not the Indian National Congress an amorphous, consensus-making "coalition". It was fortunate in its shared experience of the freedom struggle and its nationally acclaimed leadership. The coalitionists of today are not without shared experiences and can certainly throw up a leadership capable of commanding national attention.

The political culture of coalition functioning may not take too long to mature so long as we do not import the polarising notions of Western politics. For example, a coalition government at the Centre should strive to reflect a working collaboration with the CPI(M) in Bengal and with the Congress in the South. In other words, we must devise the disciplines and frameworks of coalition functioning in a continental setting. Naturally, a special stress will come to be laid on political mobilisation which will become the instrument of making consensus decisions more dynamic and directed at modernising and humanising society.

Radical formations can, of course, decide the course of coalition politics. If the present challenge is viewed merely as an opportunity to project the united front tactic to infiltrate the "landlord-bourgeois" fortress, then a new sort of polarisation will result. But, and this is important, if responsible Left leadership bases itself on a full understanding of the complexities of continental revolutions and determines to prevent the fragmentation of a "multi-cultural, multi-national" Indian society, a qualitatively different pattern of politics would emerge. Political mobilisation, consolidated in government power at certain points, would profoundly influence the consensus on policy. A survey of even the Janata party's two years of governance cannot but highlight the unshakeable commitments to certain democratic and egalitarian thrusts irrespective of who rules. The politicised millions make this *sangham* inevitable.

However, even as we view the disarray among the main contenders for national power, the Janata and the Congress, it is of paramount importance that the machinery of State, civil and military, be insulated against the political disruptor and destabiliser The manner in which the police have been misused, and the growing assault on the independence of civil servants, needs immediate attention — and by the seniors in each *echelon*. The politician, and this includes the elected animal, must be firmly put in his/her place. And this means that someone among the politicians has to do the job. If only the Morarji Desais and Vinoba Bhaves of our world could get themselves hooked on to real issues we might begin moving.

April 21

When corresponding with the Circulation Department, subscribers are requested to mention their subscription numbers.

Growth plus Sophistication

Hamsavivek

KAMANI ENGINEERING CORPORATION has well maintained during 1977-78 the steady progress achieved in the preceding few years. Supply of fabricated towers and connected material continues to be the company's major activity which accounted for about Rs 24 crores of revenue. The construction activity both in India and abroad increased significantly and brought in revenue of Rs 14 crores which was more than double that of the previous year's Rs 6 crores. The company's construction competence has further widened with the commissioning, for the first time in India, of the sophisticated and high value tension stringing equipment for the execution of 400 KV bundle conductor lines. In the field of heavy civil engineering, KEC successfully met the revised completion targets on 210 MW power station at Nasik for MSEB. A record achievement was the completion and shipment in time to the buyers' satisfaction of certain urgent export orders from Libya and Iran in a short period of 4 to 6 months against a normal period of one year. The rolling mill unit at Jaipur also experienced increased activity with 68 per cent rise in production over the previous year. It developed rolling of special transmission line tower sections of size 45 x 45 x 4mm and 40 x 30 x 4 mm. The company's tower testing station has assumed greater significance as a national tower testing centre, since more than 30 per cent of tower tests were related to requirements of other manufacturers. In order to keep pace with international technological development the company has decided to expand its testing facilities by installation of additional test bed with facilities for prototype tower testing for high voltages of 750 KV and over.

On sales of Rs 37.71 crores against Rs 31.28 crores, KEC has earned a gross profit of Rs 6.61 crores against Rs 5.94 crores. The latest figure has been arrived at after providing Rs 1.65 crores for construction contingencies. The directors have also adopted the written-down value method for depreciating the company's fixed assets. The change has necessitated on additional depreciation to the extent of Rs 1.17 crores. In view of the huge losses carried forward, the directors feel that no tax would be payable against the profits including those of 1977-78. However, for meeting the uncertainties arising from legal decisions, they have made a provision of Rs 2.95 crores for taxation as a precautionary measure. Net profit has therefore dropped from Rs 5.48 crores to Rs 1.69 crores. The unchanged dividend is still covered 6.7 times. The company is executing two large turnkey projects, one in Libya and the other in Iran. The Libyan contract is expected to be completed during 1980-81. Meanwhile, a further contract of Rs 13 crores has been signed in December last for 220 KV transmission lines. In Iran, the construction operations have not been running smoothly, primarily due to non-fulfilment of contractual obliga-

The Week's Companies (Rs Lakhs)

	Kamani Engg		Boots		Bajaj Tempo		Excel Industries	
	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 30-9-78	Last Year 30-9-77	Latest Year 30-9-78	Last Year 30-9-77
Paid-up Capital	171	171	170	170	319	159	257	171
Reserves	469	297	176	134	375	432	270	269
Borrowings	1553	1343	197	128	550	456	186	267
of which Term borrowings	1182	695	94	84	130	72	7	—
Gross fixed assets	737	522	373	280	993	771	780	699
Net fixed assets	393	325	250	230	646	521	504	431
Investments	3	—	1	1	—	—	21	21
Current liabilities	1776	1585	219	178	498	402	531	397
Current assets	2526	2126	511	379	1095	929	719	652
Stocks	760	672	391	258	773	632	215	258
Book debts	1635	1167	99	98	307	280	371	363
Net sales	3771	3128	1282	1109	2680	2152	1284	1073
Other income	363	168	20	18	49	62	31	49
New material costs	1190	1075	649	542	1816	1452	313	252
Wages	735	542	243	235	302	313	221	192
Interest	142	147	17	13	48	43	49	38
Gross profit(+)/loss(−)	661	594	216	167	262	303	232	219
Depreciation provision	197	46	25	14	75	55	63	64
Tax provision	295	—	118	98	56	112	41	43
Net profit(+)/loss(−)	169	548	73	55	131	136	128	112
Development rebate provision	38	12	11	—	32	24	13	10
Transfer to reserves	114	121	25	26	67	83	69	71
Dividend								
Amount	P 3 E 20	6 20	P — E 37	— 29	P — E 32	— 29	P — E 46	— 31
Rate (per cent)	P 7&9.5 E 15	7&9.5 15	P — E 22	— 18	P — E 10	— 18	P — E 18	— 18
Cover (times)	6.70	7.05	1.67	1.90	3.09	3.80	2.50	3.19
Ratios (per cent)								
Gross profit/sales	17.53	18.99	16.84	15.06	9.77	14.08	18.00	20.41
Net profit/capital employed	26.40	—	21.10	18.08	18.87	23.01	24.28	25.45
Inventories/sales	20.16	21.47	30.50	23.26	28.84	29.37	16.74	24.04
Wages/sales	19.47	17.29	18.94	21.19	11.27	14.55	17.21	17.90

tions by the purchaser. With the recent political upheaval there, the position became totally fluid. The situation is under constant review and further execution of the remaining part of the work will be taken up as and when continuity of operations is feasible.

BOOTS COMPANY (INDIA) has achieved improved performance, which has enabled directors not only to step up dividend by 4 points to 22 per cent but also propose issue of bonus shares in the proportion of 1:3. Sales increased by 15.6 per cent from Rs 11.09 crores to Rs 12.82 crores and gross profit expanded by about 30 per cent from Rs 1.67 crores to Rs 2.16 crores. Net profit came to Rs 73 lakhs against Rs 55 lakhs of the previous year. Dividend was covered 1.67 times. The company enhanced its bulk drug production by setting up and commissioning the new chemical plant at Ahmednagar in April 1978. The ratio of production of its own bulk drugs to its total production for 1978 was 1:3, as against 1:5 prescribed for foreign-sector drug companies under the new drug policy. The company has adequate knowhow facilities and resources to meet the requirements of Insulin, Diloxanide Furoate and Ibuprofen — all bulk drugs — in the Sixth Plan period. It has also planned for a substantial additional investment in setting up a new research unit for basic research and expansion of quality control and development laboratory facilities at its pharmaceutical factory at Sion in Bombay, besides a new chemical laboratory at Ahmednagar. Total capital expenditure on these projects would be over Rs 2 crores. N S Phatarphekar, chairman, says that the company's performance continues to be satisfactory with sales for the first two months of 1979 being 27 per cent ahead of those in the same period of 1978. Commenting on the new drug policy announced in March 1978, he observes that this would adversely affect the utilisation of the present capacities, capabilities and resources which could be put to use for achieving the objective of more than doubling the country's pharmaceutical production from about Rs 800 crores in 1978 to Rs 1,900 crores by 1982-83

BAJAJ TEMPO is updating its technology by obtaining knowhow from Daimler-Benz of West Germany for manufacture of the latter's four-cylinder diesel engine OM 615. This high-speed diesel engine running at 4,200 RPM develops 60 HP and is being used by the collaborators in their versions of light commercial vehicles and cars. This engine, installed on the Indian company's vehicle, will increase its load capacity and reduce fuel consumption. Meanwhile, the company is going ahead with the expansion of capacity from 4,000 vehicles to 12,000 vehicles and in addition 6,000 diesel engines per annum. This has been divided into two stages. Machinery and equipment required for the first phase covering 8,200 vehicles and in addition 3,400 diesel engines have been installed and full utilisation of this capacity is expected to be achieved by September 1980. The company will soon apply for a licence to import machinery for the second phase which is proposed to be completed by 1982-83. The research and development department is developing a tractor-trailer combination of the company's vehicle. It is also engaged in developing a new vehicle, particularly for use by farmers, to replace the bullock-cart. According to the management, this vehicle will not only be competitive with the bullock-cart in capital investment but will be much cheaper in operation and should have a vast market in the country. The department has also undertaken the development of a battery operated electric vehicle in co-operation with Kirloskar Electric of Bangalore. During the year ended September last, the company produced 5,874 three-wheeler and four-wheeler light commercial vehicles and 1,811 diesel engines for other purposes, as against 4,819 and 1,625 numbers, respectively, in the previous year. Sales expanded from Rs 21.52 crores to Rs 26.80 crores, but gross profit shrank from Rs 3.03 crores to Rs 2.62 crores, showing considerable diminution of margins. Net profit, however, is only slightly lower at Rs 1.31 crores (Rs 1.36 crores). Dividend has been reduced from 18 per cent to 10 per cent, which in effect is equivalent to 20 per cent as it is payable on the capital as doubled by issue of bonus shares. The distribution is more than three times covered.

EXCEL INDUSTRIES has had another good year to September 30 last, with higher sales and earnings. Dividend is maintained at 18 per cent on an enlarged capital resulting from a bonus issue and is still well covered. What is more, this performance is being well maintained even in the current year. The company's plants at Bombay, Bhavnagar, and Roha are working satisfactorily. Sales during the first three months were Rs 3.76 crores, compared to Rs 2.59 crores in the same period last year. Demand for the company's products in the rural areas is on the increase. Meanwhile, firm foundations are being laid to ensure future growth of the company's business. The pilot plant for manufacture of Endosulfon is working satisfactorily, and the quality of the product has come up to the expectations. The main plant will go into production this year. The research and development division has completed the process for manufacture of a 'flow improver'. This product is used by all petroleum companies as an additive for transporting crude petroleum through pipes. The product has been tested and its quality found satisfactory by the clients. The company is now seeking an industrial licence for 2,000 tonnes per annum. The quality and prices of export items manufactured by the company compare favourably with those of similar products manufactured abroad Last year, exports expanded from Rs 18 lakhs to Rs 113 lakhs and efforts are being made to further increase exports. Punjab United Pesticides and Chemicals, a joint-sector company promoted by Punjab State Industrial Development Corporation, in association with Excel, to manufacture Malathion, commenced production in April 1978. It has paid a maiden dividend of 4 per cent in the first year of production. Excel has completed delivery of machinery against its agreement with Hindustan Insecticides for a turnkey project for manufacture of Malathion and the plant is being erected.

ANDREW YULE, well known in engineering and lubrication technology, power generation and tea manufacturing, has now entered the field of conveyor belt manufacturing. The first roll of conveyor belt has recently come out of its plant located at Kalyani in West Bengal. With a licensed capacity of 1,900 tonnes, this plant, when commissioned in July next, will be the largest conveyor belt manufacturing unit in India capable of producing conveyor belting upto 1,600 mm width to meet the demand for increasingly larger quantities and heavier loads of material. These conveyor belts are being manufactured to ISI, ISO, and BS specifications. The company has already secured substantial orders from some of the largest organisations in the country including TISCO, Bokaro and Durgapur steel plants, Hindustan Copper, Hindustan Coal Washery, FACT and Andhra Cement. The plant will soon start producing fan and vee belts.

The Benor System

'Nijanyanupi'

THE strategy for Indian agricultural development evolves through sudden dialectical transformations and not by a continuous smooth progression. At any given period there is only one authorised version of reality. One has to accept this or be a heretic, but there can be no modified version of it. Progress is very much like the present view regarding the evolution of scientific theory, namely, by a change of paradigms, one paradigm being replaced by another; one does not evolve into the other. The replacement comes about not by the pressure of internal evidence but by an act of intuition. In the case of agricultural development policies this intuition has been generally foreign and not indigenous. There has to be an external discovery of an internal truth.

The last version of the truth which had held the field for two decades was received in the 1950s through the Ford Foundation and Douglas Ensminger and was based on the US experience of extension. Consistent with the fall in the status of the Big Powers during the last two decades and the replacement of bilateral aid by multilateral assistance, the latest truth has come from the World Bank through the person of Daniel Benor (see note at the end). But the process is the same. A prophet coming with a new message, a message derived from foreign experience and backed by foreign aid — at that time the Ford Foundation and now the World Bank. One remembers too that the first budget of the Community Development Blocks used to have a column for the dollar component. We have become more sophisticated since then and foreign aid is now laundered by the time it reaches the project concerned. There is the same advancement internally and travel externally for the zealous convert and the same expensively produced literature with photographs from similar model countries – at that time Taiwan and Japan, now Thailand and Turkey; the same photographs of the model farmer, then called a progressive farmer, now identified as a small farmer, standing on the same grassy field, one half showing the lush results of the message and the other half showing the misery of the existing indigenous practices. One cannot help a feeling of *deja vu*.

Undoubtedly, there are some extremely useful and valid aspects of this new system. It improves what one might call the vertical co-ordination by more frequent meetings of the different levels. It breaks up into small time spans what was once called the calendar of operations and thereby ensures more faithful transmission of the relevant message. It attempts a rationalisation of the existing staffing pattern, a process very necessary in the case of the Agriculture Department because of the confused legacy left behind by a plethora of Centrally Sponsored Schemes. The very nature of these schemes is such that it encourages unco ordinated and in fact unnoticed continuance. At the time of their inception not much notice is taken of them by the rest of the administration, because they are usually smuggled in by a conspiracy between the Department at the state level and the Ministry at the government of India level by, what may be called, an act of seduction between the two consenting parties, if that is not a contradiction in terms. These schemes come to notice five years later when their financing has to be picked up by the state government very much like a baby boom in any year hitting the school structure quite unawares five years later. Fortunately, in our present arrangement this is the time a benign Finance Commission makes its appearance and makes the transition less painful. Bct it still remains haphazard and unplanned. It is therefore useful that an overall view is taken of all the manpower available as a legacy of these schemes and that this manpower is rationalised.

These are the positive aspects of the new system. They are however not the basic aspects. The basic aspect is that the multipurpose Village Level Worker is converted to a purely agricultural extension worker and is integrated into the line of command of the agricultural hierarchy, as apart from the Fanchayati Raj hierarchy to which he at present belongs. This approach is diametrically opposed to the previous approach. At that time we started with a situation which was in fact what is now recommended, namely, that there was a purely agricultural departmental hierarchy ending with the agricultural field worker. It was then the received wisdom that this single line approach was practically inconvenient and theoretically inappropriate. The farmer had to be saved from the trouble of going to different agencies for different purposes. It was found that mere agricultural extension lacked adequate motivation; the quality of life had to be improved through a Community Development project so that the basic motivation for material advancement was engendered. It was against this theoretical framework that a multipurpose worker with certain basic training upto a particular level was considered. He was then placed within a framework of the Panchayati Raj institutions, as apart from the purely bureaucratic hierarchy of the Department because, again, it was felt that both efficiency and motivation required community involvement through these institutions.

The present approach moves away from this entire approach. We are back to the unidimensional functionary constituting part of a single line administrative hierarchy. It is specifically recommended that credit and inputs should be separated. It could well be said that we have arrived at the same points as before but at a dialetically higher level. But this is taking place at a time when the elements of this thesis are not accepted in the rest of our developmental strategy. We are just now talking again of integrated rural development. We have just received the report of the Ashok Mehta Committee on Panchayati Raj institutions. Incidentally, both these are matters dealt with by the same Ministry at the Centre. Yet it does not seem to have occurred to them that there is a conceptual contradiction in the basic *hypotheses of these different approaches*.

The Benor system is described as being remarkably suited to our conditions and methods of work. There is a great deal of truth in this observation. There is an interesting chart in the World Bank publication on this system which gives the organisational pattern. There is a pyramid here of five levels of officials set on top of the basic level, which is the farmer. This is a perfectly hierarchical system which suits our genius ideally. The hierarchy is complete not merely in its salary

and status but also in transportation. The subject-matter specialist has a jeep to move about; the Agricultural Extension Officer has a motor cycle; the Village Level Worker has a cycle; and the farmer of course walks to his farm. The hierarchy is also pleasing because it not only indicates the path through which the information moves down from one level to another but it also represents the ladder which assures the bureaucrat of his opportunities for going up. No doubt it is argued that a major part of this structure will be met by rationalisation of the existing manpower; but it can be safely deduced from Parkinson's law that this will necessarily also result in a great expansion of the agricultural bureaucracy. This may perhaps be a desirable end in itself considering the problem of educated unemployed; but how far it serves the farmer is still a moot point. This is only one part of the bureaucratic apparatus. With credit and inputs being separated they will build hierarchies of their own. A high ratio of service personnel to actual producers may be all right at a later stage of development when the percentage of those engaged in agriculture falls; but with our existing situation the high ratio will mean an unconscionable proliferation of the bureaucracy.

The different techniques recommended in the Benor system are no doubt useful in making the transmission of knowledge within the five levels of the official pyramid smoother and more efficient. But the real problem is not transmission within this part of the pyramid but communication between the end point of this structure and the farmer himself. At that point there is a Communication Gap. There is no assurance in this system, any more than there was in the previous one, that this gap will be filled more efficiently. Therefore, while the Benor system may bridge the Transmission Gap within the bureaucratic structure, it does not give us any automatic assurance that it bridges the Communication Gap between the bureaucracy and the farmer.

This whole structure is in keeping with our genius from another point of view. It is a structure in which there is a neat division between the teacher and the doer. The basic hypothesis of our society has been a slight modification of the well known proverb that 'the teacher does not do and the doer cannot teach'. In this system knowledge is being passed on from one non-doer to another with the ultimate idea of influencing the doer. The farmer himself is not a homogenous entity. He may well not be the doer himself. The tragedy or the comedy of it can be seen by one example. There is an illustration in the techniques to be taught of how to hold a seedling while transplanting it. One can imagine how successive officials must be commuicating this knowledge from one to another when none of them has ever transplanted anything. When the Village Extension Worker comes to the farmer the farmer may also not be the person concerned. Very often it would be a woman labourer who does this work. Can the Village Extension Worker really teach her how to do it correctly? Yet a hierarchy of officials are constantly looking over the shoulder of the farmer. The whole system can be described as Supervised Farming. In some ways it reminds one of the famous American experience of Vietnamisation. The farmer being the foot soldier supplied by the natives, we provide the logistics and the advisers, the jeeps and the extension officers; but the dirty work has to be done by the foot soldier. Continuing the analogy one only hopes that the statistics quoted in the literature do not have the same degree of credibility as the body counts.

One can understand a system of this kind where the teacher and the doer are two ends of a scale and in between we get a series of persons who are varying proportions of teacher and doer; as we go down the scale, the percentage of teacher goes down and the percentage of doer goes up. But it is a scale in which mobility is possible, not merely of knowledge from the top to the bottom but also persons from the bottom to the top. It is here that the crucial difference arises in our system, since at the bottom of the administrative pyramid, at the point of contact with the farmer, there is an unbridgeable gap between the teacher and the doer. It is this gap that makes real progress difficult. Bernal has aptly commented on this: "The conditions of early civilisation led to a division of classes which put the scientists among the clerks on the side of the rulers, while the manual farmers were only a grade below the peasants and were often themselves slaves. That division has persisted to this day and its final breakdown is only beginning. Meanwhile for long periods of time it condemned science to sterility and technique to repetitive stagnation, while radical advances came only rarely." (J D Bernal, "Science in History".)

The Benor system, even if it succeeds, makes the last teacher in the chain a better teacher but does not bridge this gap. Benor, himself may not have considered this as a part of his task. But the Indian planners cannot again bypass this problem or shirk their responsibility. The issue is the dichotomy between theory and practice; the class division between teacher and doer. To quote Bernal again: "The great advances recorded seem very largely due to a closer fusion of theory and practice ... the social fluidity of the time that allowed a coming together of craftsman and scholar, sometimes a complete merging of the two" (*ibid*). It is that 'social fluidity' we need. Unfortunately, the fanfare accompanying the Benor system may help cloud this basic issue.

Note

For those not familiar with the Benor system the following excerpts from "Agricultural Extension: The Training and Visit System" by Daniel Benor and James Q Harrison will give a broad idea of its main features:

Reforming Extension Basic Guidelines

Unified Extension Service

. . Perhaps the most essential management principle to be followed is to establish a single line of command from the governmental agency responsible for agriculture to the field level extension worker. Unless this agency (in many cases the Agriculture Department) also has full administrative control of the extension service, it is not possible to carry out extension systematically and effectively. The concerns of other agencies would continuously interrupt the programme of work

All agricultural extension activities should be combined into a unified extension service

Extension Exclusively

Extension personnel should devote all their time exclusively to professional agricultural extension work..

Systematic Training and Visits (T and V)

. Briefly under this system schedules of work, duties and responsibilities are clearly specified and closely supervised at all levels The number of farm families per field-level extension worker is set at a manageable level. A specific schedule of visits to farmers' fields is rigidly followed. The ratios of supervisory staff are such that close supervision is easy. Frequent (weekly or fortnightly) one-day training sessions for field level extension staff are an integral part of the system.

In these training sessions, the extension agents are intensively instructed in the three of four most important recommendations for the forthcoming one or two weeks of the crop season

Imitable Contact Farmers

. The messages of the extension service should be focused mainly on selected contact farmers who will assist in spreading the new practices to most farmers in the area quickly...

[illegible] to ensure that the [illegible] of the supply agencies and the extension service are clearly delineated. The extension service should not be responsible for ensuring the availability of inputs, filling in loan applications, or collecting debts. These are the jobs of the supply and credit agencies.

Within this separation of responsibilities in mind, effective co-ordination [illegible] the extension and the supply agencies.

Physical and Personnel Requirements

... For this reason, there should normally be a vehicle for each SDEO, Assistant SDEO and SMS. The vehicle would be government owned and maintained. Travel allowances would cover meal expenses and other incidental costs.

FROM OUR CORRESPONDENTS

NEW DELHI

Dual Prices for Foodgrain Procurement?

B M

WHILE the Civil Supplies Minister, Mohan Dharia, is waxing eloquent about his massive and enlarged production-cum-public distribution scheme which is proposed to be launched in July this year, the Food and Agriculture Ministry is working quietly to reduce as far as it can its commitment to operate procurement and public distribution of foodgrains — the most important commodity of mass consumption and one in which public distribution has been organised on a fairly extensive scale during the past many years.

It is being argued with much gusto within the Food and Agriculture Ministry that the only role that the State should play in foodgrains trade is that of enforcing a measure of discipline on private trade This it has the means and the ability to do with the buffer it has with it. For the rest, private trade is actually more efficient and serves the consumer better than official agencies. The time has, therefore, come to gradually withdraw from foodgrain trading This is a far cry from the days when the government, in the face of acute scarcity conditions, had launched its wheat wholesale trade takeover experiment and even after precipitately abandoning it, had still retained a major interventionary role in foodgrains trade.

The idea being canvassed is that foodgrain procuremenut and public distribution are becoming too costly a business for the government and that something must be done to prune it so that the burden of subsidy can be contained within manageable limits. This obviously cannot be done if procurement and public distribution are maintained on the present scale, especially because there is no question of reducing the procurement price and on the contrary, strong pressures for yearly increases in procurement price have to be reckoned with. The Food and Agriculture Ministry is fully in tune with this sentiment. It is equally difficult politicaly to keep on raising the issue price to consumers so as to neutralise the effect of increases in the minimum procurement price on the budget. The only way out of this difficult problem, therefore, is to try to reduce the Government's commitment at both ends of this operation. It is also argued that so far as the surplus farmers are concerned, they are now in a position to take care of their interests in the market, especially because they can always fall back on the public purchasing agencies for the disposal of their surpluses at the minimum procurement price fixed by the government.

There is also another problem that is worrying the Food Department as well as the Food Corporation. Both find themselves extremely unprepared for the rush of wheat from yet another bumper harvest to the markets this year. The railways not equal to the task of transporting grain from the producing centres to the deficit areas. The problem has been further aggravated because enough gunny bags are not there and are not likely to be available. This situation is attributed to the prolonged strike in the jute industry. It is felt that something will have to be done to moderate the demands on the public agencies for the purchase of grain which the farmer brings to the markets. The lifting of zonal restrictions on movement of grain helped in this direction last year. Anther decision has been now taken to the same end. It has been decided to allow the flour mills to make their purchases directly from the producers in the open market and not so insist on their buying only from the public agencies. It is expected that this may by itself help to take care of at least a million tonnes of wheat which otherwise would have had to be bought by the public purchasing agencies.

Another device which has been proposed is to induce the producers who are in a position to do so to hold back their stocks and not to rush to the market immediately after the harvest. A scheme has been drawn up which will give suitable incentives for holding back stocks by way of storage charges and interest which the public agencies will reimburse as and when the grain is offered to them. This scheme is expected to keep out of the market at least another million tonnes of wheat which the public agencies may otherwise have been obliged to purchase in a rush. With the freedom given to flour mills to make direct purchases and this scheme, it is estimated that the public procurement agencies may be able to restrict their purchases to just about four million tonnes in this year's wheat marketing season. So far as the offtake from the public distribution system is concerned, it is also expected to decline by about 2 million tonnes, i e, from about 9 million tonnes last year to 7 million tonnes. As a result the burden on the budget will be moderated to that extent in spite of the small rise in the procurement price of wheat granted this year.

There is another aspect of the new scheme for payment of a premium price for holding back stocks which deserves notice.

The vast majority of the farmers have hardly any marketable surplus and whatever little they have has to be sold by them in hurry after the harvest to meet pressing obligations and consumption needs. It is not likely, therefore, that they will be able to hold back very much to take advantage of the deferred procurement scheme. The rich farmers, however, can take advantage of the scheme. In any case, they try to phase out the marketing of their surpluses to maximise the sale price for their stocks during the lean season With the assurance of a premium for holding back their stocks, their bargaining position in the open market will be strengthened The scheme of deferred procurement will thus serve to provide a good cover for raising the minimum support price for them to levels higher than will be available to the mass of the peasantry.

THE ECONOMY

Money-Price Spiral

(By a Special Correspondent)

BANKING and monetary statistics have now become available for the full financial year 1978-79, except for a day's difference — that is, the figures now available are for the last Friday of the financial year, March 30, and not for March 31. In 1978, March 31 also conveniently happened to be the last Friday of the year. A series of adjustments are made in Central and state government finances on the last day, or the last few days, of the financial year before the government accounts are closed. In the last few years, the government has also resorted to accounting gimmicks such as postponement of payment of bills to the following year so as to show a lower budgetary deficit. Two other factors also seem to have come into play of late.

One is that the bureaucracy has generally failed to make a correct assessment of the likely receipts and expenditures till the very last minute of the financial year. This is evident from the fact that the budgetary deficits of the Central government as they finally emerge do not seem to have any relationship with even the revised estimates. For instances, the revised estimates had placed the budgetary deficit of the Centre in 1977-78 at Rs 975 crores, but it has now turned out to be Rs 834 crores. The budget estimate of deficit in 1977-78, it will be recalled, was Rs 615 crores. For 1976-77, the budget estimate, the revised estimate and the final accounts figures of deficit were Rs 328 crores, Rs 425 crores, and Rs 131 crores, respectively.

The second factor is that public sector expenditure programmes have lost their purposefulness and direction. As a result, enormous resources get mobilised in financial terms but delay in formulating and implementing investment projects creates a situation of abundant liquidity with Central and state governments at the end of each financial year, which in turn results in the squandering of resources through inflated project costs and expenditure programmes. Every year there is a backlog of Plan expenditure, both at the Centre and states, and yet every year gigantic resource mobilisation efforts are undertaken. As a result, the years roll by without there being much tangible impact on production, employment and investment.

Take 1978-79, the first year of the so-called rolling Plan, 1978-83, which has promised removal of destitution and chronic under-employment within ten years. There has occurred during the year expansion of the official money stock (M_1 to the extent of Rs 3,330 crores (18.2 per cent) which is almost Rs 1,000 crores more than the expansion that had taken place in 1977-78 (Rs 2,357 crores, 14.7 per cent). This is not a new phenomenon either. In 1976-77, when the Emergency was in force throughout the year, the increase in money supply had been 20.3 per cent, the highest rate of increase recorded in any year since independence. In absolute terms, the expansion had been Rs 2,700 crores. In the three years from 1976-77 to 1978-79, Rs 8,387 crores of additional money supply has been pumped into the economy, an average rate of Rs 2,800 crores per year, raising the total money stock from Rs 13,325 crores at the end of March 1976 to Rs 21,710 crores on March 30 this year. There is now general agreement among monetary theorists that as a surrogate for the trends in actual or potential national expenditure, the narrow money stock measure, M_1 (currency plus withdrawable demand deposits with banks) is insufficient and at times even misleading. More appropriate for this purpose is the Reserve Bank's concept of M_3 (M_1 plus time deposits with banks). Taking this measure, in just three years monetary liquidity has expanded by Rs 17,158 crores (over 76 per cent), at an average of Rs 5,720 crores per annum, from Rs 22,480 crores three years ago to Rs 39,637 crores. In the preceding five-year period, which too had been a period of large expansion in monetary liquidity, the increases had been Rs 6,004 crores in M_1 and 11,522 crores in M_3 — an annual average of Rs 1,200 crores and Rs 2,300 crores, respectively.

Such vast expansion of monetary liquidity is bound to have tilted the distribution of purchasing power further in favour of the top five or ten per cent of the population. This is strongly suggested by the fact that some of the 'real' instruments through which at least a part of the benefits of larger financial liquidity could have been shared by the mass of the people have shown no commensurate improvement. Take the case of employment in the organised sector, which absorbs directly and indirectly the bulk of the benefits of additional monetary liquidity in the system. During the three years when M_1 rose by 68 per cent and M_3 by 76 per cent and when bank credit to the industrial sector is estimated to have risen by over 50 per cent, employment in the organised public and private sectors together rose by just about 9 per cent. Industrial output rose by about 22 per cent, and that too because of a large 9.5 per cent rise in 1976-77, agricultural production by 8 per cent and national income by 13 per cent.

It can be argued, as in fact it is being done, that too much need not be made of this wide gap between monetary and credit expansion and growth of the economy in real terms, since commodity prices have been more or less under control. However, it is not true that there has been no pressure on prices. The government has managed to keep prices of primary commodities broadly stable at a considerable cost in terms of budgetary subsidies and outlay of foreign exchange resources. Earlier, it had also resorted to unjust and inequitous masures like restrictions on wages, dearness allowance and bonus of workers for this purpose.

Secondly, the lagged effects of the uncontrolled expansion in monetary liquidity have begun to be felt in the commodity markets. The wholesale price index (base 1970-71 = 100) climbed to 194 in the second week of April as compared with 183.6 in the last week of February, on the eve of the presentation of 1979-80 budget, showing an increase of 6.1 per cent in six weeks. Food products have recorded a sharp increase of over 17 per cent, followed by metal products 10 per cent, etc. This stoking of the inflationary spiral would not have been possible without the large amounts of liquidity in the hands of the business and trading classes.

Thirdly, a sort of creeping inflation had been in evidence even before the budget. For instance, the index for manufactured products rose by over 6 per cent in 1978-79. Within this group a large number of items recorded increases ranging from 10 per cent in jute textiles to 16 per cent in iron and steel. Metal products, electrical and non-electrical machinery and transport equipment have all experienced price increases of more than 10 per cent

during the last year.

Lastly, the price indices do not fully reflect the pressure on commodity prices. Despite some absolute fall in the wholesale price indices of cereals and pulses during the last year, the consumer price index for industrial workers (base 1960=100) shows a rise of over 2 per cent (as at end-January 1979). Between March 1976 and January 1979, the consumer price index has recorded a rise of 46 points, from 286 to 332. Likewise, the urban non-manual employees' index (base 1960=100) also increased by 43 points from 265 in March 1976 to 308 in December 1978. The *Economic Times* retail price index for Greater Bombay (base 1869-70=100) rose from 175.9 in March 1976 to 217.2 in March 1979 or by an annual average of 7 per cent. The general impression of price stability is thus on the whole false.

There is a scheme of circular causation with regard to monetary expansion and prices. Created monetary resources feed on monetary resources and commodity prices feed on prices and the two feed on each other. To cite an example, the aggregate deposits of commercial banks have almost doubled from Rs 14,325 crores in March 1976 to Rs 26,825 crores in March 1979, a rise of Rs 12,500 crores or 88 per cent in just three years. Even if the average interest paid on these deposits is taken at 5 per cent, the increase in the financial assets of the deposit holders would amount to Rs 1,344 crores a year. About half of this amount (Rs 625 crores) would be attributable to the deposit expansion of the past three years. During the same period, about Rs 9,600 crores of bank credit has been injected into the commercial system, raising the total to Rs 25,207 crores, or by 62 per cent, in three years. When the Reserve Bank plans for credit expansion in 1979-80, it will do so over a base of Rs 25,207 crores. A mere 10 per cent rise would mean a credit expansion of Rs 2,520 crores, whereas in fact the expansion has been at an average annual rate of about 17.5 per cent during the past three years. Even restrained increases in credit and money supply would thus mean very large additions to the expenditure stream which gets appropriated by a small class of manufacturers, traders and merchants and upper middle class professionals.

UTTAR PRADESH

Struggle for Employment of Villagers of Naini

Krishna Gandhi

ON the morning of March 29, police opened fire without warning on more than 6,000 villagers, nearly one-third of them women, assembled before Bharat Pumps and Compressors in Naini, Allahabad. Two persons were killed, including an old woman who died on the spot, and scores of others were seriously injured. Several persons are reported missing. These villagers had assembled at the factory gate to demand jobs in the factories of the Naini industrial belt.

There were hardly any factories some 15 years back in the Naini area situated on the southern bank of the Jamuna river, on the outskirts of Allahabad city. As part of the drive towards the big industry oriented development under Congress rule, this area was developed, as in the case of other big cities of our country. Fertile land of the order of several thousand acres belonging to 16 villages along a 7 km stretch by the side of the Allahabad-Mirzapur road was acquired for this purpose by the UP government in 1966-67. The villagers tried to oppose the takeover of their lands, but were unsuccessful in their attempts. A nominal compensation was paid to the owners of the land while the sharecroppers and agricultural labourers received nothing. To appease the villagers, the then Prime Minister, Lal Bahadur Shastri, promised the villagers that one person from each family belonging to the 16 villages would be given jobs in the factories to be set up in the area. Special training centres to train the villagers were also promised.

However, the factories which were afterwards established turned out to be highly capital-intensive, like Triveni Structurals (TSL), Bharat Pumps and Compressors (BPC), Indian Telephones Industries (ITI), etc, employing more machinery than men. Even the kind of labour required by them is mostly of the skilled category. For example, in ITI, of the total strength of more than 4,000, only about 400 belong to the unskilled category. The villagers, most of them uneducated, were considered ineligible for the skilled jobs. As for the schemes for training them, easy availability of plenty of skilled labour from outside ruled that out. In such a situation, compounded by the mounting unemployment everywhere, only a fortunate few could get jobs and that too through underhand methods like bribing etc. Today, of the total strength of about 10,000 of the three biggest factories (TSL, BPC and ITI), the number of local villagers is less than even 400. The number of adult males of the 16 villages (total population more than 20,000) requiring jobs would be at least 4,000. The managements of the factories claim to have given jobs to all the previous owners of land, thus excluding the previous sharecroppers and agricultural labourers. The villagers say that even among the previous owners a large number have not been given jobs.

For their livelihood the majority of the villagers, including women, go to the interior villages and work as agricultural labourers. The wages they receive are extremely low, about 2-3 rupees worth of grain a day. Other than this, on the average some 300-400 villagers get temporary work under the contractors employed by the factories. We were told that a sizeable percentage of even the regular work (30 per cent in the case of BPC) is handed over to the private contractors by the managements in order to fill their private pockets. Under the contractors, a worker gets 5-6 rupees a day only, whereas even the lowest paid factory worker gets a minimum of Rs 10 a day on the average. Sometimes the contractors bring their own workers from outside, adversely affecting the local villagers. A few villagers earn their livelihood pulling rickshaws and doing similar work in the city.

From time-to-time in the past, the villagers had organised themselves and agitated for employment in the factories. But so far they have been unsuccessful in their efforts. According to the villagers, the reason for this is that whenever their agitation gained some strength, the managements bought off their leaders offering them contracts money etc. While this might be true, the real reason seems to be the failure to recognise that their unemployment as well as of others in our country is due to the proliferation of modern

factories of the kind that have been set up in Naini.

It was in this background that Jagdish Narayan Shukla, a one-time Youth Congress worker came into the scene some three months back. An organisation named "Udvaasit Kisan Mazdoor Morcha" was formed to fight for the interests of the villagers. A charter of demands consisting mainly of the demands for employment in the factories and for ending the contract system was presented to the managements the local administration and the state and Central governments. A Sangharsh Samiti consisting of the village activists and Shukla directed the struggles. On February 19 a procession was taken in front of the DM's office in the city in support of their demands. Following this, from March 1 to 3 mass satyagraha was organised in which around 400 villagers courted arrest. After their release 13 days later, a meeting was held in front of the BPC gate and the managements were given 10 days' time to take some steps to fulfil their demands. When, however, nothing was done by the managements towards this, Shukla started a fast-until-death in front of the BPC gate on March 27.

With each day of hunger-strike tension began to mount. Everyday, meetings were held at the gate to which villagers came in large numbers. On the evening of March 28 an appeal was was issued to the villagers to come to the factory gate early next morning for a demonstration in support of the demands. Beginning from the night, the villagers began assembling at the gate. A large number of women came carrying with them their young children, while many villagers took their cattle also along with them. By 5 O' clock in the morning, a crowd of at least 6000 had assembled at the gate. A meeting followed in which various local leaders, including some trade union leaders, addressed the workers.

By 8 am factory workers started arriving to join duty. Seeing the villagers assembled in front of the gate they did not go inside. By this time a police force of 20-25, headed by the CO and DSP arrived on the scene. They ordered the workers to go inside the factory. When the workers refused, the police, using foul language, started pushing them with lathis. The workers grew agitated and resisted this and soon a regular clash between the police and the workers started, the police charging with their lathis and the crowd retaliating by throwing stones. Some buses carrying workers from the city to the nearby ITI were stopped and were damaged during the clash. The teargas shells fired by the police proved ineffective because of a strong wind. Then without warning the police officers began to fire on the crowd with their pistols. As soon as the firing sharted the villagers, who were relatively quiet so far, began fleeing. However, many could not run fast because of the young children with them. One old woman, hit by a bullet, collapsed and died on the spot. Another villager was fatally wounded and later died in the hospital. Among those seriously injured, a four-year-old girl is in the danger of losing her eyesight.

A PAC contingent from the city along with the DM arrived around 10.30 am. A severe lathi charge followed with the police chasing the villagers right up to their villages. Even the women and children were not spared. The villagers accused the police of snatching the ornaments of women and showed us an old woman whose ornaments had been so lost. The police was also charged with looting and ransacking the shops in the vicinity. By 11.30 am everything was quiet and none were to be seen at the gate. The police arrested Shukla from a nearby house where he had been removed by the villagers for safety. Thirty others were also arrested, many of whom were just passing by the gate at the time of the incident. They were confined in Naini Central Jail and were to be released on April 10.

According to the statement to the press issued by the police, some persons from the crowd had climbed on the roof of a nearby house from where they had started firing, using countr-made guns and throwing bombs. The villagers flatly denied this and asked how could they attack the police when they had come with women and young children, completely unprepared for any confrontation. Shukla told us that the post-mortem of the old woman's body showed that the bullet that killed her was of the police.

Various political parties and trade union leaders of both the ruling and opposition camps have condemned the firing. The trade unions of the factories however played a neutral role in the villagers' struggle. According to one local trade union worker, feelings are divided in the trade unions because the majority of the workers in the factories are from outside and the reason for the villagers' unemployment has often been interpreted as due to the influx of outside workers. In the previous struggles of the villagers also this was the case. However, the villagers and the trade unions have the common demand that the contract work system in the factories should be abolished.

The atmosphere of the villages is charged with tension. Many persons have fled from the Sandva village adjoining the BPC factory. Hardly any light is seen in the villages after dark The brunt of the villagers' anger is directed at the local CO and the factory management who they allege are acting in collusion to crush their struggle.

Immediately after the firing the DM ordered a magisterial inquiry, which is being boycotted by the villagers. Consequently its hearings have been postponed. A number of state and Central ministers including the UP Chief Minister, Banarasi Dass, have visited Allahabad but they had nothing to say on the problem of unemployment facing the villagers. The Eastern UP Chamber of Commerce has reacted to the incident by issuing a warning that, in future, no big factories may be set up in Naini if the unrest there continues For the villagers of Naini, however, it is as well that such factories are not set up and they are saved from further misery.

KERALA

Justice Delayed for Contract Labour

K T Zacharias

THE Union Government has sat on the Kerala Casual, Temporary and Badli Workers (Wages) Bill for the past 20 months, when it had taken hardly an hour for the Kerala state legislature to get the Bill introduced, discussed, and passed on August 10, 1977. Neither the state government nor the parties which constitute the ruling front have cared, however, to take up the Bill as a policy question or as a political issue. The Bill aims to assure casual, temporary and badli workers the same rate of wages as are enjoyed by the respective categories of permanent workers.

The need for the legislation is set out in the Bill itself. It says:

> There is a widespread practice of engaging in factories, plantations, motor transport undertakings, and other establishments, casual, temporary and badli workers and paying them only very low wages, quite disproportionate to the wages of the regular workers. Such workers are also being engaged for very long periods on such meagre wages; and workers do this work for such low wages in the hope that some day or other they would be absorbed in the permanent jobs. Thus, these workers are being exploited by the managements and it is considered necessary to put a stop to this unhealthy practice.

According to trade union circles, the government was compelled to bring forward this legislation as the number of disputes and struggles on this issue were on the increase. The working class movement has often been able to win the demand for equal wage for equal work. The Bill thus aims to give statutory protection to a right which in the main has been fought for and won. Clause 3 of the Bill states:

> Notwithstanding anything contained in any law for the time being in force, or any judgment, decree or order of any Court or authority, or in any contract or other agreement, no employer shall pay to any casual, temporary or badli worker employed by him in an establishment, factory, plantation or motor transport undertaking, wages, whether payable in cash or in kind, at rates less than the minimum of the wages payable by him to a permanent worker for performing the same work or work of a similar nature.

To ensure implementation of this provision the whole subject has been brought under the Industrial Disputes Act and the Labour Department has been empowered to play the same role as for the permanent workers. The employers are also required thereby to maintain the register and other records for temporary workers and to pay them wages on par with permanent workers — failing which a fine ranging from Rs 500 to Rs 2,000 is to be imposed according to the nature of the offence. Moreover, the burden of proving that work performed by any class of these workers is *not* the same as work of a similar nature done by a permanent worker rests on the employer.

Provisions of the Bill are applicable to almost every functioning unit in the state. Every factory, plantation, motor transport, every establishment covered by provisions of the Kerala Shops and Commercial Establishments Act (1960), such other establishments or undertakings as the Government may by notification in the Gazette specify in this behalf, and units "belonging to or under the control of the Central or any state government", are all covered by the Bill.

The Centre's acceptance of such a position would mean a commitment for it of crores of rupees on an all-India basis because there are lakhs of such workers in the railways and dozens of other units. In Kerala, it is in the railways alone that such workers are employed under the Centre and their number is estimated to be not more than 2,000. The Centre maintains that, in a matter such as this, however, it cannot follow different policies in different states. Hence in its letter to the state government it has underscored the large financial implications if the Central units are brought under the purview of the Bill. The Centre has evidently made it clear that the assent for the Bill can be given only if the Central units are excluded from the purview of the Bill. Labour being a concurrent subject under the provisions of the Constitution, the Centre has the final say in the matter. Taking the political situation into account, the Centre has taken a low posture and only pleaded for the exemption clause for itself.

Trade union circles, particularly the CITU, are of the opinion that the approach of the state government is to allow the maximum time lag to the exploiters. Neither the state government nor the parties constituting the ruling front have cared to take up this issue. Indeed, only after a communication was received from the Centre did the state government wake up from its lethargy, and its own activities have been confined to government-level correspondence.

Nevertheless, the ruling front and the cabinet will now have to take a final policy position in order to reply to the Centre. The Labour Minister, M K Raghavan, leaves for Delhi this month-end for consultation and discussion with his counterpart in the Union government. If the Janata government goes against the provisions of the Bill and tries to deny social security to its employees that would be "definitely a reactionary step", according to the State Labour Minister, because social security is indivisible. Thus the state government cannot divide its citizens into the Central and state categories.

While the 'indivisibility' of social security may be a good talking point, it may not be enough to make the Centre accept the provisions in the Bill. In the circumstances, the ruling front will probably opt for 'doing good' within its orbit, await the Centre's sanction and amend the Bill accordingly in the next session of the Legislature. That means that the casual, temporary and badli workers and the trade unions will have to continue their struggle for the employees under the Central government.

ANDHRA PRADESH

Police Terror in Khammam

Findings of an Investigation

ON January 31, 1979, two persons were killed in a case of police firing in the village of Panditapuram, Khammam district, Andhra Pradesh. The Civil Liberties Committee of Warangal appointed a Fact Finding Committee to investigate the circumstances that led to the firing and the subsequent developments.

The Fact Finding Committee consisted of G Haragopal, Reader in Kakatiya University, Shankaraiah, President, Warangal Town Committee of Janata Party, V L Narasimha Rao, Staff Reporter, *Andhra Jyothi*, N Venugopal Rao, Entomologist, Agricultural Research Station, E L Narasimhaiah, a writer, and S Jeevan Kumar, member, Warangal Civil Liberties Committee. The Committee also included Ranganath and Vithal Rao both convenors of the state level civil liberties committee.

The Committee arrived at Khammam on March 11 and visited Panditapuram and Kothalingal villages on the same day and met a cross-section of the people in the villages — the patwari, the patel and the landlord of Panditapuram and several villagers. On March 12 the Committee interviewed the District Collector, the Superintendent of Police and the local MLA. The Committee also visited the spot where the firing took place and the tank which has been the source of tension and controversy.

The village of Panditapuram is situated at a distance of about 16 km from Khammam. The village has a population of about 6,000. The dominant castes are Khammas, Vyshyas and Brahmins. They together constitute ten per cent of the population. Gouds and Vadaras account for about a third of the population of the village and Lambadas and Harijans account for about 15 per cent. There are also some Muslims and Erukala families.

Total village land amounts to 5,700 acres out of which an area of about 1,000 acres has minor irrigation sources. The entire land is owned by 280 pattadars who for the most part belong to the upper castes — Khamma, Vyshya and Brahmin. Some Vadaras, Gouds, Lambadas and Harijans also have pattas of small portions of land. The rest of the people are landless and depend for their livelihood solely on their labour, and agriculture is the only major source of employment.

As there are no permanent sources of water, the villagers depend entirely on tanks not only for their irrigation but even for domestic purposes.

Mallaiah is a big landlord. In addition to being a big landlord, Mallaiah is also a moneylender, lending money at exorbitant rates of interest. Added to all this is his control over Konda Reddy tank Shikam land (land which is fit for cultivation when water is exhausted in the tank) which has been a source of constant tension in the village.

Konda Reddy tank is one of the largest tanks in the village. The ayacut under this tank is 102 acres, out of which 20 acres are dry and the remaining 82 acres are wet. This is in addition to 62.20 acres of Shikam land under this tank.

In the 1930s the Shikam land was under the Jagir of Nawab Shoukhat Jung. This was sold to 33 cultivators in the village who cultivated it for ten years. It is believed that the Jagirdar auctioned it when the 33 cultivators were unable to pay the instalments. That is how Bodempudy Veeraiah, father of the present landlord, acquired control over the tank. Generally the Shikam land belongs to government which allows the villagers to cultivate the land and share the produce. Even now, the tankbund belongs to government. In the neighbouring village, Kothalingal, 16 acres of Shikam land is under the control of government. But in the case of Konda Reddy tank an unusual situation of a private landlord being the owner of what should be government land continues to exist.

The tank and the land under it has been a subject of controversy for a long time. Buggarapu Seetaramaiah, the local MLA who hails from this village, has been a witness to this controversy from his childhood. The villagers have been pleading with the landlord not to let off the leftover water during the summer as it would inconvenience the whole village. According to the landlord, the water is let off by fisherman, but the fact is the beneficiary of this practice is the landlord himself.

This year too the water was let off depriving the people of water and also damaging the crops. When the matter was brought to the notice of government by the patwari, the authorities paid no attention to it.

The villagers, particularly the labourers, who were convinced that unless their resentment was expressed effectively the landlord would continue to cause inconvenience to all the villagers, decided to organise themselves and formed the Ryotu Kooli Sangam, under the leadership of Raghavaiah. They also decided to demand higher wages during the transplantation and harvesting of the kharif crop. This year the landlord had planted blackgram in 40 acres of Shikam land which was ready for reaping by January. On January 29 the Ryotu Kooli Sangam decided that they would express their resentment by not allowing the landlord to reap the harvest. As a part of implementing this decision, the labourers also took away a part of the harvest.

The landlord lodged a complaint of theft with the police and a huge police contingent arrived in the village the same night. The Superintendent of Police has admitted that the police force that was deployed was more than what the situation demanded.

On the night of January 30 the police arrested two persons, Gundla Bhaskar Rao and Dodda Susheela, a widow This created a sense of fear in the village and many of the villagers spent a sleepless night outside the village. They decided that they would make a representation to the police officers for the release of Bhaskar Rao and Susheela. A large number of villagers, predominantly agricultural labourers including old men and women and boys and girls, gathered under a tree outside the village and took out a procession about two-furlong long at 2 pm the following day. They raised slogans demanding the release of the two arrested persons and the shifting of the police camp from the village. The procession was oganised in such a way that about 100 women labourers were at the head of the process with six old ladies who were to actually negotiate with the police in the forefront. There were even many mothers with their babies, clearly showing that the processionists had no plans to resort to violence.

Nevertheless a lathi charge was ordered by the sub-inspector of police on the procession. When the DSP arrived with a fresh police contingent, there was already much chaos and confusion. Jalagam Veeraiah had received a head injury and was bleeding profusely and Jalagam Venkanna had also been injured and many of the people had started running helter-skelter. In

this melee, the DSP apparently fell down on a ploughface sustaining injuries. The Committee could not meet the DSP as he was away from Khammam. However the SP of Khammam has shown the photographs of injured DSP and the Committee could see that the DSP had received multiple injuries including a head injury.

At what point of time firing was ordered, nobody could tell but according to the villagers, the lathi charge was quickly followed by firing in which Kunchapu Nagalaxmi, a fifty year old woman and Vatti Lalaiah, a 22 year old man were killed. The official version of the incident is that the mob had planned to attack the landlord and deliberately attacked the DSP. However, the landlord himself has not said that there was any threat to his life. According to the police patil of the village, the 'foolish villagers' did not recognise the DSP at all, as he was in 'civil dress'. When the villagers were asked about the allegation that they had planned to attack the DSP and the landlord, they said that had they had any such designs they would not have taken out a procession, involving old ladies, young boys and girls and mothers with their babies.

Available evidence suggests that the firing started very suddenly. There was no warning nor were other methods of crowd control — such as teargas — used. There is also reason to believe that the guns were aimed above the waist level. In the case of Lalaiah who died in Khammam hospital, the bullet passed through his eye. Nagalaxmi, another of the dead, was rising from the trench into which she had fallen while running away, when the bullet hit her near the left arm-pit coming out on the right side. Challa Laxmaiah, a 12-year old boy, was hit near the left elbow. In fact, all those who received bullet injuries received them above their waists.

Even the dead were not spared. Nagalaxmi's dead body was lying unattended for about 19 hours from 2.30 pm to 9 am the next day. After the post-mortem the body was left at the spot were she was shot instead of being handed over to the relatives; and after her funeral her son-in-law was arrested. Lalaiah's wife and parents came to know about his death only the following day. Laxmaiah, the 12-year old boy who received bullet injuries, was kept under police custody for two days after being discharged from hospital and was directed to report to the police camp everyday in the morning.

Developments since Police Firing

Apart from the firing, the huge contingent of Andhra Pradesh Special police that has been stationed in the village resorted to several other repressive measures. Some of these are described below.

On February 1, a woman who was under detention in the Panchayat Office of the village which was being used as a police camp, was beaten and raped by two police constables. Two other cases of rape were reported to the Committee and the committee tried to meet these two women; but it could not do so as they were not available in the village. Instances of harassment of women were also brought to the notice of the Committee. While interrogating Seetha, a 15-year old girl, about the whereabouts of her husband, the police constables started manhandling her. When her father-in-law Deshagari Biksham intervened he was beaten up and sustained a fracture to his right hand.

There were also many instances of illegal detention — Krishna Murty (17 days), Dodda Susheela (13 days), Nalamasa Komariah (7 days) and Darawat Mallu (5 days). Dodda Ranganna and Dodda Venkanna were detained for nine days, earlier their father was in police custody until these two were arrested. Many who were thus detained were also tortured. Two young boys — 10-year old Gaglothu Meghya and 8 year old Bhanotu Lakku — were detained for five days during which they were both beaten and given the 'roller treatment' because they 'sang songs'.

Altogether, 86 persons including 11 women were arrested in Pandithapuram and Kothalingal. In the case of Kothalingal, all the 24 persons were arrested on the basis of the information furnished by the police patel. The Congress(I) MLA of the area told the Committee that in Panditapuram a local Janata leader got seven Congress(I) workers arrested purely on personal reasons. Three mothers whose children are dependent on breast feeding were separated from them. Instances of a couple being in jail and their two-year baby being left outside and of a 60-year old lady being in jail for more than 40 days have come to the notice of the Committee.

The specific case of Dodda Susheela who was arrested in the dead of night is a clear violation of the existing instructions from government after the Ramizabee case. According to these instructions women should not be arrested in the night nor be kept in lock-up; even for interrogation purposes they should not be brought to the police station during the nights.

Cases of the police compelling some of the villagers to supply them toddy and chicken were reported to the Committee. Beating up by the police of the parents and relatives of those who ran away from the village has been a most common and frequent complaint. An instance of an entire family (that to Raghavaiah under whose leadership the Ryotu Kooli Sangam was organised) fleeing from the village came to the notice of the Committee.

The police insist that villagers should return from work by 8 p m. Many villagers, particularly the Gouds, explained that the nature of their work demanded their presence at the work place till 11 p m. The police insistence, they complained, put them to a lot of difficulty.

The Committee is of the opinion that repression has been resorted to in Panditapuram because it was feared that protests and demands which the toiling classes in Panditapuram were making might spread to the other neighbouring villages. The superintendent of police actually expressed such fears.

Panditapuram today bears a pathetic look. There is widespread fear among the poor people in the village. The fact is that in spite of several complaints against the landlord, including a specific complaint by the patwari, no action was initiated by the administrative machinery, but a complaint by the landlord was taken so seriously that the state machinery pressed a huge police force into action immediately.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

C.W.S. (INDIA) LIMI

Registered Office: 45/404A Bristow Road, Willingdon Island, Cochin 682 003.

Announcement regarding the Issue of Equity Shares of Rs. 10/- each for cash at par.

Applications have been made to the Stock Exchanges at Bombay, Bangalore and Madras for permission to deal in and for an official quotation of the Equity Shares of the Company.

The Subscription list will open at the commencement of banking hours on Monday, the 7th May 1979 and will close at the close of banking hours on Friday, the 18th May 1979 or earlier at the discretion of the Board of Directors of the Company, but not earlier than the close of banking hours on Wednesday, the 9th May 1979

HISTORY, BUSINESS & LOCATION

Cooperative Wholesale Society Limited is a body corporate incorporated in England with limited liability and registered under the Industrial & Provident Societies Acts 1893 to 1968 and having its registered office at New Century House, Manchester, United Kingdom (hereinafter referred to as "the Society") The Society is engaged in manufacturing of wide range of food and non-food products and trades as importer, wholesaler and distributor both within and outside the United Kingdom The Society also has a most modern tea blending and packing factory in Europe The Indian business of the Society which was started in India in the year 1923 was originally owned by English & Scottish Joint Cooperative Wholesale Society Limited, U K. Subsequently, the name of the said Society was changed into Cooperative Tea Society Limited and thereafter there was a transfer of engagements in 1973 and a consequent Release Deed by virtue of which the Society became the owner of the Indian undertaking of Cooperative Tea Society Limited The Society owns eight Tea Estates in India of which seven are in Tamil Nadu and one in Assam

The Company was incorporated on 24th September, 1977 with the main object of using it as a vehicle for Indianising the Indian business of the Society. The Company has acquired the Indian Undertaking of the Society as a going concern with its assets and liabilities as at the close of business on 30th September 1978 pursuant to a Scheme of Arrangement and Amalgamation which was approved by the High Court of Kerala at Ernakulam, by its order dated 14th March, 1979 The total valuation of the Indian business of the Society has been fixed by Reserve Bank of India at Rs. 245 lacs. The Company has in part satisfaction of the aforesaid consideration allotted Equity Shares of the total value of Rs 74,00,000 credited as fully paid-up for consideration otherwise than in cash to the Society, and the balance consideration of Rs. 1,71,00,000 has been retained in the Company's Books of Accounts as interest-free unsecured loan from the Society repayable in five equal annual instalments The first of such instalment will fall due on 1st October, 1979.

BOARD OF DIRECTORS

SIR ARTHUR SUGDEN
Chairman
56, Old Wool Lane, Cheadle Hulme
Cheshire, United Kingdom

P. GOVINDAN NAIR
Deputy Chairman
103, Golf Links New Delhi 110 003

STEWART BELL DUFF
Managing Director
Iyerpadi Estate, Iyerpadi P O
Via Pollachi, Coimbatore

DENNIS MARCUS LANDAU
9, Grey Road, Altrincham,
Cheshire, WA 14 4BT U K

ATHINILKUNNATHIL THOMAS ZACHARIAH
Whole time Director
Althinikunnathil, University Road,
Cochin 682 022

NOSHIR HORMUSJI SETHNA
West Croft, Coonoor 643 101
Nilgiris

PONNATTU KURIAN KURIAN
XLI/450 Choolakaparambu Road,
Ernakulam, Cochin 682 018

VENUGOPAL CHANDRA GOVIND
28/135 Panampilly Nagar
Cochin 682 016

SECRETARY

P.C. JOSE
Polakatt House Near Fire Station,
Market Road Alwaye 683 101

AUDITORS

FRASER & ROSS
P B 1352, 8, McLean Street
Madras 600 001

ADVOCATES

MENON & PAI
P B 1375, Ernakulam
Cochin 682 011

BANKERS TO THE COMPANY

STATE BANK OF INDIA
Willingdon Island, Cochin 682 003.

THE CHARTERED BANK
45/490 Hospital Road
Willingdon Island, Cochin 682 003

REGISTRARS TO THE ISSUE

N. D. MANAGEMENT SERVICES PVT LIMITED
516, Sir Vithaldas Chambers
16, Bombay Samachar Marg
Bombay 400 023

FINANCIAL HIGHLIGHTS

The following figures based on the Auditors'Report incorporated in the Prospectus will reveal the turnover and profits of the Indian Undertaking of the Society for the period from 1974 to 1978 Rs. in lacs

	1974	1975	1976	1977	1978
Turnover (including other income)	400	515	544	948	756
Gross profits before depreciation and taxation	72	71	71	367	110
Net profits after depreciation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHARE CAPITAL

Authorised

20,00,000 Equity Shares of Rs 10 each

Issued, Subscribed and Paid-up

7	Equity Shares of Rs 10 each subscribed subscribers to the Memorandum and Arti Association of the Company for cash at p and made fully paid-up
7,40,000	Equity Shares of Rs 10 each issued and to the Cooperative Wholesale Society Li United Kingdom, credited as fully paid u for consideration other than cash in term Scheme of Arrangement and Amalgamati

Present Issue

2,59,993	Equity Shares of Rs 10 each for cash at p
Out of which	
40 000	Equity Shares of Rs 10 each have been r for allotment for cash at par to the Public Financial Institutions (The Industrial Credit and Investment Corporation of India Limited by its letter dated 9th January, 1979 has agreed to t up Equity Shares upto Rs 1,50,000 Unit T of India by its letter dated 9th March 19 agreed to take up Equity Shares upto Rs and General Insurance Corporation of Indi its letter dated 16th March 1979 has agre to take up Equity Shares upto 1,50,000)
19,993	Equity Shares of Rs 10/ each have been for offer to the Employees, including the I Directors and business associates of the C subject to the condition that the allotmen individual shall not exceed 200 shares and these shares shall not be transferred for a of two years from the date they are made f paid up The Equity Shares to the extent t not taken up will be available for meeting application from the public
2,00,000	Equity Shares of 10 each are offered to th for subscription for cash at par to which added the unsubscribed portion if any of shares reserved for offer to the Employee including the Indian Directors and busin associates of the Company

TERMS OF ISSUE

The Equity Shares now being issued shall be entitled for full dividend for the accounting year commencing from 1st October, 1978 and are subject to the terms of the Prospectus, the Application Form and the Memorandum and Articles of Association of the Company and will rank in all respects pari passu with the existing Equity Shares of the Company

TERMS OF PAYMENT

On Application	Rs 5/-per share
On allotment	Rs 5/-per share

BANKERS TO ISSUE

STATE BANK OF INDIA
Bombay Samachar Marg
Bombay 400 023

THE CHARTERED BANK
23/25, Mahatma Gandhi Road
Fort, Bombay 400 023

BANK OF INDIA
70-80, Mahatma Gandhi Road
[illegible]

APPLICATION BE MADE ONL NALS RESID MUST BE FO 50 SHARES THEREOF

UNDERWRITI

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A. FINANCIAL INSURANC

The Indust Investmen of India Li
163, Backb
Bombay 4C

General In of India
Building C
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Rs

2,00,00,000

70

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4,00,000

1,99,930

20,00,000

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Corporation
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National Insurance Company Limited, 3, Middleton Street, Calcutta 700 001.

B. OTHERS*

Champaklal Bhailal Chokshi
Gordhandas N. Gupta
Bhagya & Co.
Lokkur & Company
M. Nanjappaiah Jahgirdar
Vijai & Company
Bhupendra Champaklal Devidas
D. S. Purbhoodas & Co.
Harish Chandra Gutt & Co.
Harkisondass Lukhmidass
Jamnadas Morarjee & Co.
Jasvantlal Chhotalal & Co
L. K. Panday
Lewis & Jones
Merwanjee Bomanjee Dalal
Narandas & Sons
Porecha Brothers
Prabhudas Lilladher
Trambaklal Ratilal Parekh & Sons
Valji Bhimji & Co
Brijnath Khandelwal & Co
Dayco
Place, Siddons & Gough (Private)Ltd.
Stewart & Co
Amrit Lal Bajaj & Co
Bharat Bhushan & Co.
H P Mehta & Co.
Harbans Singh Mehta & Co.
J. C Mehta & Co.
Surinder Rode & Co
Vinod Kumar & Co
Kothari & Sons
Paterson & Co
Venkataraman & Co.
Batlivala & Karani
Chimanlal Maneklal
Dalal & Broacha
Dhirajlal Maganlal Sons
K. J Shah & Sons
Kantilal Madhavdas & Co.
N M Parikh
Upendra M Dalal

*The addresses of OTHERS are given *under the head* "BROKERS TO THE ISSUE".

BROKERS TO THE ISSUE

AHMEDABAD

Champaklal Bhailal Chokshi
Manek Chowk, Near Share Bazar,
Gordhandas N. Gupta
Anandji Kalyanji Building,
Opp Dhanasuthar Pole, Relief Road,
Nareshchandra Lalbhai Parikh
Manek Chowk,
Shah Kalyanbhai Mayabhai
2242, Mahurat Pole, Manek Chowk,

BANGALORE

Bhagya & Co.
139, Gandhi Bazaar,
Near Canara Bank,
Jahgirdar & Co.
21, 2nd Main Road, Seshadripuram,
Lokkur & Company
Kempegowda Road, P.B. No 9631,
M. Nanjappaiah Jahgirdar
205, K. Kamraj Road, P.B. No. 4271
Satyaprakash & Co.
Indian Bank Building, 3rd Floor,
Kempegowda Road,
Vijai & Company
9, Eleventh Main Road, Malleswaram,

BOMBAY

Batlivala & Karani
Union Bank Building, Dalal Street, Fort
Bhupendra Champaklal Devidas
Bhupen Chambers, Dalal Street,
Chimanlal J. Dalal & Company
107, Stock Exchange New Building,
Dalal Street, Fort,
Chimanlal Maneklal
45, Tamarind Street,
Dalal & Broacha
29, Stock Exchange Central Building,
1st Floor, Dalal Street,
Dhirajlal Maganlal Sons
Stock Exchange Central Building,
4th Floor, Dalal Street,
D.S. Purbhoodas & Co.
Stock Exchange Building, 3rd Floor,
Bombay Samachar Marg,
Harish Chandra Gutt & Co.
45/47, Bombay Samachar Marg,
Harkisondass Lukhmidass
Stock Exchange Building, 5th Floor,
Bombay Samachar Marg,
Jamnadas Morarjee & Co.
5A, Hamam Street, 1st Floor, Fort
Jayant Amerchand Kalidas
5A, Hamam Street,
Jasvantlal Chhotalal & Co.
Bhupen Chambers, Dalal Street,
Jitendra Harjivandas
50, Stock Exchange New Building,
Bombay Samachar Marg,
Kaiki J. Khambatta
Stock Exchange Central Building,
3rd Floor, Bombay Samachar Marg,
K. J. Shah & Sons
19, Stock Exchange Central Building,
Bombay Samachar Marg,
Kantilal Ishvarlal
100, Stock Exchange New Building,
Kantilal Madhavdas & Co.
28, Stock Exchange Central Building,
1st Floor, Bombay Samachar Marg,
L. K. Panday
Maharashtra Bank Building,
45/47, Bombay Samachar Marg,
Lewis & Jones
Bank of Baroda Building,
Bombay Samachar Marg,
M. J. Patel
107, Stock Exchange New Building,
Bombay Samachar Marg,
Merwanjee Bomanjee Dalal
Allahabad Bank Building,
Bombay Samachar Marg,
N.M. Parikh
11, Stock Exchange New Building,
Narandas & Sons
Union Bank Building, Dalal Street,
Porecha Brothers
19, Stock Exchange Building,
Bombay Samachar Marg,
Prabhudas Lilladhar
Stock Exchange, 5A, Hamam Street,
Trambaklal Ratilal Parekh & Sons
5A, Hamam Street,
Upendra M. Dalal
100, Stock Exchange New Building,
Bombay Samachar Marg,
Valji Bhimji & Co.
24, Stock Exchange Central Building,
V. D. Vakil
94, Stock Exchange New Building,

CALCUTTA

Brijnath Khandelwal & Co.
13, India Exchange Place,
Dayco
7, Lyons Range, 3rd Floor,
G. M. Pyne
14, India Exchange Place,
M. M. Murarka & Co.
Stock Exchange Building,
7, Lyons Range,
Place, Siddons & Gough (Private) Ltd.
6, Lyons Range
S. M. Mitra
7, Lyons Range
Stewart & Co.
14, India Exchange Place,
Santosh Kumar Kejriwal
23/24, Radha Bazar Street

NEW DELHI

Amrit Lal Bajaj & Co.
606, Kailash Building,
26, Kasturba Gandhi Marg
Bharat Bhushan & Co.
H-45, Connaught Place
Behari Lal & Co.
Stock Exchange Building,
Asaf Ali Road
H. P. Mehta & Co.
304, Surya Kiran,
Kasturba Gandhi Marg
Harbans Singh Mehta & Co.
33, Regal Building, Parliament Street
J. C. Mehta & Co.
308, Dreamland House,
1/18-B, Asaf Ali Road
Jalan & Co.
Stock Exchange Building,
Asaf Ali Road
R. K. Relan & Co.
United India Life Building,
F, Connaught Place
Surinder Rode & Co.
1st Floor, 21-B, Bara Bazar Marg,
Rajinder Nagar
Vinod Kumar & Co.
A-6, Connaught Place

HYDERABAD

P.B. Afzulpurkar
4-5-195, Sultan Bazar

INDORE

Govind Das Shrikishan Agrawal
97, M. T. Cloth Market

MADRAS

Kothari & Sons
Kothari Buildings,
Nungambakkam High Road
Paterson & Co
Vanguard House, 3rd Floor,
48, Second Line Beach
Subramaniam & Co.
49, Second Line Beach,
Ground Floor
Venkataraman & Co.
Bombay Mutual Building Annexe,
165, Linghi Chetty Street

PROSPECTUS & APPLICATION FORMS

Copies of the Prospectus and Application Forms may be obtained from the Registered Office of the Company, the Underwriters to the Issue, Brokers to the Issue, Managers to the Issue, Registrars to the Issue and the Bankers to the Issue named in the Prospectus or from any of the offices of the Bankers to the Issue mentioned against their names in the Application Form

Issue managed by
The Merchant Banking Division of
THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED
163, Backbay Reclamation,
Bombay 400 020

ISSUE OPENS ON MONDAY 7th MAY 19[illegible]

Election Prospects

Farrukh Dhondy

ACCORDING to the opinion polls, the Conservatives have a 21 per cent lead in the general elections scheduled for May 3. All they need to achieve a majority in the House of Commons is a four per cent lead over the Labour Party throughout the country. The lead that the polls give the Tories is tantamount to a Tory majority of 200 in the House. The main issues in the forthcoming election are waffle. The Tories have declared themselves for 'freedom'; the Labour Party for 'fairness and justice'.

The Tories stand on three or four planks. They are committed now to reducing income tax across the board. This means they will give the rich a lot of money back and give the middle-income brackets enough to get them to vote Tory. Less tax means less government money to spend on the programmes that Labour has traditionally championed, such as school milk for all, more hospitals, measured increases for pensioners, supplementary benefits for families, etc. The pollsters declare that the majority of the country are against the benefits and for the tax cuts. I am not so sure. Labour's record on health and education and welfare spending has been disastrous, but the voters are being asked to choose between the devil and the deep blue devil. There is just about enough sentiment attached to the Labour Party on the issue of welfare to give it a margin on the Tories.

The Tories want to cut state benefits to strikers' families. What happens at present is that when a man (it does not work for women) goes on strike and stays on it for three weeks, his family can queue up at the supplementary benefits office and receive a pittance to keep the wolf from the door. The Tories have pledged themselves to ending this practice which they label as 'scrounging'. The pollsters say they have the support, not only of the nation, but of most trade unionists. Again, I am not so sure. The amount of money that any government would save in this way is negligible. The policy is framed to appeal to a union bashing instinct in the nation's character. Out of a population of about 60 million people, 12 million people are in unions. The other instinct to which the British working class subscribes is class hatred. I do not think they will vote for a measure which victimises women and children because men are on strike.

The Tories have also declared themselves against 'secondary picketing'. This is a phrase which came into general usage last winter, when lorry drivers on strike picketed the depots of other lorry drivers who were not on strike to bring business all over the country to a standstill. The Tories want a law which will confine the striking force to its own shopfloor, factory or depot. If they win they will pass the law because they feel that the majority of the population are for it. It will be their most significant blunder, because politics is not about persuasion, it is about power. The very people who vote against secondary picketing in a general election or in an opinion poll realise, when they are themselves in dispute with the government over money or anything else, that the rules of the Marquis of Queensberry are for entertainment and a knee to the crotch is life.

In the intellectual papers, the election is seen as a debate between the watered down Keynsian economics of some possible future Labour Chancellor and the determined monetarist theories of Keith Joseph and Margaret Thatcher. The intellectual economic debate translates paradoxically into realpolitik. For the last 15 years, the Labour Party has tried to make peace with the unions with concordats and agreements. The unions will plan their wage thrusts in consultation with the government which will in return give their leaders peerages, agree to legislation on closed shops, give members tax relief on union subscriptions, maintain a level of social spending, etc. The Tories have always envied this special relationship between the Labour Party and its union stooges. The hierarchy of the unions remains very loyal to Labour, so the Tories have in the last ten years attempted to launch a rank and file revolt against these leaders and against the democratic structure which makes Labourites the leaders of unions. They now profess themselves in favour, because of the logic of monetarism, of 'free collective bargaining'. This means that the unions will ask and strike for whatever they want and if the employer cannot pay, the company will go into liquidation and throw the workers out of jobs. That will teach the other workers a lesson and there will be fewer strikes and more profits.

So much for the Tories. The Labour Party promises nothing. It is in a peculiar historical trap. It's last government was as Tory as a Labour government could ever be. It cut public spending, pawned the country to the IMF, tried to hold back wages and allowed prices to find an agreed but steady increase and all round encouraged the owning classes to feel that a stronger army, more police, more of a clamp-down on social disorder, fewer taxes, less support from the government for programmes to combat unemployment, were on the cards. They paved the way for the government of Margaret Thatcher.

They base their election on their record of bringing inflation down to ten or twelve per cent. What else they have going for them nobody knows. This is an election in which the Labour Party stands for nothing except its own survival. Its own left-wing smells defeat in the election and prepares its hatchets for the blood of Callaghan and Healey, chief architects of the Labour demise Once again I am not so sure. Labour could win the election simply because the Tories stink of conflict and the third instinct of the electorate comes into play. They want a quiet life.

A few projected anomalies in this election. Margaret Thatcher is the MP for Finchley North. She won her last election by a majority of 4,000 votes over Labour. That was in 1974. Since then, two events have intervened. In 1978 she went on television as the Leader of the Opposition and said that "immigrants were swamping the country". It was a racist speech. The impression of this blue-eyed lady attempting to stir up racial hatred remains with the Asian population. There are 5,000 Asian voters in Finchley North.. All other factors being stable, they could vote Margaret Thatcher out of parliament by a thousand votes.

The other event was the spectacular and totally unexpected victory of the Liberal Party candidate in a by-election in Edge Hill, near Liverpool. The poll was held a few days before the announcement of a general election. The Liberal candidate got more votes than the Tory and Labour candidates together. Undoubtedly, this is a freak result. The Liberal candidate had been for years a community campaigner in Edge Hill and the vote reflected his personal popularity rather than the resurgence of the Liberal Party which has not recovered from the committal of their former leader Jeremy Thorpe to trial for incitement to murder. The point is that Finchley North has a strong Liberal candidate too. Traditionally the disillusioned or wary Tory vote goes to the Liberals.

New Agrarian Crisis

Gail Omvedt

The Political Economy of Food by Vilho Harle; Saxon House, 1978; pp 438, $ 25.

Strawberry Imperialism: An Enquiry into the Mechanisms of Dependency in Mexican Agriculture by Ernest Feder; Editorial Campesiono, Mexico City, 1978.

AN analysis of agriculture is crucial to an understanding of the present workings of imperialism as well as the political and economic crises of third world countries. In spite of land reforms and two decades of developmental efforts, not only do hunger and malnourishment continue, but the inability to sufficiently raise production and the income level of the rural masses constitutes the major barrier to industrial advance. But why this failure continues and what the dynamics of the process are is becoming more and more difficult to answer, for the traditional explanations no longer hold.

This is clear from a perusal of Vilho Harle's collection of papers from a seminar in Finland in 1976. For while a large amount of empirically useful material is presented and almost all the important points are touched upon, still the book remains theoretically eclectic and fails to provide any clear political solution to the current "food crisis".

Some points emerge fairly clearly:

(1) As Helena Tumoi's lead article makes clear, the present food crisis is a *new* one, characteristic specifically of the post-colonial period. Under colonial rule there is no doubt that absolute levels of hunger and the incidence of famine death were higher at a time when most third world countries exported food. Now, while problems of often brutal malnourishment remain, the characteristic phenomenon is a growing *dependence on grain imports* from the developed countries, specifically the US and a few others (projected by an Asian Development Bank survey to reach 12 million tons a year for India by 1985). The roots of this were undoubtedly laid during the colonial period, when third world countries became exporters of cash crops while their own subsistence agrarian economies stagnated and when, from about the 1920s and after (according to Vilho Harle's article), agriculture in the US and Europe became rapidly idnustrialised with rising use of inputs and production growing faster than it could be consumed. Now the system has "matured" in such a way that third world countries remain food exporters and their citizens go hungry while the main beneficiaries of rising food production at a world level remain the citizens of the "developed" world, including socialist as well as capitalist countries. The "food crisis" is thus one of the nature of third world countries' integration into a world agrarian system.

(2) Connected with this is the skyrocketing growth of agribusiness, i e, domination of agriculture by transnational corporations. Their control is not only of inputs (from fertilisers to tractors) and of the processing and sale of food products, but also often a control of production itself, either directly or indirectly through "production contracts" with growers of specially food products usually designed for export. Two important articles by Ernest Feder and Gonzalo Arroya analyse this process, stressing that under the "unique conditions of underdeveloped agriculture" agribusiness firms make their profits primarily from lower costs (of land, construction and primarily labour) rather than by technological advance, and that consequently they tend not to transmit technology and to be wasteful of natural and human resources.

(3) Not so fully analysed is the fact that grain import dependence and ties to agribusiness have coincided with attempts by third world governments to institute land reforms, developmental and other policies designed to transform feudal or precapitalist land relations. As Feder puts it, questioning the usual faith in land reform and change in land use practices, "Who would have believed that only ten years ago in the non-socialist underdeveloped countries there would begin a transformation of the traditional resource use pattern in terms of intensification and even diversification of land usage which would have as a consequence the exact opposite: namely a dramatic worsening of the food and resource situation" (p 131). That is, the spread of *capitalist* relations in agriculture has been a crucial part of the developing crisis.

What Is the Cause?

The "traditional" explanations, I have argued, are inadequate to analyse this. The bourgeois faith in the spread of technology without institutional reform, i e, the ideology of the "green revolution", is clearly erroneous since most of the available technology simply does not spread. But the traditional Marxist explanation which calls for land reforms is also inadequate.

Two articles in the book take this viewpoint. Leon Bagramov claims that the food crisis is due to the maintenance of semi-feudal land relations and the failure to carry through radical reforms. The problem with this is that the most "radical" (non-socialist) third world countries, the ones with the relatively most thorough reforms, the very favourites of the "non-capitalist" path, are precisely the most food-dependent: the list includes Algeria, Egypt from its Nasserite days, Mexico, Venezuala, Peru, Tanzania and others (see Appendix A in the book). Is the problem that land reforms have not "really" destroyed feudalism — or are other processes at work?

Lars Bondestam, in a long and eclectic article, also argues that the "modes of production" within African countries play the primary role in blockading improvement of production, thus leading to dependency. But his argument as to why feudal and other pre-capitalist modes block production is extremely weak, resting mainly on a definitional trick — feudalism is by definition stagnant, i e, if feudal lords invest they no longer remain feudal but become capitalist entrepreneurs. If pre-capitalist modes of production (which block agricultural development) are in fact changing into capitalist modes of production (which also block development but in a different way) then where in fact is the dynamics of the system?

It seems that the present agrarian crisis is not one of a "semi-feudal, semi-colonial" economy, but rather a crisis of a growing capitalist economy — which suggests in part a re-reading of Marx and Lenin who saw agriculture as a crisis area within capitalism as such and not simply within the feudal sector of a society under colonial rule. Still, what is further needed is an analysis of why, within the imperialist framework, this crisis hits third world countries in the particular way it does.

Feder and others writing on agribusiness are the ones who point most strongly to imperialism as the main

enemy, in the form of multinational domination: technological stagnation, wasteful use of land, reliance on controlled supply of cheap labour are not characteristics of feudal forms so much as of the workings of the most modern capitalist organisations. Feder's argument is to a large extent based on a recently published case study, a book which may be much more accessible to Indian readers than the expensive Harle Volume, and the difficulties with his position also emerge from a reading of this.

The "US strawberry industry located in Mexico" exports 99 per cent of its produce to the US, is the biggest Mexican fruit export earner, and is dominated by US capital. It is the main competitor of the California strawberry industry, which incidentally is also worked largely by Mexican labour, though the workers in California farms and factories earn 8 and 13 times as much as their compatriots in Mexico.

Feder describes in graphic detail the chaotic nature of the industry in Mexico, the total subjugation of the Mexican government before the whims of the US brokers, the failure to modernise and "transfer technology" (California yields have consistently grown while Mexican yields have remained stagnant), and the blockage in fact of any technological and research development within Mexico suited to Mexican conditions. He argues that this situation results generally because cheap land and labour in Mexico are the basis of profits. Even more, if Mexican wages and other costs were to rise, the result would not be to impel technological advances but to drive the industry out of Mexico entirely, for the technological difference between it and the California industry is so great as to make incremental production advances fruitless. (And it would be no less to Mexico, he adds, to have resources devoted to food for Mexican mass consumption rather than US luxury consumption.)

But questions remain. This after all is a case of capital accumulation through absolute as opposed to relative surplus value, and according to Marx the main historical cause of the switch to the latter has been the struggle of the working class against the most bitter forms of exploitation. Why then, doesn't this take place in the Mexican industry? The answer to this points us away from the strawberry industry as such (away even from the machinations of US capitalists) and to the *surrounding totality of agrarian relations* — for union formation is kept difficult and wages are kept low due to the existence of a huge "reserve army", the massive influx of Mexican peasants dispossessed from their land and flocking into the towns for work. And this phenomenon, which is becoming generalised in the third world, is not due to absolute poverty or to the existence of a semi-feudal economy where peasants are tied to the land, but is a particular result of the spread of capitalist relations in post-colonial period.

Still, what are the main features that make this different from the original spread of capitalism in Western agriculture? The answer to this does not clearly emerge, though many points are brought forward. Many argue that low prices for foodgrain production in third world countries contrasted with relatively high prices of usually imported inputs make investment in agriculture relatively unprofitable and thus lead to stagnation; these low prices, it is said again, result from a failure of demand by dispossessed and unemployed ex-peasants. Missing here is a contribution from the Samir-Amin-de Janvry school which points precisely to the role of low wages and cheap food as a factor relating particularly to disarticulation in third world economies. The concluding article by Jurgens Heinrich also make the important point that capital accumulation depends [illegible] non-capitalist sectors — whic[illegible] suggest a reading of Luxembourg as well as Lenin and Marx — but fails to show how this is related to the specific current crisis.

There is finally one more important gap, the failure to critically analyse the role of the Soviet Union and Eastern Europe. Here are on asked questions: If "overconsumption" in the developed world is a major factor in the maldistribution of world food resources as one article suggests, what about consumption levels in the Soviet Union, which are nearly as high as those in the US — for it was a political decision to maintain these consumption levels which lay behind the massive Soviet grain purchases of 1973 which sent world prices skyrocketing. If "production contracts" with multinationals are bad, how are they different from production contracts with the Soviet bloc? Finally, if as Feder argues, the socialist countries may be ready in a few years to become major grain exporters (they already have a growing share of fertiliser and tractor trade), is there an assurance that if the "radical" but food-dependent third world countries simply transfer their dependence to the Soviet Union, the "food weapon" will not be used?

Understanding Public Debt

K N Reddy

Burdens and Benefits of India's National Debt by V B Ghuge: Himalaya Publishing House, Bombay; pp 196, Rs 3.

PUBLIC DEBT is a fascinating subject which concerns every one and, as Paul Samuelson put it, "like sex or religion, we all love to discuss it". The book under review shows concern about the growth of public debt in India. However, in comparison with India, the growth of public debt in UK and USA has been much more spectacular. In certain years, public debt in these countries has exceeded their national incomes. And yet not many economists have viewed it as a bad sign. For, the "growing debt holds little peril for a dynamically growing economy". In India, the size of national debt, at 55 per cent of national income, is causing us much concern. The principal reason for this may be that not many studies have been made on the burdens and benefits of public debt. The book under review certainly contributes to an understanding of public debt and should be of considerable use to students of public finance.

The book starts off in typical text-book style by reviewing briefly the pre- and post-Keynesian theories of public debt. Then it goes on to discuss "allocatory burdens and benefits, redistributional burdens and benefits, internal debt and economic stability, relation between public debt management and monetary policy and the burdens and benefits of external debt" in the subsequent chapters.

Although much space is devoted to the review of pre- and post-Keynesian theories, justice is not done to recent controversies on the burden of public debt — particularly the arguments of W G Bowen, R G Davis and D H Kopf, C S Shoup, Buchanan, Vickery, Scitovsky and Elliott and Lerner. Without going into the contributions of these writers, Ghuge merely states that "the proper way to describe the phenomena would be to inquire whether the public debt is burdensome or beneficial to society at present and in future years".

In assessing the benefits and burdens of public debt, quite a bit of painstaking work has been done. But it is not clear why Ghuge has not kept in mind

the aspect of double counting in the aggregation of public debt. It is well known that a major portion (75 per cent) of the states' debt is on account of loans taken from the Centre, and if no deduction is made to the extent of loans taken from the Centre, the aggregation of Central and states' debt would give an exaggerated picture of total public debt. Similarly, the calculation of debt services involves double counting. For example, the interest charges of state governments include those paid to the Central government, while interest charges of the Central government include those on loans it has taken, irrespective of recoveries made from state governments and commercial departments. It would have been better had interest charges paid by state governments on loans taken from the Centre been deducted, particularly when they are expressed as a percentage of national income to assess the burden of debt.

Ghuge finds that national debt as a percentage of national income has been declining from 89.4 per cent in 1945-46 to 56.7 per cent in 1972-73 and finds fault with the allocational strategy of public expenditure. To improve the *allocational strategy*, he suggests that Centre should minimise the outstanding volume of Central loans and the states themselves should borrow in the market. He also suggests a different scheme of grants and loans to different states on the basis of their levels of development.

About the distribution of burdens and benefits, Ghuge concludes that "during 1966-69, the servicing of public debt has raised inequalities of income while during the Fourth Plan it has become less regressive". The evidence he presents is, however, not sufficient to substantiate this conclusion. Ghuge discusses several concepts like 'Central debt' and 'effective debt' which are relevant for an assessment of the effects of public debt on income distribution. Another noteworthy point he makes is that the liquidity effect of internal debt continued to be the principal source of monetary expansion and the resulting inflation and rise in cost of living.

Ghuge has discussed at length the burdens and benefits of external aid. Debt service cost of external aid formed a fairly high proportion of national income from 1966-67 to 1972-73. It was 1.15 per cent during the three annual plans and 1.14 per cent during the Fourth Plan. This is a big rise over its level of around 0.01 per cent on the eve of the First Plan. Several interesting suggestions have been made for effective utilisation of external aid.

Ethics of Accommodation

Jashbhai Patel

The Twenty-Ninth Day: Accommodating Human Needs and Numbers to the Earth's Resources by Lester R Brown; W W Norton and Company, New York, 1978; pp ?63, Rs 3.95.

THE title of the book, "The Twenty-Ninth Day", is at first sight an odd one. It comes from a French riddle: "A lily pond contains a single leaf. Each day the number of leaves doubles. Question: If the pond is completely full on the thirtieth day, when is it half full? Answer: On the twenty-ninth day." Our world is half full and we are just a generation away, if not a day, from the time when it will become full. Then there will be no room left for more people.

Lester Brown is president of the Worldwatch Institute and has written several books on earth's problems. His book "In the Human Interest" has been well received. The Worldwatch Institute came into existance in 1975. It is governed by an international Board of Directors with Orville L Freeman as its chairman. Its aim is to study the problems of our earth and its environs. The Institute, in its short span of life, has published many studies and several books of current interest.

The present book is one more publication on ecology. The first book on ecology to catch the public eye was "Silent Spring" (1962) by Rachel Carson, who warned us of the dangers of chemical pesticides, the second one was the Club of Rome's "The Limits to Growth" (1972) by Donella Meadows and others, who pointed to the paucity of the world's nonrenewable resources, the third was "Small Is Beautiful" (1973) by E F Schumacher, who reassessed the plans of modern technology in human society; the fourth one was the Worldwatch book "Losing Ground" (1976) by Erik Eckholm, who examined future food prospects; and now in 1978 we have "The Twenty-Ninth Day". To save the earth, the world's organisations, instead of publishing books, should now act and match their words by deeds.

This is not to suggest that Lester Brown's book is of no use. He has ably shown that the four principal biological systems, namely, fisheries, forests, grasslands and croplands are used by man beyond their carrying capacity and a breakdown of one or all is imminent in the near future if remedial steps are not taken in time. He also envisages a drop in world oil production and rightly projects energy shortages in the eighties and nineties. He refers to economic and political dilemmas which baffle economists and politicians. Speaking of economic dilemmas, he says "The simultaneous existence of uncharacteristically high inflation and unemployment in virtually all of the major industrial economies during the mid-seventies poses a dilemma for which the modern Keynesian economist has no answer. From time to time, accelerating inflation or rising unemployment has upset economies, but rarely have both struck at once." What can be said in the circumstances of politicians? For them the dilemma is worse. According to Brown: "Coming to terms with the political dilemma . will not be easy or necessarily pleasant. Historian Arnold Toynbee sees increasingly authoritarian governments emerging as economic growth slows or stops. "In all developed countries", he writes, "a new way of life — a severely regimented way — will have to be imposed by a ruthless authoritarian government." Our principal hope for limiting the need for such controls is to "voluntarily check our excessive consumption and procreation".

The prospects are particularly grim for poor nations. Their people have hardly shared in the benefits of the scientific and industrial revolution. Rather they have become the victims of that revolution. The rich nations enslaved the poor nations and brutally exploited their cheap labour and natural wealth for over a century to feed the rising industries. Now the rich nations have impoverished the earth and the poor nations are left high and dry. Do the rich nations want to accept these facts or do they want to legitimatise their dark deeds? Also, after writing off compensation to the poor, do rich nations want to discharge their old debts to mother earth, whom they have robbed, or do they expect the poor, who do not have enough to eat, to foot the bill? Answers to these questions are not found in Brown's book.

Direct Tax Reform

Family as Tax Entity and Other Issues

K Sundaram

V Pandit

The draft five year plan 1978-83 calls for a major effort at mobilisation of additional resources. Much of this effort will have to be directed towards raising further tax revenues. So far, the policy-makers have mainly relied on indirect taxes in their efforts to raise additional resources. Since indirect taxes already contribute more than 77 per cent of the total tax revenues, a stage has clearly been reached where we have to rely increasingly on direct taxes.

In examining the possible changes in the system of direct taxation, while revenue implications are no doubt important, considerations of equity and incentive cannot be ignored.

Within the set of direct taxes, income-tax is the principal source of revenue. The focus of this paper, therefore, is on possible rationalisation of the system of income taxation. It excludes from the scope of its analysis provisions relating to enterprises, incorporated or otherwise, including co-operative societies. Limiting the scope to the taxation of individuals and Hindu undivided families (HUFs), attention is focused on the question of what ought to be the tax entity, the tax treatment of his entity, and the consequences thereof in terms of equity and revenue. In this context, some of the existing provisions on exemptions and deductions are reviewed from the point of view of equity and incentive for saving.

I

The Tax Entity

IN our view, the question of what ought to be the tax entity is central to any meaningful analysis of the system of direct taxes. Logically speaking, it ought to be identical with the decision-making unit appropriate to the tax in question. In so far as income is not earned for its own sake, decisions regarding income and expenditure are conjoint. Therefore, for purposes of income-tax, the relevant tax entity would be the basic unit which takes these conjoint income-expenditure decisions. It might be suggested that, in the Indian context, this basic unit, outside of enterprise, etc, would be the household. However, the larger notion of a household includes certain members whose membership of the household is typically a temporary phenomenon. For example, unmarried major children may temporarily be in the household of their parents but are eventually expected to form a separate nuclear family of husband, wife, and minor children. Even in a situation of joint family living together, most of the income-expenditure decisions would typically be taken at the level of the nuclear family as defined [hereafter referred to as NF]. NF is thus the logical tax entity as far as taxation of income/wealth is concerned.

A central feature of the existing system of taxation of income and wealth is that it permits a multiplicity of tax entities corresponding to a single income-expenditure decision-making unit. Two principal instances of this are:

(i) where two earners belonging to a single NF are treated as two separate tax entities (as individuals);

(ii) where by the device of the HUF, a joint family gives rise to tax entities several times the number of NFs contained in it. For example, a small joint family of "widower father and three adult but unmarried sons can form as many as eleven HUF assessment units and at the same time have four individual assessment units".[1]

This situation of multiplicity of assessment units corresponding to a single NF (the logical tax entity) entails severe revenue loss. It is also quite inequitous. The revenue loss arises principally from the fact that each entity enjoys a variety of deductions for tax purposes over and above a blanket exemption up to Rs 8,000 or Rs 10,000 (depending upon the total taxable income). Further revenue loss results from the fact that, due to these exemptions, the effective marginal tax rates are lower. Inequity of tax incidence is manifest in differential tax liabilities incurred by NFs with the same aggregate income — due solely to the fact of there being more than one tax entity in some of these.

The suggestion that NF be treated as a single tax entity is not altogether new. In some respects, the idea of clubbing the incomes of wives and husbands mooted in the budget speech of 1971 may be viewed as a precursor to the present proposal. Subsequently, the Raj Committee on agricultural taxation also recommended the adoption of the family as the unit of assessment for the Agricultural Holdings Tax proposed by it, but did not generalise the proposal to cover income and other direct taxes

At this stage, it would be pertinent to consider certain sociological/legal issues that have been raised in the context of clubbing of the incomes of spouses. One oft-repeated argument is that such a proposal violates the sanctity of the freedom of the individual man or woman. In our view, collective responsibility to pay taxes does not constrain the freedom of the individual any more than do other collective obligations arising in the course of running the family.

If the treatment of NF as a single tax entity entails the payment of a larger amount of total taxes, the apportionment of the same between the earning members can be settled in the same manner as are numerous other questions of joint expenditures out of the total family income. Equally, it must be stressed, the former involves no more abridgement of individual freedoms than are implied by the latter.[2]

The other issue usually raised in this context is that of extra expenses incurred in the process of a second member of NF going to work. It must be emphasised that this is a question of

how the tax entity is to be treated by the tax system and is to be clearly separated from the question of what the tax entity ought to be. Thus, there is nothing inherent in the suggestion that NF be treated as a single tax entity which prevents one from granting a tax-deductible allowance on account of such an expense in the shape of, say, a second standard deduction for the NF. We shall later examine this question further.

Since the treatment of a family as a tax entity implies clubbing of the incomes, and a possible increase in the total tax liability, it has been contended that this measure would hit hard the so-called middle-class families.[3] We shall see later that the measure in question does not at all increase the tax liability of families with total annual earnings of Rs 14,000 or less. The proposed change really begins to bite only when the total income exceeds Rs 25,000.[4] It can hardly be argued by anybody that families earning Rs 25,000 or more constitute the middle class in an economy where nearly 50 per cent of the population lives below the poverty level of approximately Rs 4,000 per year.

Though we have discussed some of the questions raised by the treatment of NF as the tax entity only in terms of the clubbing of the incomes of spouses, it must be emphasised that the proposal simultaneously implies also the abolition of HUF as a tax entity. Therefore, the argument advanced by the Choksy Committee against the adoption of family as a taxable unit that "in the context of HUF being a separate taxable unit further complications would arise in evolving yet another separate taxable unit"[5] becomes irrelevant. What is being suggested here is the *adoption of NF as the sole tax entity*, outside of business enterprises, *for all direct taxes*.

As for the abolition of HUF as a tax entity, whatever be its historical antecedents, it is well recognised that presently HUF is primarily a tax avoidance device.[6] The mere fact that the law in regard to HUF as a taxable unit "... is now reasonably well settled by several judicial pronouncements..."[7] cannot become an insuperable barrier to a long overdue tax reform.

II

Some Consequences

Let us now turn to some of the important consequences of treating NF as the tax entity. As noted previously, the proposal would imply the replacement by the NF of 'individual' and 'HUF' as tax entities. The revenue and equity implications of eliminating HUF as a tax entity have been examined earlier by Gulati, among others.[8] As such, we are concentrating on the implications of treating the incomes of all members of an NF as a single aggregate, following the elimination of individuals as assessment units.

In assessing the revenue consequences of the aggregation of incomes of the members of an NF, we restrict ourselves to the salaried class though in principle the sources of income are immaterial in this context. We focus our attention on the class of nuclear families with salaried members both for reasons of convenience as well as for the reason that some of the issues germane to the problem are particularly interesting and better understood in this case.

Equity: There are three considerations which may motivate a tax reform. These are: equity, revenue and incentives. Consider equity first. Under the existing tax arrangements each salaried assessee enjoys the benefit of the following exemptions and deductions.

(i) House rent allowance (HRA) upto a maximum of Rs 3,600.
(ii) Standard deduction (SD) on a two slab basis upto a maximum of Rs 3,500.
(iii) Income from approved investments (IAI) such as interest on bank deposits, dividends from units upto Rs 5,000.
(iv) Approved Savings (AS) such as contributions to PF, LIC, CTD, on a three slab basis upto a maximum of Rs 30,000 or 30 per cent of income, whichever is less.
(v) On the taxable income, net of (i)-(iv), a basic exemption of Rs 8,000 or Rs 10,000.

Depending upon: (i) the composition of gross family income in terms of (a) the two earners and (b) salary-non-salary income, and (ii) the extent of tax deductible savings, it is possible that an NF with two salaried earners could enjoy an aggregate annual income of about Rs 43,000 without having to pay any income-tax whatever.[9] In contrast, a single earner NF with the same level of income would have to pay a tax-cum-surcharge of about Rs 2,000. Given the progressivity of the rate structure of income-tax, the aforesaid disparity in tax incidence, as between the two types of NFs, would be larger at higher income levels.

Revenue Consequences — Methodology: In order to provide a meaningful estimate of the revenue consequences of the present proposal in the case of NFs with two salary earner members we need to know:

(i) The total number of NFs whose taxable income is expected to exceed the current exemption limits.
(ii) The distribution of this total number of NFs across different gross (pre-deductions-pre-tax) income ranges.
(iii) The precise magnitude of allowable deductions/exemptions in order to arrive at the taxable income of each NF. This, in turn, requires an assumption regarding the distribution of the total income of an NF between the two earners and an assumption regarding the saving behaviour of the NFs.

Taking up (i) first, our basic assumptions are that all women employees are married and that the income of the husband would be somewhat higher than that of the wife. It is also postulated that this income differential increases with the level of the wife's income. This would follow from the sociological reality that people, especially in the salaried class, marry within broadly the same socio-economic group and that husbands are generally older by a few years. Following this line of reasoning, we need consider only such women employees as earn at least Rs 6,500 per year.[10] From the aforesaid assumptions, the number of such women employees would simultaneously give us the total number of NFs in the salaried class whose taxable income is expected to exceed the exemption limit.

As for (ii), assuming a plausible size-distribution of gross income for the women employees we get the number of women employees in different income ranges. This, together with our pairing assumptions would give us the number of NFs in each gross income range. Assuming that HRA and incomes from other sources do not exceed the permissible tax exemption limits,[11] we are able to obtain from the preceding step both the distribution of NFs by gross income ranges and the split of aggregate income of NFs in each class as between the two spouses.

Having determined the number of NFs with two salaried earners and their distribution across income ranges the next question relates to the tax treatment of these NFs. Two issues of special significance arise in the present context. Since NF is treated as a single tax entity, it would, strictly speaking, be entitled to only one standard deduction (SD) — by way of expenses relating to work and a single deduction for approved savings (AS). However, it might be argued that such a tax treatment is unfair, in that, it does not take into account the real additional

TABLE 1: ESTIMATED NUMBER OF WOMEN EMPLOYEES IN ORGANISED SECTOR WITH EARNING OF Rs 6,500 OR MORE PER ANNUM

As on March 31, 1976

Occupation/Profession/Industry	Number (in 000s)
Banking, LIC and other insurance companies.	33.40
Air transport	2.30
University teachers	18.88[1]
Secondary school teachers	158.33[1]
Central government and quasi-government agencies	4.99[2]
State governments and local bodies	8.11[3]
Engineering, architectural & local services	1 30
Allopathic physicians and surgeons employed in organised sector	6.50[4]
Private (allopathic) medical practitioners [other than those covered under (8)]	44.79[5]
Railways	3.06[6]
Research and scientific services	4.00[7]
Total	285.66

This total for March 31, 1976 can be reasonably expected to be roughly three lakhs as of date.

Notes: (i) The number of university teachers and secondary school teachers is obtained by applying the proportion of such teachers in the total of women employees in "educational services", separately for the public and private sectors (1972-1973) to the total of women employees in "educational services" as on March 31, 1976.

(ii) Here we take 10 per cent of women employees in Central government and 15 per cent of women employees in quasi-government agencies. In this context note that the proportion of employees (both sexes together) drawing a basic pay of Rs 400 or more per month was roughly 20 per cent and 30 per cent in these two types of agencies.

(iii) Only 5 per cent of women employees in state governments and local bodies are included.

(iv) The number of women allopathic physicians and surgeons employed in organised sector in 1972-73 (occupational and educational pattern in public sector and private sector), is placed at 5,500. As on March 31, 1976, this can be expected to be 6,500.

(v) The Draft Five Year Plan 1978-83, estimates the total stock of employed Medical graduates and post-graduates in 1977-78 at 170,980. We take 30 per cent of this stock to consist of women doctors. From the total so obtained, we deduct the estimated number of women physicians and surgeons employed in the organised sector.

(vi) 15 per cent of women employees in railways (like women employees in other quasi-government agencies) are included here.

(vii) 50 per cent of women employees in Research and Scientific Services in Central and quasi-government agencies are included (we exclude laboratory assistants who constitute roughly 50 per cent of the total).

Sources: (1) The Primary data source is the DGET "Employment Review 1975-76" (mimeo).

(2) DGET "Occupational and Educational Pattern in India", Public Sector (1972) and Private Sector (1973) (mimeo)

(3) DGET : Census of Central Government Employees June, 1978.

costs that are entailed by the fact of a second member of the NF going to work. This argument suggests that separate SDs be allowed on the two incomes.[13] As against this one might take the view that there are certain economies of scale on the expenses in question which in turn would lead to a prescription that the allowable SD be between the two limits. Further, one might argue that, some of the expenses consequent upon both spouses working — e g, hiring of a servant — are part of a larger choice between leisure and other types of consumption. If this is accepted, it would follow that no deduction specific to these expenses, especially if these are claimed in addition to SD, need be admitted.[13] In the subsequent exercise, however, we assume that separate SDs would be permitted on the two incomes, each upto the existing permissible limit.

With regard to the treatment of approved savings (AS) the notion that such a deduction be allowed only once per tax entity may be interpreted in either of two ways. One, that such deduction be permitted on the larger of the two incomes; and two, that it be permitted on the aggregate income. In both cases the allowance for AS is subject to the existing upper limits. The other extreme would be to permit deductions on this account separately on the two incomes, each being subject to separate upper limits as per existing rules. Since we see no particular rationale for the last mentioned alternative we take the intermediate position, i e, a single deduction as per existing rules, but on the aggregate income.[14]

In moving from the general principles to the specific task of evaluating the taxable income, we are left with the problem of specifying a realistic saving behaviour. As noted previously, if the NF wishes to maximise tax avoidance by making appropriate savings then it would have to save 30 per cent of its income. This is clearly unrealistic at relatively low income levels. In this exercise, we assume a graduated savings function in which 30 per cent of the income is saved only at incomes equal to or exceeding Rs 41,000 pa (excluding HRA and income from other sources).

In constructing the graduated savings function, we bear in mind the usual PF obligations, normal life insurance cover, and plausible CTD contribution.[15] Further, saving of an NF are assumed to be related to its aggregate income rather than being the sum of the two savings each related to the corresponding income.[16]

Revenue Consequences — Computational Aspects: For the calculation of the revenue gain following from the replacement of the individual earner by NF was the unit of tax assessment, in respect of NFs with salaried earners, we have estimated the total number of women employees with an annual income of Rs 6,500 or more to be roughly 3 lakhs (see Table 1). Included in this set[17] are:

(a) All employees in
- (i) banking services
- (ii) LIC and other insurance companies
- (iii) university teaching
- (iv) secondary school teaching
- (v) air transport
- (vi) medical profession (including self-employed doctors)
- (vii) engineering, architectural and legal professions and,

(b) Varying proportion of employees in
- (i) Central government agencies (10 per cent)
- (ii) quasi-government agencies (15 per cent)
- (iii) state governments and local bodies (5 per cent)
- (iv) railways (15 per cent) and,
- (v) research and scientific services, employed by the Central government, quasi-government agencies (50 per cent)

Having obtained the number of women employees with an annual income of Rs 6,500 or more, the next step is to distribute this total number across different ranges of income of women employees, taking Rs 22,000 pa as the upper limit.[18] In the absence

TABLE 2: EXISTING AND PROPOSED TAX LIABILITIES (INCOME-TAX PLUS SURCHARGE)

Wife's Income	Husband's Income	NF Income	Existing Tax-Liabilities of the NF	Tax-Liabilities If NF Is the Tax Entity
7,000	8,000	15,000	Nil (Nil)	423 (2.82)
8,000	10,000	18,000	Nil (Nil)	711 (3.95)
9,000	11,000	20,000	19 (0.01)	728 (3.64)
10,000	12,000	22,000	69 (0.31)	1149 (5.22)
11,000	14,000	25,000	381 (1.52)	1259 (5.04)
12,000	15,000	27,000	578 (2.14)	1551 (5.74)
13,000	17,000	30,000	984 (3.28)	1953 (6.51)
14,000	18,000	32,000	1211 (3.78)	2288 (7.13)
15,000	20,000	35,000	1510 (4.31)	2846 (8.13)
16,000	21,000	37,000	1765 (4.77)	3335 (9.01)
17,000	22,000	39,000	2062 (5.29)	3864 (9.91)
18,000	23,000	41,000	2276 (5.55)	4294 (10.47)
20,000	25,000	45,000	2467 (5.48)	5371 (11.94)
22,000	28,000	50,000	3255 (6.51)	7183 (14.37)

Notes: (i) The numbers within brackets relates to the effective average rate of tax if NF is treated as the tax entity as percentage of income.

(ii) The incomes in questions are exclusive of HRA and income from approved investments (which are currently tax-exempt upto 30 *per cent* of the income and Rs 5,000 respectively, *per assesee*).

(iii) The NFs are assumed to save in approved (tax-deductible) forms on the following scale; by reference to their aggregate income.

Income Range	PF (Per Cent)	LIC (Rs)	CTD (Rs)	Savings Rate at Mean Income (Per Cent)
7,000-11,000	4	350	Nil	7.89
12,000-15,000	5	500	300	10.93
16,000-17,000	5	600	400	11.06
18,000-19,000	6	800	400	12.49
20,000-22,000	7	1200	600	15.57
23,000	8	1200	600	15.83
24,000		20 per cent of Income		
25,000		22 per cent of income		
27,000		24 per cent of income		
30,000-32,000		26 per cent of income		
35,000-39,000		28 per cent of income		
41,000 and above		30 per cent of income		

(iv) Deductions on approved savings allowed only once per NF as per existing limits.

(v) Standard deductions allowed separately on the incomes of wives and husbands, each as per existing two-slab scale and as per existing limits.

of any information specific to this issue our approach has been to use a plausible theoretical distribution for this purpose. Of the several theoretical distributions one could use, we have chosen what is perhaps the simplest and the least data demanding, namely, the Pareto distribution:

$$N_X = Ax^{-\theta}$$

where x is the level of income, N_X is the number of earners with incomes greater than or equal to x and, A and θ are the distribution parameters.

Having fixed the lower limit to income and a value of θ the given model would help one distribute a given population over different income ranges. Further, varying values of θ would generate distributions with different degrees of concentration at lower income ranges.

As a first step, we examine the appropriateness of this model and obtain an estimate of θ. For this the model is fitted to the observed distribution of individual assessees by gross salary incomes for 1976-77.[19] The estimated relationship in double-log formulation, which turned out to be

$$\log N_X = 11.2358 - 0.6279 \log x$$
$$(t = 5.07) \qquad \bar{R}^2 = 0.63,$$

is a good fit by all criteria. The estimated value of θ is 0.6279.

Following from the above, it would appear reasonable to assume that the size-distribution of gross incomes of women employees also follows a pareto distribution — but with a different parameter value to allow for the well-recognised fact that the incomes of women employees are likely to be more concentrated at lower levels of income than for 'all' salaried individuals. Therefore, in applying the pareto distribution to women employees we have assumed θ to be nearly four times as large as the estimated θ, i e, a θ equal to 2.5 The implication of *assuming this high value of θ may be* appreciated from the fact that, whereas in the observed distribution of all individual assessees nearly 21 per cent have incomes exceeding Rs 19,700, the corresponding proportion in the assumed distribution of women employees would be only a little over 7 per cent.

Following the earlier discussions we have adopted a pattern of pairing incomes of husbands and wives such that the difference between the two incomes varies from Rs 1,000 (corresponding to the wife's income of Rs 7,000) to Rs 6,000 (corresponding to the wife's income of Rs 22,000).

Based on these empirical assumptions, the weighted average[20] of the differences between the current tax liability and that entailed by treating NF as the single tax entity amounts to Rs 963 per NF in this category (see Tables 2 and 3). With roughly three lakhs of women employees and hence of such NFs we get a rough estimate of revenue gain equal to Rs 29 crores per annum. In assessing this order of revenue gain, it must be noted that the total gross tax demand on salary assessments in 1976-77 was only Rs 159 crores.

Note, further, that our estimate of the revenue gain is likely to be an underestimate for several reasons. Thus,

(i) To the extent that other incomes exceed exemption limits, which is possible in case of high income NFs, our estimate of revenue gain has a downward bias arising both from underestimation of taxable income and possible changes in the marginal tax rate.[21]

(ii) In so far as the income of the husband exceeds that of his wife by a much larger margin than that assumed, which is possible in case of higher income ranges, the revenue gain is understated.

(iii) Again, no account is taken of non-employee women who may be earning non-salary income exceeding the present exemption limit.

Aggregate Revenue Gains — An Estimate: It is important to emphasise that the revenue gains discussed so far reflect only a partial consequence of shifting to NF as the tax entity. In particular, even within the sphere of income-tax, the revenue gains following from the abolition of HUF as a separate tax entity could be quite large. Gulati, who has examined this question in some depth, working with 1967-68 distribution of assesses and 1972-73 tax rates, has shown that the revenue gain could be of the order of Rs 45 crores. Since then, the number of assessee HUFs has increased by 57 per cent — with the increase being very pronounced (100 per cent or *more) in the higher income brackets.*

TABLE 3 : DISTRIBUTION OF WOMEN EMPLOYEES ACROSS INCOME LEVELS AND WEIGHTED AVERAGE OF DIFFERENCE IN TAX-LIABILITIES

Income-Range	Mean Income	Proportion of Women Employees in Each Income Range	Difference in NFs tax liabilities (in Rs)	Contribution to Weighted Average Increase in Tax-Liabilities per NF (in Rs)
6,500- 7,500	7,000	0.3009	423	127.28
7,500- 8,500	8,000	0.1877	711	133.45
8,500- 9,500	9,000	0.1242	709	88.06
9,500-10,500	10,000	0.0857	1080	92.56
10,500-11,500	11,000	0.0613	878	53 82
11,500-12,500	12,000	0.0454	973	44.17
12, 500-13,500	13,000	0.0341	969	33.04
13,500-14,500	14,000	0.0263	1072	28.19
14,500-15,500	15,000	0.0207	1336	27.66
15,500-16,500	16,000	0.0165	1570	25.91
16,500-17,500	17,000	0.0133	1802	23.97
17,500-18,500	18,000	0.0109	2080	22.67
18,500-21,500	20,000	0.0230	2904	66.79
21,500 or above	22,000	0.0502	3898	195.68
Weighted average increase in tax-liabilities per NF with two earners				963.25

Notes: (i) The mean income referred to in Col (2) is an assumed mean income rather than the mean income consistent with the assumed value of θ. This is done purely to facilitate the computation of tax liabilities.

(2) Column (3) has been arrived at by assuming a Pareto distribution with $\theta = 2.5$ (See text).

So that the revenue gains following from abolition of HUF as a tax entity could now lie in the neighbourhood of Rs 100 crores.

In sum, therefore, the revenue gain, from income taxes alone arising from treating NF as the tax entity would amount to as much as Rs 130 crores. As noted previously, NF should be the tax entity in respect of other direct taxes as well. Such an extension of this logic would yield further revenues.

III

Review of Deductions and Exemptions

We have so far concentrated on the logic and implications of what ought to be the tax entity, taking as given the existing tax provisions in the matter of rates, exemptions and deduction. However, as has been noted in the draft five year plan 1978-83, page 59:

> "the various concessions in the tax structure other than those which *stimulate middle income savings* .. need to be reviewed and if necessary withdrawn ...." (emphasis added).

Let us, therefore, consider the provisions which "stimulate middle income savings". The current tax provisions in this context relate to:

(i) exemption of income from approved investments (IAI) upto a ceiling of Rs 5,000.

(ii) deduction of approved savings (AS) upto 30 per cent of income or Rs 30,000, whichever is less.

Two aspects of these provisions are important. Even though they appear to be symmetric across income groups this is not really true. (Given a realistic saving function, such as the one considered by us earlier, the provisions in question are inequitous in incidence. For, it is unwarranted to assume either that all assessees irrespective of their incomes will by saving 30 per cent of their incomes or, that they can have a large enough asset base to yield additional incomes of up to Rs 5,000 p a. Notice that the assets in question must be in addition to those arising from a cumulation of approved savings which do not in general yield current incomes. Therefore, these provisions, *ceteris paribus*, increase the degree of inequality in the distribution of after-tax incomes.

Further, in so far as these provisions will be fully exploited only at high income-asset levels the very rationale of these exemptions/deduction in their present form is open to doubt. The basic question is as to what constitutes the middle income class and, what this class can reasonably be expected to save under the most favourable circumstances. At the other end of the income distribution one may ask whether any incentives are required to stimulate savings. Looked at from this angle there appears to be a strong case for a drastic reduction in the limit of allowable deductions on approved savings from the present level of Rs 30,000 which at 30 per cent rate of saving would correspond to an income of Rs 1 lakh to say, Rs 3,000. The latter figure would be consistent with an annual income of Rs 10,000 and a 20 per cent rate of saving. Since the avowed purpose of the provision is to stimulate savings it makes better sense that the ceiling is in absolute terms rather than as a proportion of income. On a parallel reasoning there appears to be a case for lowering the ceiling on income from approved investments exempt from tax, to half its present level.

It may be suggested that the purpose of the current tax provisions relating to AS and IAI are designed to serve yet another objective namely to induce savers to hold their savings in a particular form. This is motivated by the desirability of ensuring a greater social control over these savings and of reducing the liquidity profile[33] of the savings and thereby of cumulated assets. These objectives would, in our view, be served better by directly adjusting the yield-risk liquidity package on alternative assets rather than indirectly through inequitous tax concessions. Further, such adjustments would be more effective by virtue of their being explicit. In this context one may recall the dictum, a la Tinbergen that "multiple objectives require multiple policy instruments".

To summarise:

(i) An important step towards a rational system of direct taxes is to define the tax entity in a logically consistent manner. It is suggested that the nuclear family (NF) is the logical tax entity outside of the business enterprises, incorporated or otherwise.

(ii) The consequences of the above proposal is the elimination of the HUF as well as of the individual assessee as tax entities. This in turn would imply that not only are incomes of all earners in an NF aggregated but also that all incomes of all earners in an NF are aggregated for tax purposes.

(iii) The suggested change in the notion of tax entity renders the tax system more equitous and also generates significant additional tax revenues (of the order of Rs 130 crores) even with the existing tax rates and provisions for exemptions and deductions

(iv) Finally, a review of the provisions for exemptions/deductions also suggests the need for lowering the exemption limits on income from approved investments and also a drastic lowering of the ceiling on allowable deductions on account of approved savings.

Notes

[The authors are grateful to Suresh Tendulkar for useful comments.]

1 See I S Gulati, 'HUF Tax Avoidence Revisited', *EPW* February 17, 1973. For some interesting findings in this context see also the Wanchoo Committee Report. The multiplicity of assessment units is made possible through a partitioning (which may be largely notional) of the assets of the joint family and a formal assignment of each portion to a separate HUF.

2 Clearly, some 'abridgement' may be entailed in cases where no expenditure decisions relating to the family are taken jointly ie, each spouse acts as a totally independent income-expenditure unit. Whether the collection of such independent income-expenditure decision making units can at all be deemed to be a single family is an open question. In this context, the question of treating income from the so-called 'Streedhan' differently does not arise since the nature of the income sources (whether human capital or tangible assets) or how the legal titles to their ownership are distributed between members of the NF are irrelevant as long as the income expenditure decisions are jointly taken. For a different view, see Direct Tax Laws Committee [Chokshi Committee]. Final Report, September 1978, para 1—11. 2, page 74.

3 "It [the proposal to treat family as a taxable unit] may also be detrimental to the interests of a large number of middle class families where women have to work to supplement the family income", Direct Tax Laws Committee. *Ibid.*

4 It must be emphasised that the income levels referred to are exclusive of (i) the house rent allowances and (ii) incomes from interests, dividends, UTI etc, which are tax exempt upto Rs 3,600 and Rs 5,000 respectively for each assessee. Thus, the corresponding aggregate income could be as high as Rs 37,200 for a family of two earners.

5 Direct Tax Laws Committee, *Ibid.*

6 As the Direct taxes Enquiry [Wanchoo] Committee observes "We feel convinced that the Hindu Undivided Family as a unit of assessment is retained in cases only when it enables the persons to reduce their tax liability and that in other cases it is promptly partitioned without consideration of sentiments coming in the way." quoted by Gulati, *op cit.*

7 Direct Tax Laws Committee, *Ibid.* In this context see also I S Gulati, 'Agenda for Tax Base Reform', *EPW*, May 15 1971, and the Raj Committee Report on Agricultural Taxation.

8 I S Gulati and K S Gulati, "The Undivided Hindu Family: A Study of Its Tax Privileges", Asia Publishing House, 1962; I S Gulati 'Agenda for Tax Base Reform' *EPW*, May 15, 1971; and I S Gulati 'HUF Tax Avoidance Revisited', *EPW*, February 17, 1973.

9 This will eventuate if the two assessment units enjoy each a salary income of Rs 15,000 (over and above an HRA of about Rs 1500, an income of Rs 3,000 on account of interest and dividends, and another Rs 2,000 from the Unit Trust of India; and provided they take full advantage of the permitted deductions for approved savings.

10 Given the standard deductions and exemptions allowed currently, incomes of NFs with women earning less than Rs 6,500 per annum would generally be below the taxable limit.

11 This appears to be a reasonable assumption in view of the fact that for the income ranges under consideration the permissible tax exemption limits for these items are fairly high.

12 Given the existing two slab scheme there could be the further problem of whether the SD be allowed on the two incomes separately or on the aggregate income even if one accepts the claim for SDs on the two incomes.

13 Expenses such as those arising from the hiring of a servant are typically a function of the level of aggregate income rather than arising simply from the fact of both spouses going to work. This is testified to by the fact that there exist a large number of families with relatively low aggregate income in which both spouses work and yet no servants are hired and, conversely.

14 The entire question of the logic of the current provisions regarding deductions on account of AS is examined later in this paper.

15 Thus, for instance, we assume that NFs with incomes between Rs 7,000 and Rs 11,000 would save roughly 4 per cent as PF, and Rs 350 p a as LIC premium (which would provide a life cover of roughly Rs 10,000 and nothing by way of CTD. Correspondingly for an NF with income in the range of Rs 20,000 to Rs 22,000 the PF contribution would be at the rate of 7 per cent, LIC premium would be Rs 1,200 p a and CTD contribution equal to Rs 600 p a.

16 For example, an NF with an aggregate income equal to Rs 20,000 made up of Rs 9,000 and Rs 11,000 is assumed to save Rs 3,200 whereas the savings on individual incomes, as per the scale adopted, would add up to Rs 1,500 only. This would also make it clear that since savings are tax-deductible, our assumptions would, *ceteris paribus*, tend to lower the tax burden on an NF with two earners.

17 This is a subset of all women employees in the organised sector who number roughly 25 lakhs.

18 Note that the income in question is only salary income exclusive of HRA. This assumed upper limit is used only to compute the tax liabilities of NFs with incomes of Rs 50,000 or more.

19 All-India Income Tax Statistics, 1976-77, July 1978, Statement No 5A, page 29.

20 Weights in question are given by the proportion of women in each income group.

21 This underestimation assumes a greater operational significance if we carry the logic of treating NF as a single tax entity to imply that tax exemption limits on income from approved investments be Rs 5,000 (as in the case of single earner NF).

22 This follows from the fact that AS involve relatively long term maturities with limited withdrawal facilities before maturity.

To Butcher or Not to Butcher

Cattle Holdings and Milk and Meat Production in Kerala

K Narayanan Nair

Advocates of banning of cow slaughter, in support of which demand Vinoba Bhave has started a fast from April 22, like to claim that their case rests on the rational economic argument that slaughter of cows reduces milk production and harm the livestock economy and agricultural production.

This paper seeks to examine this argument with reference to Kerala, one of the two states which have so far refused to impose a total ban on slaughter of cows. The author discusses the extent of bovine slaughter in Kerala, the factors responsible for the increase in slaughter in recent years and the effects of slaughter on the size and composition of the state's bovine population.

Cattle slaughter in Kerala, the author concludes, has resulted in a rise in milk and meat output and a ban on slaughter of cattle, especially cows, will adversely affect on-going livestock development projects and the weaker sections of the population.

Introduction

VINOBA BHAVE is a respected national leader. He has threatened to go on an indefinite fast from April 22. His reason is simple. There is cow slaugher in Kerala and West Bengal; this adversely affects agricultural production and is, therefore, disastrous for the survival of the human population. He has, therefore, appealed to the two state governments to impose a total ban on cow slaughter.[1] Should they fail to comply with his demand, he will go on fast till the demand is granted. The Kerala and West Bengal governments have already expressed their inability to impose a legal ban on cow slaughter. The followers of Vinoba Bhave are busy organising public opinion in support of a total ban on cow slaughter, though their chances of success have so far been bleak.[2] At least in Kerala, public opinion is strongly against the movement. This is evident from the numerous write-ups and articles appearing in prominent local newspapers.[3] The whole campaign seems to have been based on pseudo-religious arguments and appeals. Neither Vinoba Bhave nor his followers have succeeded in giving a rational economic justification for banning cow slaughter.

The holy cow has remained for long a fertile object for Hindu religious leaders and politicians with an interest in diverting public attention from pressing social and economic problems of the country. They have often misinterpreted theories about the origin and evolution of the sacred cow and thwarted the emergence of a rational livestock adjustment mechanism in the country. They even succeeded in smuggling the sacred cow concept into the directive principles of the Constitution (in the name of cow protection) and winning over most of the state governments (except those of Kerala and West Bengal) to implement a total legal ban on cow slaughter.[4] Vinoba's vow to stake his life to mend the ways of these two *mleccha* states marks the logical culmination of this triumphant march of vested interests.

It is high time to rid this controversy of its emotional overlay and face the facts squarely. For instance, what is likely to be the impact of cow slaughter on the livestock economy and on the agricultural production system? Available evidence from Kerala shows that the existence of an efficient mechanism for elimination of unproductive animals has immensely promoted the state's bovine economy. This paper seeks to explain the favourable impact of cow slaughter on the livestock economy and agricultural production of Kerala. We begin our analysis with a discussion of the extent of bovine slaughter in Kerala; then we go on to a brief discussion of the factors responsible for the increase in cattle slaughter in recent years; in the last section, the effect of slaughter on the size and composition of bovine herds in the state is examined.

Scale of Slaughter

Statistics on the slaughter of bovines in Kerala are available from the mid-fifties.[5] They relate to the number of animals slaughtered in the licensed slaughter houses in urban and semi-urban areas. In 1955, about 1.3 lakhs bovines were reported to have been slaughtered in the licensed slaughter houses in this state, of which about 70 per cent were cattle and the remaining buffaloes. Of the cattlestock slaughtered, nearly 60 per cent were adult males and 30 per cent adult females and the remaining calves. In the buffalo stock, 80 per cent were adult males, 15 per cent adult females and the rest calves.

By mid-seventies the number of bovines slaughtered showed a significant increase, the pattern also changed. The number of bovines rose from 1.3 lakh in mid-fifties to 2.5 lakh by mid-seventies. But the proportions of cattle and buffaloes slaughtered remained almost unchanged. However, the proportion of adult males has shown a significant increase.

The above findings suffer, however, from severe limitations: (a) The number reported by the licensed slaughter houses excludes animals slaughtered in rural areas. In fact the total number of animals slaughtered in the state is likely to be several times larger. Besides, the statistics do not cover all the urban and semi-urban slaughter houses. For instance, out of the 930 Panchayat centres in existence in the early seventies, slaughter house statistics were not available from nearly 50 per cent of the centres. (b) For slaughter of animals within the premises of the slaughter houses, the butchers are under obligation to pay a small levy on each animal slaughtered for them. Though the levy itself is nominal, the butchers show a tendency to under report the number of animals slaughtered to escape any resentment likely to be aroused in the public mind if actual numbers were reported. (c) The slaughter of small calves and diseased animals and cows in the reproductive age groups is officially prohibited, but is taking place to a certain extent.[6] For these reasons the reported number of bovines slaughtered in the slaughter houses would form only a small fraction of the actual number of animals slaughtered. Yet the upward trend in the figure may be taken to be an indicator of the rapid increase in bovine slaughter taking place in the state. However, they may not give a correct picture of the

TABLE 1: REPORTED NUMBER OF ANIMALS SLAUGHTERED IN URBAN AND SEMI-URBAN AREAS OF KERALA

(Numbers in thousands)

Year	Cattle			Buffalo			Total Bovine		
	AM	AF	YS	AM	AF	YS	C	B	T
1964	63.5	39.4	6.4	23.0	6.7	2.9	109.4	32.7	142.1
1965	70.1	51.6	7.8	4.7	11.5	2.4	129.6	18.8	148.4
1966	78.2	53.6	7.8	29.5	12.6	3.6	139.6	45.8	185.5
1967	86.7	51.2	6.7	37.3	19.7	2.2	144.7	59.2	203.9
1968	89.3	54.8	8.3	44.0	21.0	2.8	152.4	92.8	245.3
1969	85.5	51.4	6.4	43.9	19.4	3.1	143.3	66.4	209.8
1970	83.3	48.5	6.2	34.8	4.8	2.8	138.1	42.4	180.4
1972	63.5	64.3	5.3	34.8	15.0	3.4	133.2	53.2	186.4
1973	77.3	48.8	4.5	36.5	18.9	2.4	130.5	57.5	188.1
1974	87.1	45.4	5.7	38.3	19.7	3.3	137.8	61.4	199.2
1976	115.3	47.2	8.5	47.1	17.7	3.8	171.0	68.6	239.7
1977	109.5	38.6	5.6	44.4	16.4	2.7	148.1	63.6	211.7

Source: Government of Kerala, Department of Animal Husbandry, ***Bulletin of Animal Husbandry Statistics***, Trivandum.

TABLE 2: ESTIMATED NUMBER OF BOVINE DEATHS IN KERALA

(Lakhs)

Year	Cattle	Buffalo	Total
1961	7.28	1.43	8.71
1966	8.32	1.58	9.90
1972	10.88	2.36	13.24
1977	11.60	2.50	14.10

patterns of slaughter, particularly because of the legal ban on the slaughter of certain types of bovines.

Because of such limitations of the data, we have attempted to prepare alternative estimates of bovine mortality using data from Livestock Censuses and on the population of bovines imported from other states into Kerala (see Appendix). The estimated number of deaths of bovines is given in Table 2 The estimated number of deaths of bovines has two components: death due to (a) slaughter and (b) natural reasons like diseases. Currently no detailed information is available on the relative importance of these two processes on the rate of bovinestock adjustment. According to a survey conducted in the mid-sixties, about 15 per cent of bovine deaths were due to nautral reasons and the rest due to slaughter.[7] It is also reported that over 80 per cent of calf mortality is due to diseases. Our own investigations into the causes of bovine mortality in a couple of villages also lend support to the findings of the earlier survey.[8] Therefore, by excluding calf deaths from total bovine deaths, an approximate idea of the size of the bovine herd slaughtered might hopefully be obtained.

The estimated number of bovine deaths in early sixties (1961-62) was 8.7 lakhs. Out of this nearly 80 per cent was cattle and the rest buffaloes. If we exclude the estimated number of calf deaths from the total deaths of bovines, the number of animals slaughtered comes to about 8 lakhs. The estimated number of deaths of bovines in the mid-seventies was about 14 lakhs. Out of this, nearly 1.5 lakh deaths were of calves and the rest may be taken to be the number of bovines slaughtered. Thus, within a decade, the total number of deaths of bovines in the state by slaughter may have increased by 65 per cent. This finding is consistent with the trend observed in the number of bovines slaughtered in the state as reported by the slaughter house statistics.

The reliability of the above estimates may be verified by comparing them with those of the supply of hides and skins in Kerala. Usually one piece of hide or skin is obtained from one dead animal and hence the total number of hide and skins supplied in the state will be roughly equal to total number of deaths of animals. Estimates of the supply of raw hide and skin in the state are available from a survey conducted in the mid-sixties by the Central Leather Research Institute.[9] According to this survey, 6.5 lakh cattle hides and 1 8 lakh buffalo hides were supplied during the year in the state.[10] These figures indicate deaths of 8.3 lakhs bovines in Kerala. If we exclude calf mortality from our estimate of 9.9 lakh deaths in the same year, the resulting figure tallies broadly with the survey estimates.

Estimates of the outturn of meat in the state is given in Table 3. The esimates are arrived at by applying the yield rate of meat per standard cattle and buffalo suggested by the CSO for purposes of estimating meat output in the state.[11] The estimated outturn of meat in the early sixties was about 82,500 tonnes. Out of this nearly 60 per cent was obtained from cattle, another 21 per cent from buffaloes and the rest from other source like poultry, goat and pig. The total meat output increased to 1,30,000 tonnes by mid-seventies, marking an increase of 55 per cent in a period of one and a half decades. The share of cattle meat and buffalo meat in the total meat output has been increasing at a more rapid rate, the share of buffalo meat output increasing faster rate than cattle meat.[12]

CAUSE OF SLAUGHTER

We have discussed elsewhere the major causes for the rise in the scale of bovine slaughter.[13] They include the following:

Fish is the major source of animal protein in Kerala. As a consequence of the rising demand and falling per capita availability, fish prices have been continuously rising.[14] This factor may have introduced a shift in consumption pattern of animal protein from fishery sources to those based on land namely meat, milk and egg. In the land-based animal protein basket, the major source of supply is bovines, in the form of milk and meat Other types of livestock supplies form only a very small fraction of the total supply of animal protein and their prices also have been rising at a rapid rate. Since protein from bovine source has become cheaper than that from fish and other livestock sources, the con-

Table 3: Estimated Meat Output in Kerala

(000 tonnes)

Year	Cattle	Buffalo	Other Meat	Total
1961	52.2	17.37	5.90	82.5
1966	57.1	18.00	7.71	90.5
1972	77.7	27.40	8.77	12.5
1977	88.7	31.50	9.20	129.4

Note: Output of cattle meat and buffalo meat are obtained by applying the standard yield rates of meat per cattle and buffalo used by the Central Statistical Organisation to the estimated number of deaths in these species converted into adult equivalent units. The calf deaths are not included in the meat output estimate. The youngstock is converted into adult equivalent units by taking one youngstock to be equal to half adult stock. The following are the CSO rates of meat output: cattle 102 kg and buffalo 156 kg. The output of other meats are the official estimates of these items.

Table 4: Percentage Distribution of Adult Male and Female Cattle in Different Age-Groups

Age in Years Completed	Percentage Distribution of Female Cattle		Percentage Distribution of Male Cattle	
	1966	1976	1966	1976
2	—	1.04	—	—
3	—	12.7	—	—
4	2.0	15.6	8.0	12.0
5	9.0	17.6	16.5	22.5
6	19.8	15.6	19.8	26.8
7	23.8	12.5	16.2	18.8
8	16.3	11.2	14.6	7.8
9	9.3	4.6	13.7	4.6
10	7.5	4.3	4.3	7.7
11	6.3	0.9	0.8	2.6
12 and above	6.0	4.56	6.10	3.20

Source Government of India, Department of Statistics, National Sample Survey (a) Report No 111, Post Census Sample Check on Livestock Numbers, (b) Report No 281/3, 30th round (1975-76) Report on Livestock Number and Products.. The data is obtained from the State Sample Tabulation.

sumption pattern of animal protein may have shifted more to bovine sources. These factors, combined with the growth in population and income, have led to a high rate of growth in the demand for beef and milk.

The growth in the demand for milk has raised milk prices much more rapidly than input prices, resulting in better feeding and management of milch animals. Efforts made during the last two decades to raise the genetic potential of milch animals through cross-breeding programmes have resulted to the addition of large numbers of new herds of cross-bred animals in the milch animal population.[15] Thus the better feeding and breeding facilities have resulted in a rise in the productivity of milch animals reckoned in terms of calves and milk.[16] The natural rate of increase in the milch animal population has been rising; the total milk production has also been on the increase because of these developments. At the same time, since the supply of feed in the state has been limited, intensive efforts for augmenting milk production resulted in intensification of pressure on available feed resources for milk production and for rearing draft animals. In this process, the choice is seen to have fallen on rearing more milch animals by reducing the size of the draft animal stock, by increasing the rate of utilisation of draft animals as well as substituting human labour for draft power in land preparation.[17] The rise in the beef price as a result of the growth in demand has also contributed to the reduction in the draft animal stock. The rise in the beef price led to increased in the price of slaughter animals and this in turn stimulated the culling of animals (including surplus draft animal stock) at a rapid rate, thereby raising the overall rate of bovine slaughter.

Incidence of Slaughter

What are the effects of the rise in the incidence of slaughter on the size and composition of bovine stock? To understand this it is essential to examine the pattern of survival (or mortality) of bovines by age and its trend over time.[18] The method of estimation of the survival rates is given in the appendix.

The overall bovine mortality rate in Kerala increased from about 22 per cent in the early sixties to 30 per cent by mid-seventies. The corresponding increases in cattle and buffalo mortality rates were from 21 per cent to 28.7 per cent and from 23 per cent to 34.5 per cent respectively, (See Table A of Appendix). These estimates are broadly consistent with the mortality rate of bovines reported in an earlier study.[19] According to this study the bovine mortality rates in Kerala were 21 per cent for cattle and 33 per cent for buffaloes. These rates are much higher than the corresponding figures for the country as a whole, about 10 per cent for cattle and 17 per cent for buffaloes

Estimates of calf mortality rates are given in Table B in the appendix. The estimated number of cattle calves increased from 5.7 lakhs in the early sixties to 8 lakhs by mid-seventies. The estimated number of calf deaths increased from 0.4 lakh to 0.8 lakh during this period, due mainly to the increase in the number of deaths of male calves. Almost all the female calves born have survived the (0-1) year (calf age group) and joined the young stock in (1-3) year age group. But in the case of male calves a small proportion (about 16 per cent in early sixties) did not survive the calf age group It is also to be noted that in the last one and a half decades, especially in the last quinquennium, the survival rate of male calves has improved significantly In the case of buffaloes, the number of births has increased from 0.5 lakh in the early sixties to nearly 7 lakhs by mid-seventies. About 60 per cent of the calves born are seen to survive to the higher age groups. Between males and females, no significant variations in the pattern of survival are observed

In order to estimate the survival rate of young stock cattle and buffaloes we have used their respective population size in the (0-1) and (1-3) age groups. The estimated number of death in youngstock and their survival rates are given in Table C in the Appendix. In the early sixties about 1.9 lakh male youngstock and 1 5 lakh female youngstock cattle died in the state. The number of deaths in male youngstock has steadily increased over the years and by mid-seventies it was about 2.4 lakhs. The number of deaths in female youngstock increased from 1.5 lakh in early sixties to 1 8 lakh by mid-seventies. Estimates of

TABLE 5 : TREND IN BOVINE POPULATION (1951-1977)

(Numbers in Lakhs)

	1951	1956	1961	1966	1972	1977	Percentage Change 1956/51	1961/56	1966/61	1972/66	1977/72
Adult male											
Cattle	6.0	6.0	5.7	5.2	3.9	3.7	0	−5.0	−8.7	−33.3	−5.10
Buffalo	2.5	2.6	2.8	2.5	2.2	2.2	+4.0	−7.6	−10.7	−12.0	0
Total	8.5	8.6	8.5	7.7	6.1	5.9	1.1	−1.1	−9.4	−14.1	−3.2
Adult female											
Cattle	8.3	9.9	11.3	12.1	13.0	13.7	19.28	+14.1	7.0	7.4	5.3
Buffalo	1.4	1.4	1.4	1.4	1.6	1.6	0	—	—	14.0	0
Total	9.7	11.3	12.7	13.5	14.6	15.3	17.58	12.3	6.3	8.1	4.7
Yongstock											
Cattle	7.7	9.1	9.8	11.2	11.6	12.6	26.3	7.6	14.2	12.5	8.6
Buffalo	0.50	0.9	0.7	0.8	1.0	0.8	80.0	−20.0	10.0	20.0	−20.0
Total	7.70	10.0	10.5	12.0	12.6	13.4	29.60	5.0	14.2	5.0	6.2
Total bovine											
Cattle	21.50	25.1	26.8	28.5	28.5	16.7	16.7	6.7	6.3	0	5.4
Buffalo	4.4	4.8	4.8	4.7	4.7	4.5	9.0	0	−2.0	0	−3.5
Total	25.9	29.9	31.6	33.2	33.3	34.0	15.4	+5.6	+5.3	0	4 80

Source : Livestock Censuses

TABLE 6: TREND IN SEX RATIO OF CATTLE AND BUFFALO POPULATION IN KERALA, 1951-77

Cattle Sex Ratio	1951	1956	1961	1966	1972	1977
0-1	NA	52	45	69	77	86
1-3	NA	56	51	41	33	23
3+	72	52	48	42	30	27
Buffalo Sex ratio						
0-1	NA	98	95	83	79	74
1-3	NA	147	142	123	67	93
3+	178	238	226	188	163	137

Note : Sex ratio is defined as the number of males per 100 females.
Source : Livestock Censuses.

the survival rates of male youngstock showed a continuous decline over the years. But in the case of females the survival rate has increased significantly. For buffaloes the estimated number of death in youngstock in early sixties was about 0.20 lakh and it marginally increased to 0.3 lakh by mid-seventies. The survival rates of male and female youngstock do not show any significant change over the years.

Since the mortality rates of adult cattle and buffaloes vary significantly with rise in age, it is not possible to use the census data for estimating the morality rate of adult stock. The only possible method of getting some idea of the change in mortality rate of the adult stock is to compare the average life span of adult animals over the years. This can be computed from the single-year age-distribution of cattle and buffalo population for the mid-sixties and mid-seventies from two rounds of the National Sample Survey.[10] The single-year age-distribution data for adult cattle in the mid-sixties show a heavy concentration in the 5 to 11 age group. But by mid-seventies, the concentration of animals in the different age groups is seen to have shifted significantly to the lower age groups, the range being 5 to 8 years. The average life span of adult females declined from 8.5 years to 6.3 years by mid-seventies; in other words there was a downward shift of about 35 per cent in the life span of adult female indicating an increase in the rate of their culling. In the case of adult males the concentration of animals was mainly in the age group 5 to 11 with an average life span of 9.8 years during mid-sixties and 8.9 years by mid-seventies.

How does the trend in the pattern of survival rates affect the growth rate of cattle population? In the case of females, the increase in survival rates of youngstock and reduction in the average life span of adult animals would result in a positive rate of growth in adult category if the youngstock surviving is sufficient to meet both the replacement and the additional demands for the adult females. An analysis of the trend in the female young and adult-stock cattle in the last two decades showed significant increase in their population. The survival rate of young-stock males has been, on the other hand, declining and the average life span of adult males has fallen, indicating a negative rate of growth in their population. This is consistent with the observed trends in male young and adult stock cattle population (see Table 5).

More insight into the effect of the survival rates of male and female population on their size and composition can be obtained by examining the trend in the sex ratios in different age groups. Analysis of the trend in the sex ratio of cattle and buffalo populations in the last two decades showed the following: (a) the sex ratio of cattle in the age group (0-1) declined slightly in the fifties, but it has been on the increase from the sixties; (b) the sex ratio of youngstock and adultstock cattle has been declining throughout the last two decades. In the case of buffaloes the sex ratio has been declining over all the age groups.

What do the trend in survival rate as well as the change in size and sex ratio of cattle population indicate? The rise in survival rate of youngstock females, the reduction in the average life span of the adultstock and the increase in the size of the population clearly show that the incidence of slaughter has not affected the growth of the population. In fact, it only shows the culling of the adult female at a slightly lower age than before and replacing the off-take from the adult female stock by an increase in the

survival rate of youngstock female. The incidence of slaughter on the adult female is seen to be felt at the age beyond which the productivity of animals begins to fall.[21] The foregoing discussion shows that the existence of an adjustment mechanism of selective slaughter has really helped to weed out the low-productive and unproductive females and to fill their place by healthy and more productive stock. This process has given a wider choice for selecting the youngstock best suited to reach adulthood and resulted in maximisation of both meat and milk production. In the case of male cattle, the incidence of slaughter has resulted in reduction in not only the average life span of adultstock but also the survival rate of youngstock as well as the total adult stock population. However, the rise in the number of male animals slaughtered, has resulted in better feeding and management of the male calves and in their survival rates to the higher age group (1 to 3 years). But once they reach the youngstock age group they are culled for meat. Thus the existence of slaughter of male animals has resulted in reduction of wastage of young male calves due to malnutrition and diseases and has contributed to the rise in meat output. It is also to be mentioned that the trend in the sex ratio of cattle also indicates systematic incidence of slaughter of males in the higher age groups.

Ban on Slaughter

What will happen if cattle slaughter is banned in the state? In order to be able to offer an answer, we have to examine the likely impact of such a ban on the (a) size and quality of the cattle stock, (b) livestock economy of other states, and (c) different segments of the population in the state.

A ban on cow slaughter will result obviously in a rise in the size of the young and adult stock. This is mainly because, in the absence of a mechanism for the elimination of unproductive animals, they will be weeded out only by natural death. Since the state is already very poor in the production of livestock feeds, a rise in the size of the stock will result in a decline in the productivity of animals as a result of deterioration in the level of feeding. Besides this, the survival of unproductive female cows and under-fed youngstock will result in the multiplication of the number of unproductive animals in the state. In other words, this implies that all the attempts made so far for improving the genetic potential of animals through upgrading and cross-breeding and the favourable impact they have had on the livestock economy of the state will be negated. What remains at the end will be large hordes of ill-fed, unhealthy and unproductive bovine population.

As we have discussed elsewhere, Kerala has an open livestock economy with larg-scale migration of bovines into the state from neighbouring Tamil Nadu.[22] Available evidence on the migration of bovines into Kerala has showed rapid rise in the rate of migration in the last one decade. In 1976-77 about 6 lakhs bovines were imported from Tamil Nadu; out of this 22 per cent was draft animals, nearly 25 per cent milch animals and the rest slaughter animals.[23] About 60 per cent of the bovines imported were cattle and the rest buffaloes. Studies on the movement of imported animals in the state have shown that about half these animal herds moved to the farm and rest to the slaughter houses. The flow of animals a decade ago was only about 3 lakhs and the near-doubling of the import of animals is obviously due to growth in demand for slaughter animals and for replacement of draft and milch animals, especially buffaloes. So far there is no evidence to suggest that this inflow had adversely affected the livestock sector of Tamil Nadu. On the other hand, it might have only helped Tamil Nadu in disposing of its surplus animal stock, thereby reducing the pressure of animals on land. Besides all this, the hides and skins from the slaughtered animals are exported to Tamil Nadu for catering to its demand for leather and leather-based industries. Thus Tamil Nadu exports its surplus animals to Kerala and Kerala supplies raw hides and skins to Tamil Nadu and in this process both the states benefit. A ban on cow slaughter in Kerala or a ban on the export of animals from Tamil Nadu will adversely affect the livestock economy of both the states, besides upsetting the existence of a wide range of industries in Tamil Nadu.

Again a ban on cow slaughter will adversely affect the relatively poor segments of the population more than the rich.[24] Given the prevailing pattern of ownership and distribution of milch animals in Kerala, it is the poor sections of the rural households operating farms below 1 acre in size which are the core of the milk producing sector. They own about 80 per cent of the milch animals and contribute to more than 75 per cent of the marketed surplus of milk. Hence the efforts to intensify milk production activities in the state will help the poor more than the rich. But the retardation of these efforts by introducing a ban on cow slaughter will result in defeating the ongoing cattle development projects and hence will affect the poor.

Table A: Estimated Death Rate of Cattle in Kerala

Year	Cattle	Buffalo	Total Bovine
1961	21.0	23.0	21.5
1966	23.0	25.4	22.9
1972	27.6	33.7	28.4
1977	28.7	34.5	30.4

Note : Bovine mortality rates are given in percentage of animals died to total bovine population.

Traditionally beef is consumed by Christians, Muslims, backward castes among Hindus and the scheduled caste and scheduled tribe population in the state. Also in this state there have been no religious or cultural taboos attached to the slaughter of cows. With the rise in the cost of protein from fish and other sources and the relative cheapness of beef, caste attachments to consumption of beef have disappeared. Today beef is consumed by a good proportion of the non-vegetarian population, irrespective of caste or community, who cannot afford more costly varieties of fish or mutton or poultry meat. Thus the ban on cow slaughter will result in denying the small amounts of animal protein consumed at present by the relatively weaker sections of the non-vegetarian population in the state.

Conclusion

Cattle slaughter in Kerala has resulted in the raising of both meat and milk output. A ban on slaughter of cattle, especially cows, will adversely affect the ongoing livestock development projects and the weaker sections of the population. Why is it then that the saint of Pounar and his followers are agitating for a total legal ban on cow slaughter in Kerala? It is worth remembering in this context that there had been an agitation, decades ago, for a ban on cow slaughter in Travancore based on economic reasoning.[25] In the early part of this century, there had been considerable rise in milk prices in Travancore caused by the rapid growth in demand for milk following rapid rates of growth in human population. In those days, the supply of milk did not respond to demand. Some people attributed this failure to the indiscriminate slaughter of milch animals and hence pleaded for a ban on

TABLE B: ESTIMATED NUMBER OF CALVES BORN (LAKH) AND CALF MORTALITY RATES FOR CATTLE AND BUFFALOES IN KERALA

Year	Estimated Number of Calves Born (lakhs)		Calf Mortality Rates (per cent)	
	Cattle	Buffalo	Cattle	Buffalo
1961	5.68	0.53	8.0	22.0
1966	6.62	0.56	15.1	19.0
1972	7.78	0.75	16.5	35.0
1977	8.12	0.82	10.1	32.2

Note. Calf mortality rate is expressed as percentage of calves died to total number of calves born.

TABLE C: TREND IN SURVIVAL RATE OF YOUNGSTOCK

Year	Number of Deaths of Youngstock (lakhs)				Survival Rate			
	Cattle		Buffalo		Cattle		Buffalo	
	Male	Female	Male	Female	Male	Female	Male	Female
1961	1.9	1.5	0.13	0.07	48	44	55.0	69.0
1966	1.8	1.7	0.07	0.08	47	43	78.0	70.0
1972	1.9	2.0	0.12	0.14	41	54	64.0	65.0
1977	2.4	1.8	0.14	0.18	32	58	66.0	67.0

cow slaughter. But strong counter-arguments also came up. The issue was debated intensively in the press, the platform as well as in the Travancore Legislature Council. A resolution on 'prohibition of cow slaughter' was moved in the assembly in November 1923, but was withdrawn in the face of fierce opposition from the majority of the members.[26] The objective and informed manner in which the issue was discussed is evident from the following extract from the speech of one of the members of the Assembly:[27]

> People who know the habits and customs of the country are very well aware that milch cows are not at all slaughtered. It is only the barren cows that are being slaughtered and cows slaughtered form only a microscopic minority of the total number of cows in existence. The slaughter of these cows cannot at all account for the scarcity of milk. It is more due to the unscientific way of rearing cows and the indifferent feeding arrangements in vougue.
>
> Again it is economically unsound to kill a milch cow. A milch cow may fetch anything between Rs 20 and Rs 150; a butcher will not at all find it worthwhile to buy and slaughter a milch cow on such a high price. That being the case, it is not at all reasonable for us to argue that milch cows are being slaughtered in any large number. The slaughter of cows, I am positive, is not of the reasons for the scarcity of milk in the country... I have often thought that it would be more merciful to slaughter some of the old cows which have long passed their period of service. Owing to sentimental consideration I find that people are not at all prepared to sell them to butchers. In such cases persons like Hooge Worf have their pension for maintaining such cows. There are other people who have not even a pension to fall back upon.

Even today the above arguments are valid. It is a pity that many of the present-day politicians and Acharyas are not prepared to look into the plain facts relating to the working of our agrarian sector; instead they are busy setting trends of anti-development in the name of development.

Appendix

Estimates of mortality rates of cattle and buffaloes are arrived at by using the following method.

(1) *Overall rates of bovine mortality*

If bopo is the bovine population reported by the Livestock Census in the year bo and if C1 and I are the number of animals added to the population bopo within the year bo+1 by births and imports, respectively, then the expected population (E1) at the end of the year bo + 1 will be (bo po +1+11), if there are no deaths of animals in the year bo+1. Let A1 be the actual population at the end of the year bo+1, as obtained by the interpolation of the Census data, then the estimated number of deaths of animals in the state will be given by (E1 — A1). The approximate number of births of cows and she-buffaloes each year will be given by the number of male or female calves or the number of cows/she-buffaloes in milk whichever is the highest. Data pertaining to the import of animals have been obtained from the Renderpest Eradication Unit of the Animal Husbandary Department. The estimated death rates of cattle and buffaloes are given in Table A.

(2) *Calf mortality*

Calf mortality rates are estimated by subtracting the number of calves surviving at the end of a year from the number of calves born. The results are given in Table B.

(3) *Youngstock mortality*

The youngstock mortality rates are obtained by using the following formula: $R = r\ (1 + g)$ where R is the survival rate of youngstock cattle and g is the growth rate of the calf population. The formula is obtained by using the following assumptions: (a) the annual number of births remain unchanged in consecutive years, (b) the annual survival rate for the youngstock remains the same in consecutive years, and (c) there is migration of cattle into Kerala from other states, but no cattle movement takes place from the state to outside the state. Under these assumptions, if x is the size of the (0-1) population and y the size of the (1-3) population and 1/b is the (1-3) population migrated to the state, then $x_1r + x_2r^2 = y\text{-}y$, where r is the survival rate of (1-3) population. But the number of births in consecutive years may or may not be equal and hence the value of r will be different for different years. The new survival rate R for different years will be given by $R = r(1 + g)$.

Notes

1 This has been publicly stated several times by the Chief Ministers of Kerala and West Bengal in their press conferences. Besides, in a written reply given in the State Legislature, the Chief Minister of Kerala expressed clearly the inability of his government to impose a ban on cow slaughter in the state. The Communist Party of India (Marxist) which is the major partner in the West Bengal Ministry, in its last Party Plenum passed a resolution opposing legal ban on cow slaughter in these states.

2 Recently a team of the Gandhi Peace Foundation headed by R R Divakar toured different parts of the state trying to mobilise public opinion. But it received a very cold reception in all the places.

It also submitted a memorandum to the Chief Minister.

3 In the last few months, almost every day innumerable number of smal write ups (especially in the letters to editor columns) articles, etc, have appeared in most of the local newspapers reflecting public sentiment. Some newspapers even wrote editorials; others published special issues debating the problem, the general opinion expressed in these writings being that the agitation of the Acharya for a legal ban on cow slaughter is ridiculous. A bibliography of these writings is available with the author of this article.

4 There are different theories on the origin and evolution of the sacred cow concept in India. There are also two competing schools of thought on the influence that the Hindu religion has had on the maintenance of a large stock of cattle population in the country. These issues are being debated intensively both in India and abroad. It is a pity that in a country where the state is incapable of protecting millions of poor people and cannot provide them minimum subsistence, the protection of the cow has become a constitutional burden on the people and the state. For an excellent summary of the issues relating to the origin of the sacred cow, see Fedric J Simoons, "Questions in the Sacred Cow Controversy", *Current Anthropology*, Vol 20, No 3, September 1978.

5 Data pertaining to the number of animals slaughtered in the licensed slaughter houses in the state are collected by the statistical unit of the Animal Husbandry Department. The monthly data on slaughter are published regularly in the *Bulletin of Animal Husbandry Statistics*.

6 According to the existing laws on slaughter of animals in Kerala, the butchering of productive animals and young calves is legally prohibited. The definition of productive animal includes bullocks suitable for traction, cows in milk and dry cows which are likely to become reproductive with proper breeding. The slaughter of both male and female calves is prohibited. But the fact remains that all slaughter of old bullocks and cows and young male stock do not enter the official slaughter statistics.

7 See for details, Institute of Agricultural Research Statisitics (ICAR) "Estimation of Milk Production and Other Bovine and Goat Practices in Kerala", New Delhi (undated).

8 The findings of this survey are reported in the author's PhD dissertation "Livestock Holdings in Kerala — An Analysis of Factors Governing Demand and Supply" being submitted to the University of Kerala.

9 See, Central Leather Research Institute, Report of a Survey on Leather and Leather-based Industries in Kerala, Madras, 1976.

10 *Ibid*, p 12.

11 The average yield of meat from a standard animal is, as per the CSO estimate, about 102 kg for cattle and 156 kg for buffalo. Since the standard animal is expressed in adult units, we converted the number of deaths in youngstock into their adult stock equivalent units by assuming one youngstock to be equal to half the adultstock. The outturn of meat from other livestock sources is taken from the official estimates on the outturn of meat in the state.

12 The official estimates of bovine meat output suffers from the following limitations: (a) they assume constant mortality rates for animals over time which is not true, and (b) the imported component of the animal stock is seen to be usually underestimated for the purpose of estimating meat output. These limitations have resulted in a considerable degree of underestimation of the quantum of meat output.

13 See Nair, N K, "Milk Production in Kerala: An Analysis of Past Trend and Future Prospects", *Economic and Political Weekly*, Review of Agriculture, March 1979.

14 For a detailed discussion of the growth in demand for and supply of fish in Kerala, see John Kurien, "Towards An Understanding of the Fish Economy of Kerala State: A Preliminary Study of the Current Situation and Trends in Organisation, Technology, Production and Distribution of Incomes", Working Paper No 62, Centre for Development Studies, Trivandrum 1978.

15 According to the latest Livestock Census (1977) out of the 14 lakh milch cows in Kerala about 60 per cent belonged to the improved breeds and the rest to the desi breeds. The cross-bred population, as per our estimates, comes to about 1.5 lakh. The improvement in genetic potential of cows in Kerala has been a major factor for the significant rise in milk production.

16 The productivity of cows in terms of milk has increased by 80 per cent within the past one and a half decades. See for details, Nair, N K, "Milk Production in Kerala", *op cit*.

17 See for details, Nair, N K, "Size and Utilisation of Draft Animals in Kerala", *Indian Journal of Agricultural Economics*, No 3, October-December 1977.

18 The only official source of statistics on bovine mortality in Kerala is the IARS survey mentioned earlier. This survey, conducted in the mid-sixties, gives a mortality rate of 5 per cent for cattle and 7 per cent for buffaloes. These data obtained from the sample survey have, however, serious limitations. In Kerala the livestock trade is a well organised business involving large number of markets scattered over all the regions in the state. A good proportion of animals brought to these markets are sent to the slaughter houses located in urban and semi-urban areas and the sample survey technique may not capture the mortality rate of animals due to slaughter taking place in such slaughter houses. Again, only rarely are animals butchered in individual households. The slaughter and distribution of meat in villages is usually done by professional butchers and the animals slaughtered by them would not enter into the figures reported in the sample survey.

19 See "Export Potential of India's Leather and Leather Goods Industries", Central Leather Research Institute and Gokhale Institute of Economics and Politics, 1964.

20 The single-year age-distribution data for the mid-sixties are obtained from the post-Census sample survey on Livestock Numbers. The corresponding data for the mid-seventies are taken from the 30th round of the National Sample Survey. I am grateful to the State Bureau of Economics and Statistics for supplying these unpublished data.

21 Analysis of the relation between age and yield rates of milch animals gives a curvilinear relation between the two variables. There is also significant concentration of milch animals in the first half of the curve which indicates systematic culling of the stock once their productivity begins to decline.

22 This aspect of the livestock economy of Kerala is discussed by the author in detail in an unpublished paper, "Livestock Trade in Kerala: An Analysis with Special Reference to Inter-State Cattle Trade", Centre for Development Studies, Trivandrum.

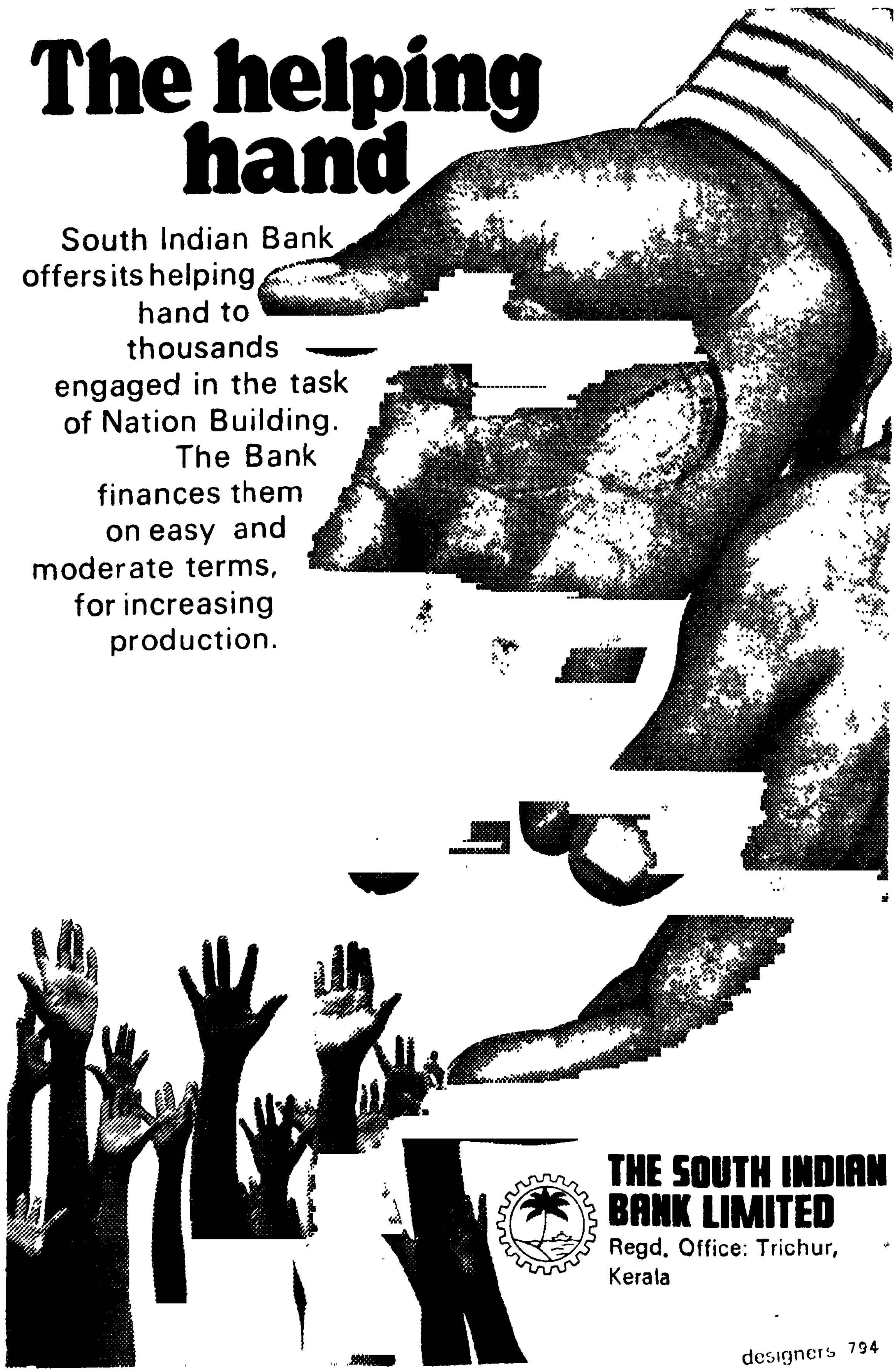
23 Monthly data on the import of animals are collected by the Animal Husbandry Department and published regularly in the *Bulletin of Animal Husbandry Statistics*.

24 See for details, Nair, N K, "Milk Production in Kerala", *op cit*.

25 See *Travancore Legislative Council Proceedings*, Vol IV, pp 154ff.

26 The resolution was moved by A Govind Menon. The extract quoted in this paper is from the speech by Mammen Mapilla in the Council opposing the motion.

27 Travancore Legislative Council Proceedings, *op cit*.


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ECONOMIC AND POLITICAL WEEKLY

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COW SLAUGHTER: THE ISSUES

LAND REFORMS IN KARNATAKA

KAMPUCHEA: CORRECTING THE RECORD

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Down the Drain

NEW DELHI

IN his statement in the Lok Sabha on Thursday on the import policy for 1979-80, the Minister of Commerce, Mohan Dharia, claimed that it had been the government's endeavour to "impart greater stability to our foreign trade policy" and that, with that objective in view, the essential structure of import policy had been retained intact for the current year. In fact, this stability has been made possible not because of the government's foreign trade policies but actually despite them.

For the second year in succession the country's export performance was poor in 1978-79. Exports had gone up by only 4.5 per cent in 1977-78 and in the first 10 months of 1978-79 the rise was even smaller, only 1.9 per cent over the corresponding period of the previous year. Imports, on the other hand, rose steeply by 19.6 per cent in 1977-78 and further by as much as 23.8 per cent in the first 10 months of 1978-79. As a result, there was a trade deficit of Rs 692 crores in 1977-78, which widened to just over Rs 1,000 crores in the first 10 months of 1978-79. And the Minister of State for Commerce has just informed Parliament that the government expects an even larger trade gap this year.

Normally, trade deficits of this order would have compelled the government to forget its commitment to stable foreign trade policies and willy-nilly take steps to restrain the growth of imports. If, for the present, the government has been able to escape this predicament and continue its liberal import policies for another year, it is only because of the fruits of the labour of the many thousands of Indian workers abroad, most of them engaged in arduous work in conditions of very considerable regimentation and privation in the countries of West Asia. The remittances from them have ensured that despite the large trade deficits, the country's foreign exchange reserves (exclusive of transactions with the IMF) went up by Rs 1,885 crores in 1977-78 and further by Rs 794 crores in the first 10 months of 1978-79.

Apart from stability, the other virtues claimed for the import policy are its contributions to expansion of exports and to the growth of investment and production. Exporters continue to receive most favoured treatment. The scheme for grant of advance licences with duty exemption for import of raw materials and components for export production has been further liberalised. And with the import requirements of production for export so readily available, the so-called import replenishment licences, which are now freely transferable, have become a straightforward arrangement for permitting import of items on the restricted and banned lists to be disposed of at a premium in the domestic market as a further source of profit for exporters. Despite these measures, and the cash subsidy payments which have more than quadrupled from Rs 88 crores in 1974-75 to Rs 381 crores in 1978-79, the actual trend of exports in the last two years are not the best advertisement of the success of the government's export promotion efforts.

The government has sought to explain the relative stagnation of exports in terms of special factors like the recessionary conditions in the world economy, fall in international prices of important Indian export items, power shortage, transport bottlenecks, disturbed industrial relations, etc. None of these explanations is particularly convincing. For instance, the credibility of the world recession argument is called into question by the fact that in the first six months of 1978-79, while exports to America and West Europe were maintained at the previous year's level, it was in exports to the East European countries, which cannot be said to have been affected by the recession in the capitalist industrialised countries, that there was a sharp fall of Rs 169 crores (34 per cent). In fact, the argument can be reversed and it can be maintained that it is the seemingly sharp rise in exports between 1972-73 and 1976-77 which had been helped by exogenous circumstances and that if allowance is made for developments such as the fortuitous rise in sugar exports, the increase in the rupee value of exports due to depreciation of the rupee and the rise in the value of the Indian exports because of the world-wide inflation, the annual rates of growth of exports during this period turn out to have been within the modest range of 3 per cent and 10 per cent.

The contribution of liberal imports to higher domestic production and investment is equally unclear. The broad composition of imports suggests that much of the sharp rise has occurred in maintenance imports to make up for shortfall in domestic production of items like cotton, edible oils, fertilisers, petroleum products, steel, paper, etc. The machinery and transport equipment group did show modest increases of 7 per cent in 1977-78 and 13 per

was accounted for by transport equipment. The Economic Survey, 1978-79, claims that the criticism of the government on the score of "non-utilisation of the country's growing foreign exchange reserves for development" is no longer valid since imports had gone up very sharply in the last two years. While imports have undoubtedly risen, the actual trend of investment in the public and private sectors does not suggest that investment has benefited from the ready availability of imports.

Mizoram

Back to Square One

THE results of the elections for the Mizoram Assembly should be wholly gratifying to Brigadier Sailo, whose party, People's Conference (A), has been returned to power. The results should also be gratifying to the Central government which had gone out of its way to accommodate Brigadier Sailo during the crisis that overtook his government in October-November last by dissolving the Mizoram Assembly even though elements opposed to Brigadier Sailo were in a majority in the Assembly and were prepared to demonstrate their strength on the floor of the House.

The reasons for the Centre's apparent partiality for Brigadier Sailo are not difficult to gauge. In the brief period when Brigadier Sailo was in power, some more progress was made in the continuing task for further splitting and demoralising the insurgent elements among the Mizos and, for a while, it even looked as if the task of finally taking over the political leadership of the insurgency would be achieved under the improbable leadership of Brigadier Sailo himself. The setting up of a rival to the rebel leader Laldenga in the Mizo National Front, the apparent ouster of Laldenga from the post of the president of the MNF, as well as the studied disapproval of attempts by elements within the People's Conference to bring together the warring factions in the MNF — all these can be attributed to Brigadier Sailo's own anxiety to ensure for himself the leadership of not merely the leading parliamentary group in Mizoram but also, even if indirectly, of an important segment of the Mizo insurgent movement.

That attempt, it is needless to add, was foredoomed to failure; even the government of India, with all the resources at its command, has signally failed to contain Laldenga, much less eliminate him from the position of leadership of the Mizo insurgents. Indeed, during the period between the dissolution of the Mizoram Assembly and the elections last week, such efforts were intensified and a most incredibly twisted succession of coups and countercoups were reported in the MNF outfit, each change being interpreted in intelligence handouts dutifully reported as 'news' by the news-agencies, an yet another 'setback' to the leadership of Laldenga, still involuntarily enjoying the Government of India's hospitality in distant Delhi. But at the end of it all it has now transpired that Laldenga after all is very much in command, albeit by proxy, of the leadership of the MNF. The ousting of Laldenga by Biakchhungnunga in July 1978, the latter's own ouster three months later in October, the further convulsions in the MNF top leadership in January this year — all these have not in the least affected the basic reality of the continued relevance of Laldenga in any settlement of the Mizo problem.

The return of Brigadier Sailo to power in Aizawl, and the defeat of most of the 'dissident' People's Conference (B) members in the recent elections might induce the authorities in Aizawl and Delhi to persuade themselves that the present elections have once and for all settled the question of who enjoys the most extensive popular support in Mizoram. But the problem in Mizoram is not merely one of testing through an election conducted under the aegis of the Government of India as to who enjoys the maximum support among the Mizos. It is one thing to win an election; but an entirely different outcome might have been possible had the issue before the people been confined not merely as to who would be in charge of disbursing the large Central subsidies in Mizoram, but had also included larger political questions, like the one concerning Mizo nationhood, and the problem of incorporating the various insurgent elements in a larger political settlement. The kind of crisis that overtook the Sailo government so soon after it assumed office last time might once again overtake the present set-up if Brigadier Sailo continues to believe that he, and only he, can be the most effective intermediary between the insurgents and the Government of India; or if he persists in fresh attempts to encourage factions loyal to him in the insurgent set up.

An interesting feature of the present elections in Mizoram has been the arrival of a more or less authentic Janata presence in the Union territory. In the last elections, the local unit of the Janata party had unsuccessfully fought the elections without any sanction of the Central unit of the party and indeed, against the advice that it [illegible]. In the present [illegible] important Janata leaders from the Centre and from Assam actively campaigned for Janata candidates and the party has been able to win two seats. It is yet to be seen whether this entry of the Janata party into Mizoram politics has been merely the result of 'friendly opposition' to the People's Conference whose leader continues to enjoy excellent relations with the Central leadership of the Janata party, or whether it is yet another manifestation of the curious form of 'internal democracy' that exists in the Janata, or more probably, whether it is an indication that the Central leadership has belatedly woken up to the fact that it would not do for it to identify itself much too closely with the present dominant faction of the People's Conference and is preparing for future alternative arrangements.

Cement

Catching Up with Market

NOBODY, least of all the industry itself, would be naive enough to believe that the recent generous increase in cement prices is going to lead to the long promised adequacy of cement production. That 'remunerative prices' beget increased production is a myth about the market mechanism. Indeed, it is perpetuated by those who know only too well that aggregate profit maximisation is often fostered, under the imperfect conditions endemic in the real world markets, by a certain optimal shortage of supply. And such merchant profits are maximised when industry through trial and error works out what is that necessary shortage.

Only last month it was made out that the government would not announce its decision on the Lav Raj Committee report till June. But in the very first week of this month it has announced increases in the controlled price of cement which have ostensibly made even industry express satisfaction, for the first time in a long while. It is not merely the large increase in price but the reversal of the uniform retention price and return to the erstwhile three-tier system, varying according to the cost structure of the cement units. From Rs 168.82 per tonne, the retention price has been pegged up to Rs 185, Rs 205 and Rs 220 per tonne. Moreover, the basis for calculating the price is to be a 12 per cent return (net of tax) on net worth as against a 14 per cent return on capital employed. It should be recalled that the substantive acceptance of the Lav Raj Committee recommendations is in line with the industry's own earlier ap-

[illegible]

But [illegible] understood [illegible] the enhanced price is still short of the open or 'black' market price which, with current supply more than 10 per cent short of demand, has been unconscionably high. The final smaller consumers will thus continue to pay the ruling black market prices which cannot be significantly reduced since — even granting the myth of high price elasticity of supply — neither expansion nor higher production can be immediately effected.

In any case, new units have been subject to the '12 per cent returns on net worth' formula for calculating prices since September 1977. The much publicised 85 letters of intent and seven licences sanctioned for 15 mn tonnes capacity since then show little sign of being implemented to bridge the gap in supply — leave alone the 88 schemes approved for mini-cement units throughout the country. In fact, it is established practice by now that licences are pre-empted to pre-empt finance and to expand in a measured way so as to maximise profit (i e, not necessarily to increase production to meet demand).

Nor is the government really expecting much of a change by the present price increase — apart from bringing part of the price paid by consumers within its own tax orbit. For 1979-80 demand is projected at 24 mn tonnes, supply at 21 mn tonnes (presuming adequate inputs and wagon availabilities). And imports, at 2 mn tonnes, are planned to cover two-thirds of the projected shortage. In the circumstances, the final consumers of cement may expect little change in the price they have to pay to obtain cement.

Meanwhile, in yet another exercise in efficient physical resource allocation and operations research — of which the overall impact is insignificant given enormous misallocations in the black market beyond the control of government — the Industry Ministry is blaring its decision to allow only 'split-location' cement plants wherein the clinker is centrally produced at points of easy availability of resources and then transported to near the various markets for being calcined into cement. It may sound more professional as a proposal compared to the earlier ones of having only mini cement units and state trading in cement, but whom is the Industry Minister fooling?

Politics

Sparring in Congress (I)

THE focus of political calculations in Congress(I) seems to be shifting gradu[illegible] [illegible] the AICC(I) session in Delhi last month when, much to her discomfiture, Indira Gandhi was completely overshadowed by the Karnataka Chief Minister, whose arrivals and departures at the AICC session seem to have evoked more political speculation than the speeches of Indira Gandhi herself. The expansive dispensing of quite gratuitous certificates of good behaviour to her ("I know her mind. She is not interested bringing her son to the fore of the political arena.") should have scarcely been to the liking of Indira Gandhi. What should have been more infuriating was the lacing of affirmations of loyalty to Indira Gandhi's leadership with straightfaced revelations — though these are no great secret — that in the past few months, he has been constantly courted by many Janata leaders.

Again, on his return to Bangalore, Urs pointedly said that the protests against the constitution of special courts to try Emergency offences would have to be 'non-violent'. "Yes, we have a right to protest. But it must be through public meetings and things of that sort. No violence. If we indulge in violence, we shall be going against our own creed." But these words contrast sharply with the deliberate rioting indulged in on May 1 by the Congress(I) demonstrators headed by Sanjay Gandhi himself whose total disinterest in political activity of any kind was being once again affirmed by his mother only the previous day at a party workers' meeting in Sultanpur.

Clearly, both Indira Gandhi and Devaraj Urs have been indulging in a lot of sparring activity; and the active participation of Sanjay Gandhi in the demonstrations against the Special Courts was meant to serve notice on Devaraj Urs that his plea for confining such protests to "public meetings and things of that sort" was not going to be heeded. But it is unlikely that barring such useless gestures of defiance, that faction of the Congress(I) which seeks to identify the party totally with the personality of Indira Gandhi and her son can do much to actually control Urs, much less dislodge him. The frustration of the anti-Urs faction was evident in the many deals that were sought to be struck before the elections to the various offices of the CPP(I) executive where the anxiety of the pro-Indira Gandhi faction was to see that the candidate identified with Urs did not win and not so much to ensure that the candidate identified with opposition to Urs and loyalty to [illegible] the [illegible] CPP(I) in Lok Sabha was most strenuously avoided, and a compromise agreed upon, only with a view to ensuring that the candidate likely to win, and known to be close to Devaraj Urs, did not have a chance to demonstrate her support in the CPP(I); while the election to the same post in the CPP(I) in Lok Sabha was allowed to be gone through even though the unfortunate candidate who lost badly was known to be a longstanding opponent of Urs and who had indeed tendered the 'friendly' advice to Urs some time ago urging him to give up the chief ministership and seek election to Parliament in order to project the case for Karnataka at the national level more forcefully.

Devaraj Urs is indeed becoming the *great unknown quantity in Congress(I)*; and the measure of the perceived threat that he presents to Indira Gandhi might be gauged by the fact that during and since the AICC(I) session, Indira Gandhi has been relentlessly attacking the concept of a 'third force' emerging from out of the *various factions* of the Congress and the Janata — an idea whose main inspiration has been Devaraj Urs himself, and which is even now being sought to be given a more material shape in his scarcely veiled confabulations with sundry Janata and Congress leaders.

The Fourth Estate

A Mysterious Link

Nireekshak writes:

GOVERNMENT pressure on the Press was the subject of discussion at two forums in New Delhi recently. One of them was the Editors' Guild, a body of working editors, and the other was the All-India Newspaper Editors Conference which is an amorphous organisation encompassing proprietor-editors, managing editors, and non-editors. The general feeling at both the forums was that the government continued to be partisan and determined to control sources of information and influence. The AINEC's discussion threw up a specific controversy — over the link between the Press Trust of India and the Rome-based Inter Press Service, described as a newsagency of the non-aligned group.

The link is on an experimental basis for six months but the manner it was achieved was the real issue. It would appear that the PTI Board of Directors had said "no" to the government's sug-

[illegible] for such a link. But it had to say "yes" later after the government's representative on the board had threatened that the problem of payments to PTI by All India Radio and other government agencies would remain unresolved.

The PTI's initial objection to a link with the Inter Press was based on doubts about its credibility. However from what the PTI General Manager told the seminar by way of a defence of the *volte face* was that the government had made inquiries through its diplomatic representation in Rome and made sure that the credentials of Inter Press were sound.

The vulnerability of all the four Indian wire agencies (at one time forcibly merged into Samachar and after the Emergency restored to their old identities and relaunched with heavy governmental underwriting) to governmental pressures is no secret. The irony of it all is that the newspapers are sellers of these agency services — and buyers as well. The newspaper industry is not prepared to foot the bill of running viable, credible newsagencies and has had no compunction about accepting direct or indirect subsidies from the government.

The government of the Emergency days exploited this vulnerability (by cutting off UNI and PTI services for AIR for a few days, for instance) to secure the merger of the agencies into a single entity so that the government could say that India had a national agency and claim pride of place in the non-aligned newspool. The controversial Mohommed Yunus, one of Indira Gandhi's principal Emergency advisers (who surprisingly got away with everything and even the Shah Commission had nothing to say against him!) masterminded everything because he was sold on the non-aligned newspool idea and had visions of India as its *prima donna*.

The government that succeeded Indira Gandhi's saw no objection to continuing with the non-aligned newspool plan. All that happened was that Mohommed Yunus was replaced by another enthusiast, D R Mankekar. Mohommed Yunus was a member of the Samachar board and could represent India at the newspool parleys. But Mankekar, who is chairman of the non-aligned newsagencies' newspool, has nothing to do with any of the four agencies. He is a direct nominee of the government.

The charge that the PTI was pressured into entering a link with Inter Press cannot be dismissed out of hand. It might well be true given the government's fascination for the newspool idea. But the question is: are the newspapers subscribing to the PTI convinced of the agency's credibility even if it does not distribute the dubious Inter Press service? As India's premier newsagency in the pre-Samachar days, it had for all purposes been a public relations outfit for the government and those who resent the alleged pressure over the Inter Press link had no objection to the heavy subsidies it was getting from the government. And PTI's correspondents abroad angle their stories on the advice of the local Indian embassy. Newsagency correspondents are generally taken on VIP trips abroad as guests of the government. All this, it would seem, makes little difference to the credibility of the agency.

The Inter Press link is no doubt an unwanted financial burden on the PTI but a stepped up subsidy might solve the problem. The basic issue of PTI's own credibility and its dependence on non-newspaper revenues (even in the best of days when the luxury of Samachar had not been thought of) remains. Newspapers spend hardly one per cent of their gross revenue on collection of news (subscription to agencies and their own news services). They have got used to buying agency services cheap, thanks to concealed and open government subsidies. So arguments at forums like the AINEC on government pressures on the Press sound a little hollow. One would have appreciated all the arguments had the AINEC announced plans for, say, a co-operative newsagency the costs of running which would be shared equitably by the subscriber newspapers and the government would not be sold the service. The instance of one of the two United States wire services refusing to sell its service to the government-run Voice of America is there.

Nepal

Challenge to Autocracy

THE series of student demonstrations in Kathmandu and other cities in Nepal which have culminated in the police firing in Hataura and the officially admitted death toll of three have to be seen in the context of the developments over the last three months, specifically since the execution on February 9, 1979, more than two years after they were sentenced to death, of two leaders of the banned Nepali Congress Party. That execution itself had set off, according to a Reuters report, widespread student disturbances leading to classes being suspended in most colleges in the Kathmandu valley.

The discontent apparently continued [illegible] Nepali Congress [illegible], when he returned to Kathmandu on March 6, to be severely heckled and have his supporters physically assaulted at Kathmandu airport, should have added to popular discontent. Soon, Koirala himself, who had spoken in so glowing a fashion about the sweet reasonableness of King Birendra when he had met him in November just before going abroad once again for medical treatment, was ordered to confine his movements to Kathmandu valley.

That was a day before Zulfikar Ali Bhutto was hanged; and that execution in distant Rawalpindi seems to have provided just the needed impetus for the student protests which had already been so forcefully expressed over the execution of Yagya Bahadur Thapa and Bhim Narayan Shreshta to be resumed with renewed vigour. The passions evoked by the hanging of Bhutto were closely related to the passions generated by the earlier executions at home; the Bhutto hanging only provided a convenient cover for the renewal of those passions.

But the intensity of this opposition, as well as its organised expression must have surprised the authorities in Kathmandu. A strike lasting for over a fortnight leading to the closure of the premier university in the country, police lobbing tear-gas shells and making cane charges on students, demonstrators burning cars, attacking the police with stones and sticks, seizing of a gun from a security man, attempting to storm the Nepal Bank building in Hataura, arrests of hundreds of students and extensive injuries to both students and policemen, the reluctant acknowledgement by the authorities that "the involvement of political elements in the student strike cannot be ruled out" — surely, all these are symptoms of scarcely permissible activity in such an ordered Panchayat democracy as that of Nepal.

The demands of the striking students have been mainly for educational reforms, but in a polity like that of Nepal, even a demand for educational reforms becomes a political demand. It is perhaps premature to see in these sporadic outbursts of student unrest the beginnings of a real challenge to autocracy. But the authorities are anyway not treating the outburst lightly, though curiously, the harshest measures seem to have been directed against so loyal an opposition leader as B P Koirala himself who has now been put under house arrest under the public security act, accused, incredibly enough, of organising the violence in Hataura.

DVC and Flood Control

My article on the above subject (November 11, 1978) was in the nature of an answer to the very serious problem posed by Ashok Mitra: whether it was not necessary to do some serious rethinking on the efficacy of the DVC in controlling floods which was the main purpose for which it was proposed, especially so when, after the commissioning of the DVC, instead of the floods being controlled, they have not only increased in severity without any decrease in frequency, but have been causing enormous damage to the most industrial region of West Bengal, the Durgapur steel plant and its neighbourhood.

As I have already emphasised, a "multi-purpose dam" does not mean that one can get every benefit in equal measure, there needs to be an order of priority. R J Prasad (April 14) conveniently overooks this point and refers to the need to store water to a predetermined level to meet the demands of water supply for domestic and industrial use, irrigation, navigation and for generating hydel power, I might here make it clear that power system stability has nothing to do with hydel power; Prasad seems to be ignorant of this simple fact. There are any number of power grids in the world which are innocent of any hydel power Power system stability depends on an adequate provision for peak-lopping that responds with the minimum of delay; the only advantages of hydel power in this regard, despite its obvious disadvantages, are that it is the cheapest under special circumstances and is pollution-free. In fact, if there is a power crisis in the Eastern Region of India today, it is because of the belief, sedulously fostered, that hydro-power is something that one can get for nothing. When in 1918, the First Coalfields Committee recommended pit-head thermal power generation, the proposal was brushed aside on the ground that the entire requirements of the coalfields could be met from the Hundru Falls at Ranchi; and this falls is to this day of only a sight-seers' attraction after the monsoons! Again, in 1950, the Working Party on Coal Industry of the GOI made out that there would be such an abundance of hydro-power available when the dams of the DVC are Commissioned, that there was no need to go in for thermal power on a large scale in this area; and, the total hydro-power capacity of DVC today could be provided by two 210 MW power stations of BHEL make.

The simple fact to which Prasad has no explanation to offer is that the Durgapur barrage designed for the discharge of the maximum flood, the probability of whose occurrance according to the statistical estimates of the DVC planners would be once in a hundred years, was unable to do so twice during an interval of less than twenty years and that, the steel plant site was flooded on both occasions, the second time in a more disastrous measure, because the rate of inflow at the barrage was far greater than the rate at which it was designed to discharge this inflow of water, making it clear that the water was released at a far greater rate than that at which it could be discharged by Durgapur barrage from the Panchet and Maithon dams. This accelerated discharge exceeding the normal, even if it be to maintain the water level in the reservoir of the dam at the "predetermined level", can only be called "panicky"

Let me make my point clear with an illustration from the Boulder dam which is also a multipurpose dam, one of the largest of its kind in the world today. The capacity of Lake Meade impounded by it is 30 million acre-feet. Of this, the top 10 million is alloted to flood-control, the bottom 5 million for the storage of silt, and the middle 15 million is the "active" storage whose flow is regulated to suit irriggation and power-production: and elaborate provision is made to prevent silting. According to Prasad, guide-curves had been worked out years earlier and approved and adopted. How much of the storage provided for silting years ago in the fifties is now available and has this loss in storage due to silting been made good at the expense of the storage allotted for flood-control? By proper design, it is possible for the storage allotted for flood-control to be used effectively by drawing this water, as fast as the flood-waters flow in, into irrigation reservoirs through high-level canals, thus ensuring that Bihar's interests are not affected without having to expose Bengal to flood havoc.

Prasad refers to the 1978 flood as the highest since the inception of the DVC. Is this observation based on the maximum intensity of precipitation in the catchment area as recorded by the IMD, or is it based on the peak flow in the Damodar near Durgapur as measured by stream-gauging? If the former is the case, the DVC planners proceeded on the basis of incorrect or inadequate meteorological data in predicting the maximum flood; if the former is not the case and yet the flood this year is the maximum of all the years since the inception of the DVC, it could only be due to extensive denudation of the catchment area — the result of reckless open-cast mining and no-less-reckless deforestation of that area — leading to destructive run-off, flash floods and heavy silting of the reservoirs impounded by the dams. If that has happened, the time taken to fill the reservoir will be confined to the active storage and what has been allotted to flood control, necessitating release of this water as has been the case this year.

The flood-control problem of the Damodar and its tributaries is the Indian version of that of the Arno and its tributaries in Tuscany whose history has been traced from 800 BC to mid-twentieth century by Richard M Klein. When the Etruscans came to Tuscany about 800-600 BC, the Arno and its tributaries were fresh-water streams that were navigable throughout the year, the hills were completely forested, and abounded in animal life. By 1117 AD, however, when the Ponte Veechio, the only Bridge across the Arno, was swept in a flood, it was clear that the Tuscan hills were denuded, the Arno had become a seasonal stream, and the land was plagued by drought. From then on, it was a progressive denudation of the hills, destructive run-off and increasing intensity of floods that culminated in the most devastating of them all in mid-20th century when the city of Florence was its special victim. The Damodar too, so long as it was allowed to be the holy river of the Santhals, was navigable for the best part of the year, and was the means of transporting coal from Raniganj to Calcutta until the extension of the Railway in the early fifties. I wish someone narrated its history with the same attention to detail as was done by Klein for Arno from 1757 to the man-made disaster of 1978 for the edification of the DVC and the National Committee on Environment.

K V SUBRAMANYAM

Madras
May 1

The Communal Savagery

Romesh Thapar

THERE can be no running away from the savagery that now characterises what we continue to describe as a communal riot or fracas. Long ago, it was Ahmedabad which shocked us. Then, recently, Aligarh. And, now, Jamshedpur. I would suggest that the three collisions need to be studied in co-ordination. Only then will be able to get out of the *cliche* of describing this or that procession and this or that stone-throwing as the cause of the unthinking slaughter and brutality.

It is absurd to try and present these terrible happenings in terms of simplistic and surface causes. Communal riots of a serious nature take place in areas where moods, tensions and atmosphere of an unhealthy kind have built up over many months. Almost inevitably the local toughs and roughs are mixed up in one way or another, particularly, if the current passion for mafia operations is evident and *incidents of harassment* and blackmail are a continuing feature of life. The obsessive involvement of police and politicians in the swaying fortunes of the mafias, on the strange notion that this activity constitutes social management, disrupt the already strained system of law and order.

If the people have no one to turn to, as is so often the case, and the structure of governance loses respect, the whole people tend to find their own limited and opportunist answers to their threatened security. They gang together, take on the insurance offered by the local goondas, and even begin gathering weaponry and explosives for the day when issues must be decided. The communal virus is vicious, particularly for those who live among frightened peoples. The police cannot be insulated. If they are refusing to obey orders and declining to fire on their co-religionists, it is clear that they are badly composed and very much a part of the communal tangle.

Any one who still thinks about tackling problems is confused and demoralised by what the stories of Ahmedabad, Aligarh and Jamshedpur throw up. We do not seem to have progressed very far since the fateful days of 1947. The voices rise in protest. The appropriate noises are made by the politicians. Scapegoats are sought to be found — and usually among the RSS extremists who, individually, rather than organisationally, appear to stoke the fires. But there is never any serious effort to get to the priorities which must be faced before we even begin to draw frameworks for amity among the communities.

Why is it that there is little response to the repeated demand from the enlightened to encourage minority recruitment to the police and the para-military and military formations. Surely, the security of a community begins with the presence in the local police kotwali of a member of that community. This does not require profound study, and yet the rotten *status quo* prevails over a large part of the country where minorities are consciously denied entry into the law and order system. Even a cursory study of the Bengal experience under the chief *ministership of Siddharth Shankar Ray* would be rewarding. Ray, despite his many strange gambits, did give the police force a more representative character — and with significant results.

Secularism can no longer be paraded as an activity which ensures a certain number of jobs for the elite members of the minorities. It is now seen for what it is — a calculated and careful manoeuvre to isolate the natural leaders of the minorities from their crisis-ridden communities. Over the years of freedom, it is possible to plot the pauperisation of these communities despite the high moralist tone of our prime ministers and chief ministers. And let there be no artificial drawing of Left and Right equations because the sad fact has to be admitted that no formation has done any solid work to break the hold of the communalists.

The generally vague and woolly attitude to the communal savagery which we are to witness these days is rooted in the ambivalence of government and its wishy-washy attitudes. No one believes that Delhi will descend with devastating precision on the causes and those who build criminal careers on them. Non-governance, the rise of the politician gangster, the decay of the institutions of secularism, and the dogged refusal of the old men who rule from Delhi to stir in any manner but the familiar, have taken a deadly toll of the fragile structures of modernism. A salvaging operation is still possible, but not at the dizzy heights of political rhetoric and invocation.

Imagine a government which would have the energy to carry out the following tasks in the interests of the security of all communities:

(1) Pass a special law which enables the local administration to lock up habitual criminals and put them to work. All kinds of civilised solutions are possible. The political will is needed.

(2) Open recruitment of minorities to the police, the para-military and military formations throughout the country. The objective should be to make the kotwali more "representative" of India.

(3) Establish mechanisms within the apparatus of the state to insulate the local administration from blatant political interfer*ence. This area has seen sharp* deterioration because of supine senior leadership which permits the pummelling of its young officers.

Here is a beginning. No elaborate commissions are required. These are matters which can be settled within the existing structure of administration. To help matters, it might be necessary to speed up the appointment of Ombudsmen at various levels to restore the morale of the administration. There is a heavy dragging of feet here. Lok Pal, where are you...?

Communal savagery cannot be tackled any other way. Even a look at Sheikh Abdullah's "paradise" convinces us that the Union Home Ministry needs to bring that old man to his senses. He rules as if the state were his private domain, and the recent carnage among his own co-religionists is viewed in the valley as his work. But, then that is another story...

April 28

Hurt by Price Fall

Hansavivek

GUJARAT STATE FERTILISERS COMPANY has suffered a setback in its performance on account of substantial price reduction in caprolactum and lower retention price for urea in spite of higher sales of caprolactum and fertilisers. Production of fertilisers was 5,00,482 tonnes, only marginally lower than previous year's 5,08,179 tonnes despite the unexpected failures in the ammonia and urea plants necessitating longer shutdowns. Production of ammonium sulphate and diammonium phosphate was the highest since the commissioning of the plants. Output of fertilisers would have been higher but for the strike by officers and go slow by workers. With planned commissioning of the debottlenecking of phosphoric acid plant and installation of new centrifuge in urea plant, the management expects higher production this year. Production of caprolactum at 13,841 tonnes was lower by 2,698 tonnes as compared to that of the previous year due to unexpected failure of piston rod in one of the two refrigeration compressors of the plant and mechanical failure in purification system. With the installation of a new vibrating conveyor, production during 1979 is expected to be better than in 1978. The directors say that the retention price fixed for GSFC urea was "highly inadequate". Government has granted increase only to the extent of cost increases arising out of official levies and increase in cost of items controlled by it. They hope that government will fix suitable retention price for the company for the pricing period beginning April 1 last. The company suffered "heavy losses' in caprolactum as it had to substantially reduce its price following heavy imports allowed by government in 1977-78. Total net sales declined from Rs 82.88 crores to Rs 77.87 crores and gross profit fell from Rs 30.29 crores to Rs 18.03 crores, reflecting drop in overall margins. Net profit was more than halved at Rs 4.90 crores (Rs 10.10 crores). The redeeming feature, however, is that dividend is maintained at 22 per cent and the entire amount has been provisionally determined by the income-tax authorities to be exempt from tax in the hands of shareholders under section 80-K of the Income-tax Act.

The company has applied to government for allowing it to establish additional fertiliser capacity based on Bombay High gas. Its application for expansion of the caprolactum facility is also being considered by government. Meanwhile, its other projects such as debottlenecking of phosphoric acid plant, purge gas recovery, nylon-6 and melamine are under various stages of execution. Government clearances have been obtained for import of equipment and materials for the nylon-6 project and foreign exchange requirements have also been tied up. The foreign process licensors have prepared basic engineering for the

The Week's Companies (Rs Lakhs)

	Gujarat Fertilisers		Mangalore Fertilisers		Ceat Tyres		Belapur Sugar	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 30-9-78	Last Year 30-9-77
Paid-up Capital	1500	1500	1545	1545	445	445	181	181
Reserves	6562	6363	17	17	669	652	20	59
Borrowings	1277	1350	6904	6780	1093	1108	299	111
of which Term borrowings	332	421	6904	6780	30	75	—	—
Gross fixed assets	10580	10417	7016	7002	1587	1568	328	329
Net fixed assets	4318	4154	5306	5762	880	717	60	60
Investments	1374	1357	—	—	1	—	14	14
Current liabilities	3390	2746	762	441	1475	1003	326	272
Current assets	7037	6449	1857	711	2980	2534	734	525
Stocks	2974	2659	986	536	1096	795	371	171
Book debts	2306	1783	830	163	1368	1456	318	292
Net sales	7787	8288	3812	2117	5992	5331	409	402
Other income	350	430	26	4	59	93	10	11
New material costs	2637	2717	1031	663	4355	3835	492	351
Wages	588	537	113	84	552	454	42	35
Interest	97	132	690	790	169	194	33	12
Gross profit(+)/loss(−)	1803	3029	760	−260	351	242	−33	−42
Depreciation provision	519	618	627	626	104	107	6	6
Tax provision	794	1401	—	—	164	78	—	—
Net profit(+)/loss(−)	490	1010	133	−886	83	57	−39	−48
Development rebate provision	15	85	—	—	8	5	—	—
Transfer to reserves	183	633	—	—	6	7	—	—
Dividend								
Amount	P 28	28	P —	—	P —	—	P —	—
	E 264	264	E —	—	E 67	45	E —	—
Rate (per cent)	P 9.3	9.3	P —	—	P —		P —	—
	E 22	22	E —	—	E 15	10	E —	—
Cover (times)	1.69	1.34	—	—	1.12	1.16	—	—
Ratios (per cent)								
Gross profit/sales	23.15	36.54	19.94		5.85	4.52	—	—
Net profit/capital employed	6.67	12.85	—	—	7.45	5.22	—	—
Inventories/sales	38.20	32.08	25.87	25.31	18.29	14.91	90.70	42.54
Wages/sales	7.71	6.48	2.96	3.96	9.21	8.55	10.27	[illegible]

melamine project. The contract for establishing 1,32,000 tonnes per annum sulphuric acid plant (with provision to manufacture 33,000 tonnes of 100 per cent sulphur dioxide and 36,300 tonnes of 23 per cent oleum within this capacity) has been concluded with Simon Carves. The project is expected to be completed in 1981. The project cost of Gujarat Narmada Valley Fertilisers Company, co-promoted by the company with government of Gujarat, has been revised upwards. GSFC will have to extend further financial assistance to the tune of Rs 6.5 crores. It has already invested Rs 13.5 crores in the equity of the new company.

MANGALORE CHEMICALS AND FERTILISERS has achieved a marked improvement in its working during 1978 with a maiden net profit of Rs 1.33 crores as against a net loss of Rs 8.86 crores for the previous year following increase in sales (including recoveries under retention price scheme) from Rs 21.17 crores to Rs 38.12 crores. With prior year adjustments, the surplus is increased to Rs 2.42 crores which has brought down the accumulated losses to Rs 19.93 crores. The company produced 1,38,503 tonnes of ammonia and 2,32,120 tonnes of urea as against 94,476 tonnes and 1,52,981 tonnes respectively, during the previous year. The output would have been still higher but for stoppage of plants on three different occasions during the first half of the year and deterioration in the condition of the synthesis catalyst during the last quarter of 1978. Production for the current year has been planned at 1,99,860 tonnes of ammonia and 2,85,000 tonnes of urea. Since the company will have a small surplus of ammonia over the needs of its captive urea plant, the company has applied to the Central government for issue of letters of intent for installing a nitric acid complex for manufacture of nitric acid, ammonium nitrate, sodium nitrate and sodium nitrite. It is also proposed to set up an ammonium bicarbonate plant. The nitrates are required for the manufacture of explosives and there is a growing demand for them from the mining industry. The company expects to sell the bulk of its production to suppliers of explosives to meet the growing needs of mining industry in Karnataka. The cost of the complex is estimated at Rs 10 crores. For ammonium bicarbonate, there is a growing market from bakeries, pharmaceutical and other industries as also for export. This plant can be erected and commissioned within 6 to 8 months and its cost is estimated at Rs 20 lakhs. The company is seeking permission to import ammonia to increase production of urea by about 30,000 tonnes from the existing urea plant in view of the surplus carbon dioxide gas which is available from the present ammonia plant. This proposal is expected to cost Rs 4 crores. The company has also submitted a proposal for the duplication of its ammonia and urea plants based on naphtha feed stock and fuel oil. Its application is under consideration of the government. The project is estimated to cost Rs 95 crores, which is cheaper than putting up a grassroot plant in a new location which would cost no less than Rs 125 crores and take at least 3½ years to complete.

CEAT TYRES OF INDIA has turned out good results with higher sales, margins and profits compared to the previous year. Dividend is stepped up 5 points to 15 per cent. The directors attribute the improvement in performance to the change in the product-mix and larger demand for nylon tyres. Costs of raw materials such as natural and synthetic rubber, carbon black, rubber chemicals, etc, increased and prices of products were raised. There was an acute shortage of natural rubber in Kerala, which was aggravated by export of rubber by STC based on totally inaccurate information about production and stocks of rubber on hand. Rubber available in Kottayam market at Rs 675 per quintal in early 1978 rose to Rs 1,290 per quintal in July 1978. The company's production of automotive tyres and tubes as also bicycle and rickshaw tyres increased marginally. Efforts are being made to remove bottlenecks in the Nasik plant so that it could reach the rated capacity. The company's exports fell from Rs 4.75 crores to Rs 3.45 crores, as prices fetched abroad became unremunerative. Expansion of the Bhandup plant for increasing production by additional 1.6 lakhs each of automotive tyres and tubes per annum is in progress. The management expected to increase production by about 55,000 units during the current year. Full expanded capacity is expected to be available during the next year. To meet part of the financial requirements of this projects, the company proposes to issue 1,11,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each.

BELAPUR SUGAR has again shown a net loss of Rs 39 lakhs for 1977-78 as against Rs 48 lakhs in the previous year, even though the factory crushed 2,98,893 tonnes of sugarcane against 2,01,663 tonnes, and produced 33,110 tonnes of sugar against 19,650 tonnes — thus recording increases of 48.21 per cent and 68.50 per cent, respectively, over the previous year. Average recovery of sugar also increased from 9.76 per cent to 11.08 per cent. Net sales value was only marginally higher at Rs 4.09 crores (Rs 4.02 crores). The company has valued the stocks of sugar at the year-end taking the actual value of the stocks sold upto the end of January 1979 and the unsold stocks at the market rate prevailing as on that date. Steep decline in prices following decontrol of sugar from mid-August last thus brought about a substantial loss. The factory commenced crushing for the current season on October 17, 1978, and produced 1,56,900 bags of sugar as compared with 1,40,770 bags in the previous year. One important factor which is seriously effecting the current year's cash flow is that certain heavy cash liabilities pertaining to 1977-78 have to be met during the current year.

CYANAMID INDIA, originally incorporated in India in 1947 under the name 'Lederle Laboratories (India)', has been engaged in the manufacture of pharmaceutical and agricultural chemicals. It has planned substantial expansion in agro-chemicals. It is setting up a plant at an estimated cost of Rs 2 crores for manufacture of a variety of organophosphate for agricultural inputs. It has also planned manufacture of fine chemicals with a capital outlay of Rs 50 lakhs. Both these projects are intended to be flananced from self-generated funds. In compliance with the condition imposed by the Government of India, the two partners, American Cyanamid of the US and Atul Products of Ahmedabad have to offer for sale out of their shareholding 4,55,949 equity shares and 2,27,975 equity shares, respectively, of Rs 10 each. These shares will be offered at a premium of Rs 12 per share. Of these, 30,000 shares have been reserved for employees of the company and 6,53,924 shares will be offered to the general public under a prospectus. The company has to its credit a good past record of earnings. Its total issued share capital is Rs 4.56 crores which is backed by reserves of Rs 4.74 crores.

THE ECONOMY

Cocking a Snook at Credit Policy

(By a Special Correspondent)

EXPRESSING his concern at the high rate of expansion of money supply in the first half of the fiscal year 1978-79, the Reserve Bank Governor had told bankers in November 1978 that "the information given by banks as to why such rapid expansion occurred has not been adequate to provide any satisfactory rationale". He had pointed out that the high degree of liquidity in the banking system in the first half of 1978-79 had led banks "to adopt an attitude conducive to very liberal extension of credit, especially to the big borrowers". There was a further surge in bank credit and money supply on the eve of the busy season of 1978-79 and the Governor had emphasised to the banks that "the first imperative of monetary policy at present is to contain the credit expansion potential during the rest of the financial year". With this objective, two measures were taken — the prescription of an incremental credit-deposit ratio and raising of the statutory liquidity ratio. The statutory liquidity ratio was raised by one percentage point from 33 per cent to 34 per cent from December 1, 1978 and banks were told to "so plan their future expansion of non-food credit that the incremental gross credit (non-food)-deposit ratio for the period December 1 1978 to end-March 1979 would be well within 40 per cent". The Reserve Bank Governor had also prescribed some broad norms for restraining credit expansion: "Credit has to be necessarily relative to the output, economic activity, employment creation, and so on. Norms of inventory and of other rigours of credit discipline have to be effectively enforced and a careful watch has to be kept on the return flow of funds.... In this connection, I would like to stress, again, the need for banks to implement the norms set by the Tandon Committee."

The monetary and credit situation during 1978-79, for which we now have the full year's data, needs to be reviewed against the background of the above statements. During the year, money supply (M_1) expansion turned out to be Rs 3,330 crores, the highest ever and a neat Rs 1,000 crores higher than the expansion in 1977-78 (Rs 2,357 crores). Even the rate of expansion, at 18.2 per cent against 14.7 per cent in the previous year, was very close to the peak rate of 20.4 per cent reached in 1976-77. The same trend is observed if the wider concept of money stock, namely, M_3 (ie, M_1 plus time deposits with banks), is considered. M_3 recorded an expansion of Rs 6,730 crores (20.5 per cent), compared to Rs 5,300 crores (23.5 per cent) in 1976-77 and Rs 5,128 crores (18.5 per cent) in 1977-78. Monetary expansion continuously ranging between 15 per cent and 20 per cent would have been unthinkable even some years ago.

The pace of expansion of real economic activity — output, employment or investment — had certainly not been such as to justify this order of expansion of money supply and credit. Employment in the organised sector grew by 2.7 per cent in 1976-77 and 3.4 per cent in 1977-78 and is unlikely to have risen by anything more than 3 per cent in 1978-79. The number of job seekers on the live registers of employment exchanges has gone up from 9.33 million at the end of 1975 to 12.33 million in October 1978, while the addition to employment in the organised sector between March 1975 and March 1978 was just 1.77 million. On the savings and investment side, gross domestic capital formation increased from 20.5 per cent of gross domestic product at market prices in 1975-76 to 21.8 per cent in 1976-77, but declined to 21.3 per cent in 1977-78. It could be that the decline was due to "a substantial fall in inventories of food, steel and fertilisers in the public sector which had contributed to the significant increase in the gross domestic capital formation in 1976-77" ("Economic Survey", 1978-79, p 2). Allowing for changes in stocks, it can thus be said that the 1976-77 increase was because of stockpiling of commodities and in 1977-78 there was no increase in capital formation. And for 1978-79, the indicators are that at best the 1977-78 level of gross capital formation will have been maintained. Further, in all these years of unprecedented monetary expansion, investment has consistently lagged behind domestic saving by 1.5 percentage points in 1976-77, by 1.1 percentage points in 1977-78 and probably by 0.5 percentage point in 1978-79. A single percentage point lag in investment, such as in 1977-78, meant a loss of investment of nearly Rs 900 crores. And yet in just these three years as much as Rs 8,387 crores (63 per cent) of additional money supply and Rs 17,160 crores (76 per cent) of additional total monetary resources (money supply plus time deposits) were injected into the economy.

Growth of GNP in these years has been erratic. It was just 1.6 per cent in 1976-77, 7.2 per cent in 1977-78 and the expectations for 1978-79 are around 4 per cent. Agricultural production declined by 7 per cent in 1976-77 followed by an increase of 13.9 per cent in 1977-78. In 1978-79, the growth of agricultural production may be about 3.5 per cent. Industrial output had expanded by 9.5 per cent in 1976-79 and only 3.9 per cent in 1977-78. In 1978-79, industrial growth is unlikely to exceed 7.5 per cent. Taking the three years 1976-77 to 1978-79 together, whereas money supply (M_1) increased by 63 per cent and monetary resources (M_3) by 76 per cent, GNP in real terms rose by about 14 per cent, agricultural output by 9 per cent and industrial output by about 22 per cent. There has also taken place a decline in the share of developmental outlays in the government's total outlays and in that of capital formation in total outlays, whether in the government or in the private sector.

There are many disquieting aspects of the credit and monetary expansion in 1978-79. First, the contribution of 'currency with the public' to the expansion was the highest in recent years. Of the total increase of Rs 3,330 crores in money supply, as much as Rs 1,668 crores (or 47 per cent) was in the form of 'currency with the public'. The increase in currency in the previous year was of the order of Rs 755 crores (32 per cent of money supply expansion). Even in 1976-77 when currency expansion was very high at Rs 1,168 crores, the proportion had worked out to about 43 per cent. The expansion in currency implies that the Reserve Bank has actively aided the process of money creation on such a gigantic scale. A part of the explanation may be that there occurred a net outgo on account of repayment of instalments of compulsory deposits impounded in 1975-76 and 1976-77 out of dearness allowance and wage increases of employees. This outgo has to be netted against receipts under the two income-tax payers (compulsory deposits) schemes, which are now at enhanced rates. Though precise

figures in this respect are not available, the net outgo on this score would not be more than Rs 250 to Rs 300 crores. Also, the outgo should have been slightly higher last year.

The second factor responsible for the currency expansion is the net addition to the foreign exchange resources of the banking system. Despite a foreign trade deficit on merchandise account of about Rs 1,000 crores, the net addition to the foreign assets of the banking system in 1978-79 was Rs 975 crores, just one-half of the expansion last year (Rs 1,934 crores) when there was a trade deficit of Rs 693 crores.

These two factors, which may be said to be technically outside the control of the Reserve Bank, have certainly not made a larger contribution to currency expansion in 1978-79 than in 1977-78. Yet, the expansion (Rs 1,568 crores) was twice as large as in the previous year (Rs 755 crores). One explanation is the Central and state governments' dependence on Reserve Bank's created credit which has been much higher (based on last Friday, March 30, 1979 figures, which may undergo some change in the March 31 accounts) than last year. RBI's net credit to government aggregated Rs 1,176 crores against only Rs 169 crores last year.

The Reserve Bank may claim that government dependence on its credit is beyond its control. Even so, the Reserve Bank is culpable. First, when the government is injecting such a vast amount of credit into the system, the Reserve Bank has to evolve countervailing measures to counteract the expansionary impulses. Second, and more important, the Reserve Bank itself has been responsible for injecting as much as Rs 215 crores into the system during 1978-79. Compared with 1977-78 this was sizeable, for there was a decline (of Rs 591 crores) in commercial banks' dependence on the Reserve Bank in that year. In addition, the Reserve Bank also gave directly to the commercial sector — in the form of loans to IDBI, SFCs and ARDC and subscriptions to rural debentures and to shares and bonds of these financial institutions — an amount of Rs 295 crores against only Rs 56 crores the previous year.

All these developments have taken place not at the dictates of the commercial banking system, nor of the Reserve Bank or the government. They have occurred because the bigger borrowers from the banking system wanted them to. Last year price expectations had remained under check and so the expansion of commercial credit from the banking system was moderate — a situation which continued even during the first half of 1978-79. However, with widespread floods and political uncertainty on the horizon, traders and merchants started nursing higher price expectations and hence from mid-September 1978 onwards there were large credit drawals, which prompted the Reserve Bank to try to introduce a macro level credit ceiling in the form of a 40 per cent incremental credit-deposit ratio for the period December 1978 to March 1979. This was indefensible in both principle and content. First, the credit needs of the non-food sectors was not related to the bank deposits generated, but to the level of non-farm production and other related activities. Second, the Reserve Bank has had enough experience with macro ceilings on credit, which it has imposed twice in the recent past, once in the 1973-74 busy season (November-April) and again for the entire fiscal year 1976-77. On both the occasions the policy was to meet with the same fate — actual credit expansion was twice the targeted figure.

The reason is simple. There is a basic contradiction between the Reserve Bank's macro objectives and individual policy decisions. There is complete absence of a policy frame, which links policy objectives with policy instruments. If credit restraint is the policy objective, the granting of credit limits and the utilisation of credit limits have necessarily to be regulated. In fact, however, the Reserve Bank has considerably liberalised the system of granting credit limits through its Credit Authorisation Scheme (CAS). Though the CAS system had been initially introduced to achieve some alignment of credit expansion with Plan priorities, the Reserve Bank has failed to develop any method of achieving this objective. As a result, the Reserve Bank merely duplicated the credit appraisal of the commercial banks. No credit discipline among the large parties could be introduced and the phenomenon of siphoning off funds has gone on. Instead of reviving the original objective of this instrument, of looking at the totality of the credit limits sanctioned and utilised by the major parties in the key industries separately, of aligning such credit drawals with the level of physical activity (output, employment and investment), and of detecting speculative uses of funds, the Reserve Bank has virtually given up the whole prior credit limit approval mechanism, throwing the baby away with the bath-water.

If control on granting of credit limit has thus been blunted, there are no instruments for regulating utilisation of credit limits either. The credit limits are granted [illegible] of accounts spread over thousands of branches. Even bank chairmen [illegible] know what is going on regarding the granting and utilisation of credit limits. In such a situation, only two instruments would have restrained the utilisation of existing credit limits by the bigger parties: (i) higher margins and (ii) higher interest rates. The weapon of interest rate has been totally blunted by the imposition of a ceiling, initially 16.9 per cent on March 19 and later lowered to 15.5 per cent from March 1979. The ceiling has been mad[illegible] applicable even to selective credit controls. The instrument of margins has not been made use of at all.

Given this absence of any link between objectives and instruments, it is not surprising that for the third time the Reserve Bank has completely failed to achieve the macro-level credit target ceiling set by it. The 40 per cent incremental credit-deposit ratio meant that the expansion of non-food gross credit between December 1, 1978 and March 30, 1979 should not have exceeded Rs 785 crores. Instead, the actual expansion has been almost double, i e, Rs 1,442 crores. As in the past, the Reserve Bank is likely to attempt various explanations, though it can no longer claim that the system of prescribing a credit ceiling is a new experiment. Here one is tempted to recall how the failure to achieve the quantitative aggregate ceiling prescribed for the 1973-74 busy season had been explained away: "This is the first time in India that stipulation of [illegible] quantitative limit on credit expansion has been attempted, and it has known that the assessment could not be precise . . . A Plan prepared by the Central Banking Authority not on the basis o[illegible] indents from the users and scrutiny thereof but on general considerations and which moreover has to seek to cover the needs of thousands of industrial and other units, suffers from even greater difficulties and uncertainties." Five years have elapsed and again th[illegible] expansion of non-food credit has been twice the target. Further, if the so-called general considerations have any meaning for macro-level economic and monetary management, what has the Reserve Bank done to improve its method of achieving the desired objectives? The Reserve Bank should hav[illegible] realised by now that unless effectiv[illegible] instruments are employed, it is impossible for it to achieve the credit ceiling objective. The bank manager and the bigger parties drawing credit have a stake in defeating this objective and there is nothing in the policy instruments to prevent them from doing so.

KARNATAKA

Implementation of Land Reforms

Problems and Prospects

S X James Melchior

MERAMAJAL PEOPLE'S MOVEMENT (MPM) in Dakshina Kannada district of Karnataka has been attempting to organise and educate tenants on their due rights under the Karnataka Land Reforms Act. In the course of these efforts at education and organisation, the movement has been subjected to landlord and police violence and on March 15, 1978 the leadership narrowly escaped an attempt at broad daylight murder. Paradoxically, the very same establishment that promulgated the Karnataka Land Reforms Act has also attempted to suppress the tenant movement in Meramajal and other hamlets in coastal Karnataka. Therefore, what is to be the vehicle for the actual implementation of agrarian reforms?

Categorisation of Classes

Before we proceed it would be useful to have a broad categorisation of the agricultural classes and their holdings in coastal Karnataka. Thus, landlord: 50-60 acres; rich peasants: 20-30 acres; middle peasants: 5-7 acres; poor peasants: 2½ acres; agricultural labourers: 5-10 cents or nothing at all. With this pattern of landholdings, each category has its own interest/clout/economic pursuits, and this has put a formidable brake on the unleashing of productive forces. The Karnataka Land Reforms Act is progressive and welcome precisely because it attacks, however unspiritedly it may be, the existing power structure.

The landlord class is at the apex of the feudal structure and reaps huge revenue out of the labour of the last three categories who form the majority. The surplus thus obtained is ploughed back into the fields in order to improve methods of cultivation and introduce modern agro-technology. More recently, sensing the potential threat of the land reform legislation, the landlord class has tended to invest the surplus in oil mills, tile factories etc, aided by government financial institutions. The landlord class has also entered professions like medicine, law, engineering and politics with a view to establishing close links with their city counterparts and representatives of government.

The character and role of the rich peasants are virtually the same as that of the landlord class, except that the rich peasants have less political and economic clout than the landlord class.

The middle peasants are those among whom every one in the family works in the fields and the income is barely enough to maintain the family. Some members of family have to take to subsidiary employment like toddy tapping or beedi rolling. Before the land reforms act came into force, these peasants were forced to pay a high land rent. Some of the middle peasants study upto matric and many of them leave the village in search of jobs.

Poor peasants are those whose produce lasts them for only six months in a year. The rest of the year, the poor peasants have to seek employment as agricultural labourers. They are also heavily in debt mainly to the landlords. Their daily struggle for survival creates in them a negative attitude to life and a stoic renunciation that nothing will change. Their children do not go to school beyond the primary school level; some never go to school. Among the Christian families, some children reach upto high school and hide themselves in seminaries and convents where they will not die of hunger. As the poor peasants do not enjoy any occupancy rights, none of them are beneficiaries of any government programmes.

Landless labourers are the most exploited section of rural population. They are virtually enslaved to the landlords and other dominant classes throughout their lives. Religious myths are also deftly used to further enslave the landless. The result of all these manipulations is that the landless class is actually made to feel secure in its dehumanised condition. The philosophy of escapism easily grips them and they slide into habits like drinking, gambling and staging cock-fights. A section of the landless peasants is retained by the landlords as their agents and goondas.

Testimony of a Tenant

Nonu Mukari has been a tenant for thirty years under a landlord of Benjanapadavu. The landlord is a member of many 'humanitarian' clubs and enjoys a big status. Nonu Mukari's harrowing experience of land reforms is described in his own words:

I am Nonu Mukari, a harijan tenant of Benjanapadavu. My father and myself have been tenants of the landlord's wife's family for the last 50 years. I have been enjoying seven acres of land and cashew plantation and paying land rent to the landlord for the last 15 years. When land reforms came I refused to submit the application. Social workers, together with the local MLA persuaded me to file the application according to the land reforms act. No sooner had I submitted application, the landlord began to make complaints to the police and as a result police harassment followed. I was frightened, hence I left my holdings and ran away. I hid myself for two weeks. Through the social workers, I was able to meet the local MLA and lodged complaints against landlord and police violence. I also sought injunction in the Land Tribunal.

The Land Tribunal at Bantwal made me go to Bantwal more than 40 times. After this prolonged period, the Tribunal was forced to come to the spot and conduct a spot enquiry. Although 15 persons came forward to give evidence and written statements in my favour, the landlord abstained on the day of the spot enquiry. Nevertheless, the Tribunal, at the directive of the local MLA, gave its verdict in favour of the landlord. [Because of the pressure put by the movement the local MLA had apparently sided with the tenant, but he double-crossed.] The Tribunal arbitrated only 39 cents out of my seven acres, and asked the landlord to occupy the rest of the land which was in my possession.

The local MLA, though supposedly a communist and peasant leader, took me to the landlord's lawyer for a compromise, before the Tribunal could give its verdict. Since I refused the unjust compromise, the local MLA persuaded the Tribunal to take away the land in my possession and hand it over to the landlord.

My landlord is already in possession of 60 acres of land. He is a doctor of medicine and has many other ways of making money. Prior to this conflict with the landlord, under the patronage of my landlord, I could earn Rs 2,000 per year and look after a family of twelve in the house. Now, as a result of the land reforms, I have become a total pauper. I am not even able to grow vegetables and am today an agricultural labourer and a casual worker.

Though my application was filed under section 48A(1) of the Karnataka Land Reforms Act, the landlord got his workers to occupy the land in my possession, cut down my trees and dug wells to show that he has made improvements on the land coveted from me. Now, the landlord

has become the actual possessor of the land, though my land case is still before the Tribunal. I will not be able to convince the Tribunal that it is indeed my land.

The case of Nonu Mukari is not an isolated case of further pauperisation as a result of the implementation of Karnataka Land Reforms Act. He is only one of the thousands of tenants who have been pitted against the powerful, educated and moneyed landed gentry by virtue of the land reforms act. Having initiated the struggle between the tenant and the landlord, the Act is totally remote from the aftermath of the struggle. Nevertheless, even the shortcomings of the measure and the failures in its implementation hold useful lessons for future efforts at mobilising the rural poor.

Shortcomings and Failures

The tenants, for long under feudal oppression, have been dehumanised resulting in their utter despair and hopelessness. As a result, though the Karnataka Land Reforms Act provides a legal forum, the tenants are unable to assert their rights. Even if the younger elements amongst the tenants attempt to break out of the dehumanisation mould, such attempts are foiled by brutal violence by the landed gentry.

For example, Poovapa Mulya of Meramajal village incurred the wrath of the principal landlord for helping the MPM in filing the applications. He was beaten up before his own parents, and his mother, herself a favourite 'keep' of the landlord, was made to disown her son. Finally, Poovapa Mulya was done to death in the forest and his remains were discovered after 40 days. Hush money was paid to his parents to persuade them to come out with the story that Poovapa was possessed by a demon and hanged himself. This incident was highlighted to demonstrate to the other tenants that the demon would not spare them if they defied the landlords. In fact the landed gentry have always used the all-pervading superstition to peddle the idea that land reform is a conception of evil spirits and the tenants should have nothing to do with it. Thus, a man hired by the landlord and supposedly possessed by the spirit speaks the Word of God, conveying divine blessings to the landlord and the police and showering curses on those who have filed the application before the Land Tribunal. Even when someone dies of malnutrition or TB or other diseases, the dominant classes tell the tenants that such a calamity overtook them because they went against the landlords and filed applications.

A feudal set-up gives birth to a morality, outmoded and obsolete in its conception, to which the tenants pledge total loyalty. One of the tenant leaders, guilt-struck by his act of filing the application, stated: "We have been taught to give to God what is his due and to the King what is his". According to this morality, the landlord is the head of the village family and the government is wrong in taking away land from the village patriarch.

Prior to the land reforms act the tenants did enjoy security of sorts under the landlords. Exploitation, exorbitant land rent and lack of ownership were accepted, and the fringe benefits accruing from the unflinching loyalty to the landlords were taken as gifts. The landlord was the protector, arbitrator and the big-brother.

This neat and exploitative relationship was shattered by the land reforms act. The tenant was suddenly pitted against his father figure in litigation, harassment and conflict. The known hell of a feudal life was apparently slipping away under their feet; but the vague visions of a promised land which were held out could not be realised without struggle and without their becoming victims of violence.

Women belonging to the tenant class had always been made to look upon the landlords as symbols of the most perfect manhood. For them, their menfolk getting into a headlong conflict with the landlord was a preposterous proposition. To overcome this innate sense of inferiority and submission, the Meramajal People's Movement organised the women.

There were other problems as well that had to be overcome. The local agents of the landlords — the teachers, shopkeepers and panchayat office-holders who after all are the value givers — were persuading the tenants to ignore the land reforms act. The law itself was promulgated in a far off city and in a foreign language to which tenants could not have access. Nonu Mukari, for instance, came to know about the Act after full three years. Thus the much better placed dominant landed gentry were often able to subvert the provisions of the Act. The tenants, who were never used to the legal machinery, had to go to the village accountants for survey numbers of their plots. The latter made fortunes out of the ignorance of the tenants; they also created a false impression that once the tenants obtained survey numbers, they would become owners of the land.

Lack of documentary evidence was another major hardship. In Dakshina Kannada district, where the zamindari system prevailed for long, few documents have been preserved. Consequently, the small and marginal farmers had no documents to prove their tenancy. There was also the problem of the constantly shifting bureaucratic cadre. When one bureaucrat transferred the cases to his successor, there was increased delay in the settlement of disputed cases.

Role of Land Tribunal

The members of the Land Tribunal for the most part tend to identify themselves with the landed gentry. Even if some members of the Tribunal are drawn from the oppressed class, they in their eagerness to be accepted by the upper crust and lured by power, tend to abandon the cause of their fellow poor tenants. In Meramajal, two such members drawn from the oppressed class used their membership of the Tribunal only to enrich themselves.

Often, the membership of the Tribunal becomes another name for political patronage. The 'sitting allowance' and other perquisites as well as the social prestige and the feeling of being 'wanted' for grease money creates a vested interest in prolonging the process of litigation. Thus a new class alliance is forged with the local dominant groups.

Though the Land Tribunal is supposed to be a people's court, it virtually becomes a legal court by demanding the parties to produce documentary evidence. The landlords, well trained in the act of litigation, are always one up over the uninformed tenant. In the early stages of the functioning of the Tribunals, there was discrimination even in the sitting arrangements for the tenants and the landlords.

The Land Tribunal tries to deal with too many cases the same day. Though it actually handles only about five cases per day, notice is issued to a very large number of persons to come with their witnesses. The tenants, with their witnesses, hang around the Tribunal building the whole day and return home with added frustration.

The Meramajal People's Movement attempted to bring equality between the tenant and the landlord before the Tribunal. For instance, it saw to it that the tenant spoke first, not the landlord. It attempted to make the Land Tribunals work like a real people's

court. The Tribunals were forced to deliver the verict right in the village before the public. Recently in Meramajal, the Tribunal sat in the village and decided 78 cases. Any lies, either from the landlord or from the tenant, were subjected to the careful scrutiny of the public. For instance, a Christian landlord (who is also a lawyer by profession) argued his false case before the tribunal. *Had the Tribunal sat in camera*, the glibtongued lawyer would have got away with his lies. But in this instance, he could not succeed because the village public knew all about the case.

The idea of 'spot enquiry' right in the village was perused by the MPM. Consequently, a new methodology was evolved. First, the Tribunal served notice. Then, after the two parties reported to the Tribunal, the land would be surveyed and map drawn up. The landlord and the tenant would then be called If one of the parties had any misgivings, the Tribunal conducted 'spot inquiry' after which the final verdict would be given. But this methodology has been effective only when the tenant and the landlord agreed upon a consensus. In the event of a conflict, the Tribunal sits pretty and plays for time.

Merits and Limitations of Act

Because an attempt, however half-hearted, has been made to implement its provisions, the land reforms act has adversely affected the gentry. In a limited way, the Act has made an inroad into the feudal power structure. The existing 'peaceful' equilibrium has been disturbed. Feudal and semi-feudal relations, entrenched and well protected by the establishment, have been subjected to attack by that very establishment as a consequence of the promulgation of this Act. The rationale for this apparent paradox could be that the ruling classes have come to realise that by taking away the ownership of land from the hands of a few and vesting it with the actual tiller, there could be a more profitable and certainly more efficient production in rural India.

The Act places an enormous burden on the tenant to pay the compensation. This class, so far without any hope for tomorrow, has no savings. Since the land is mortgaged to the development bank, there is little resource left with the tenant for accelerating the pace of production on his land.

In the distribution of tenanted land, continuity of the plot is not taken into consideration. The landlords divided the land among the tenants in a haphazard manner in order to gain greater control over the inflow of water. The new peasant owners are hence often deprived of irrigation facilities and are also unable to consolidate their holdings. The undue and unwarranted delay in the issuing of the 'patta' leads often to police harassment and the landlord violence.

Seen from the perspective of creating an egalitarian society based on community ownership, the land reforms act might even appear as a retrograde step. In Meramajal village, prior to the land reforms, 10 families out of 500 held most of the holdings. After land reforms 200 families have come in possession of the land; but there are still the 300 families of agricultural labourers who are now left at the mercy of 200 families. The underlying philosophy of land reforms is that of the survival of the fittest. If I am a middle peasant and secure some improvements on my land, this is projected as an example of hard work and the other disadvantaged peasants are told to emulate my example. This is more an encouragement to individualistic way of life rather than a communitarian way of life.

Nevertheless, and on balance, the Karnataka Land Reforms Act is a significant first step in the liberation of the rural poor.

PUNJAB

High Stakes in SGPC Elections

Amarjit Chandan

ON March 31, about 40 per cent of the over 35 lakh Sikh and Sahajdhari Sikh ('cleanshaven Sikh') voters of Punjab, Haryana and Himachal Pradesh cast their votes to elect the 140-member Shiromani Gurudwara Prabandhak Committee (SGPC), the apex body for management of Sikh shrines in Punjab and neighbouring states The Akali Dal, which has controlled the SGPC since 1965 and is now a partner in the Akali-Janata ruling coalition, got 132 seats (34 of its candidates were declared elected unopposed) while eight seats went to the Panth Khalsa Dal and Dal Khalsa In addition to the elected members, 20 'eminent' persons are nominated to the SGPC. The total number of contestants was over 1,000 Though the elections are supposed to be held every five years, the latest elections were held after 14 years.

Though no party or group came out with a formal election manifesto, a section of the Akali Dal (the Badal-Balwant Singh group) talked of 'fiscal autonomy', while the other section (Tohra and his allies) talked of 'fiscal and political autonomy' for Punjab. Both sections gave a communal tinge to the problem of Centre-state relations and described Sikhs as a nationality. The dissident groups raised slogans of 'Khalistan' and charged the Akali government with failure to solve long-standing issues like the transfer of Punjabi-speaking areas and Chandigarh to Punjab; they also alleged that the gurudwaras had become smuggling dens in the hands of the Akali Dal.

But were these the real issues at stake? During the Emergency a top Akali leader threw a challenge to a pro-naxalite fellow prisoner in Amritsar jail (now called 'sudhar ghar') that as long as Akalis controlled the Golden Temple (denoting religious and cultural hegemony), the communists should never think of coming to power in Punjab. For the Akalis, the SGPC elections meant a 'golak yudh' (war for church coffers) and controlling a religious body with an annual budget of nearly Rs 5 crores. In Punjab winning SGPC elections is a pole-vault to making a career in politics. Before 1947, Sikh politics, to be more precise Akali politics, had an anti-imperialist character. The Akalis first successfully fought to liberate gurudwaras from the debauched mahants (hereditary priests) and the Sikh Gurudwaras Act was passed in 1925 and the SGPC came into being. After that the Akalis fought for the liberation of India, which they called a 'greater gurudwara'. But after the transfer of power in 1947, the SGPC became the platform for launching political movements which were by and large communal and projected the demand for a Punjabi-speaking state as the demand of Sikhs only.

This time Akali dissidents posed a serious threat to the ruling Akali Dal and the Dal, therefore, threw all its state and private resources into the election battle. The Akali ministers, speaking from rostrums raised by the state public relations department, dis-

[illegible] state grants lavishly. The [illegible] for the withdrawal of nomination papers was extended to March 20. The voter enrolment conditions are so flexible that even one hour before the polling one could become a voter and the category of Sahajdhari sikhs is so vague that non-Sikh bogus voters are enrolled on a large scale.

Because of the elections, not a single Akali minister was in the capital. Jivan Singh Umranangal, the revenue minister, resigned from his ministerial post to fight the prestigious seat of Beas against a candidate put up by the Sant of Bhindranwale, the man who had sparked off the bloody Akali-Nirankari clashes last year. In Beas even school children were enrolled as voters and the Akali chief minister made a massive canvassing effort covering over 20 villages a day. Jan Sangh ministers and legislators also canvassed for the Akali candidates.

Other political parties — Janata, Congress (I), the CPI and the CPI(M) — were also keenly interested in the elections. The CPI(M) and Janata actively supported the Akali Dal, while the CPI and Congress (I) sided with the dissident Akalis. Interestingly, cadres of both the communist parties are voters in the SGPC elections.

The CPI had participated in the SGPC elections in 1959 as Desh Bhagat Board in alliance with the pro-Congress Sadh Sangat Board against the Akali Dal and had failed to secure even a single seat. Earlier that very year the CPI with the active support of the Akalis had waged a most impressive anti-betterment-levy kisan agitation against the Kairon government, but only a few months later there emerged the alliance with the Congress in the SGPC elections. The crushing defeat of the elections made the CPI think better of participating in the SGPC elections again.

KERALA

By-Election Politics

K T Zacharias

BY-ELECTIONS to the Kerala legislature from four constituencies are to be held on May 17. The uncertainty about the outcome of the elections is evident in the CPI leader M N Govindan Nair's statement that even if all the four seats are won by the opposition, it would mean no loss of confidence of the people in the ministry. The Congress (I) leader K Karunakaran has, however, declared that these elections would mark a turning-point in Kerala's politics. The CPI(M)-led opposition front too has taken up the by-elections as a challenge to the ruling front.

The four seats involved are Kasargode and Tellicherry in Kerala's northern-most district of Cannanore, Thiruvalla which lies to the south of central Kerala and Parassala in the extreme south bordering Tamil Nadu.

Two by-elections have already taken place in Kerala since the last general elections. In the first one in Kazhakuttom, former chief minister A K Antony won, but only with a reduced majority. By the time of the second by-election from Trivandrum east, important political changes had taken place, like the split in the Congress and the crossing over of the NDP, the political wing of the Nair communal organisation, NSS, to the Congress (I) camp. And in a close triangular contest, the CPI (M) won the seat. These two results showed a certain amount of erosion in the support for the ruling front.

But things have further changed since then. Reactionary political forces have got close to the ruling Congress and the ruling front because they consider that to be the only way to prevent the return of the CPI(M) to power. And the ruling front, in its own way, is placating these forces. One of the top leaders of the NSS, Sivasankara Pillai, has been appointed Advocate General of the state. The chairman of the SNDP, the communal organisation of the Ezhavas, P S Velayudhan, has been made the chairman of the State Farming Corporation. A splinter group from the NDP has been won over to the ruling front — at a price, it is said. In Kasargode, a representative of the Bhivarasabha who had filed his nomination as an independent has withdrawn in favour of the ruling front on the basis of an alleged donation to their temple funds.

In Tellicherry, the main contest is between CPI(M)'s N V Rajagopalan and CPI's K Sreedharan. Congress (I) is supporting an independent, A P Shanmukhadas. In the last general elections, Patyam Gopalan of CPI(M) had defeated CPI's N C Mammutty by a margin of 8,000 votes. It is said that Mammutty, a young local Muslim CPI leader, has been replaced by Sreedharan, an old guard of the communist movement, precisely to attract RSS votes. The CPI(M) candidate Rajgopalan is the party's crusader against the RSS and has been in the forefront of organising resistance against RSS attacks. Since the CPI(M) began its political offensive against the RSS through public meetings and demonstrations, innumerable clashes have taken place between the two and eight CPI(M) and five RSS workers have been killed.

"In these clashes, we are with neither", that was how P P Mukundan, CPI state executive committee member and member-in-charge of the Tellicherry elections, explained the CPI's position to this correspondent. "RSS is a political trend. Maybe it is reactionary. It has to be fought politically. We will accept votes from anybody, no matter whether it is an RSS vote or a Congress (I) vote." The CPI organ *Janayugom* wrote recently: "In spite of all the pressures that the Janata leadership may be able to exert in the name of all-India alliance, it seems the RSS at Tellicherry will not work for the CPI (M) candidate." CPI workers in Tellicherry town told this correspondent that the RSS will vote for the CPI to defeat the CPI(M). The CPI is also confident of capturing at least 2,000 traditional votes of the CPI(M) as well as some votes of the Congress(I) as it has no official candidate

According to the CPI(M) spokesman Pinarayi Vijayan, MLA, the state government machinery is on the side of the RSS. The attacks on the CPI(M), he alleged, have been carried out by specially trained volunteers who have come from outside Tellicherry They are camping at their secret training centres at Chettytheruvu, Thirurangadi and other places. This has been brought to the notice of the authorities concerned as well as the ministers. But no steps have been taken. A special type of dagger used for stabbing is left in the stabwound itself. On April 6, four beedi factories at Kayalodu, Kottiyodi, Champadu and Punnole were attacked with bombs, resulting in the death of three and wounding of 29 others, all Marxists. Not a single person has been arrested so far. Though CPI leaders spit fire against the RSS in Parliament, here in Kerala the government machinery has not at all moved against RSS violence. The CPI(M) has succeeded in bringing

together the [...] sections of the Janata party and they are jointly carrying on the election campaign.

In Kasargode constituency, RSS training centres are active at Mallikarjuna Devasthanam, Edaneeru Swami Muttom and other places. The CPI(M) has brought this to the notice of the authorities. By remaining passive spectators, the government and the ruling parties are actually encouraging the RSS. In Kasargode, the main contest is between the Muslim League (ruling front) candidate, T Ahmedali, and B M Abdur Rehman of the opposition League. In 1977 the Muslim League had won by a margin of 6,000 votes. At that time, because of an understanding with a section of the Karnataka Samiti, the ruling league had secured an estimated 3,000 votes, according to their spokesman. This time the Samiti has fielded its own candidate. Besides, the Congress (I) candidate is a prominent leader of the Kannadigas. All attempts to bring about an understanding between the Samiti and Congress (I) using the good offices of the Karanataka Congress (I), have so far not succeeded. If an understanding is ultimately brought about between the Samiti and Congress (I), there will be a keen triangular contest. Otherwise, it will be mainly a contest between ruling front League minus Congress (I) and a section of the Samiti on the one side and the opposition front minus the RSS on the other.

The Karnataka Samiti is not an innocent national minority movement. The highly chauvinistic and Hindu fanatic positions of a section of the Samiti have proved fertile soil for the RSS. Muslims constitute the largest single force in Kasargode constituency. Even in Tellicherry Muslim voters number 20,000. Thus in both constituencies, along with the RSS question the problem of Muslim minorities in relation to the Janata party is a serious issue.

The RSS in Kerala was originally confined to the Kasargode-Manjeewaram area. Later it spread down to Palghat with the support of the landlords of the area and now it has an all-Kerala spread, though its influence is still limited. The Karnataka Samiti has not been able to whip up any linguistic or nationalistic hysteria because beginning with the 1957 E M S Namboodiripad ministry, a number of steps have been taken in the field of education, employment, etc. to satisfy the cultural needs and aspirations of the minorities. A section among them have demanded the secession of certain border areas to Karnataka. At the same time, a considerable section of the Kannadigas, Konkanis and Tulus prefer the present position. It is the linguistic chauvinism fed by upper-caste and upper-class Hindus of these nationalities that has led to Hindu fanaticism and the birth of RSS in north Kerala.

Unlike Tellicherry and Kasargode, the RSS is not a political force in Thiruvalla where P C Thomas of the Janata is pitted in a virtual straight contest with John Jacob of the ruling Kerala Congress. The Janata has the support of the NDP while the splinter NDP supports Kerala Congress. Consequently, the Congress (I) is forced to carry on a lonely battle without allies. The official bio-data of every one of the candidates extols the role played by each in the 1959 anti-communist 'liberation struggle'. This is enough of a guide to the general character of the constituency. The CPI(M), however, has a basic vote-strength assessed between 13,000 and 17,000 and the Janata's battle is based on that. Being a Christian majority constituency, O P Tyagi's "Religious Persecution Bill", as it is termed here, and ban on cow slaughter are serious issues. The Kerala Congress is the most influential political force in this constituency. The Janata candidate P C Thomas was still recently one of the Kerala Congress's prominent leaders and the Kerala Congress candidate John Jacob was still the other day the local Janata leader. He had deserted the Kerala Congress to become the Janata candidate in the 1977 elections. A Kerala Congress dissident is contesting as an independent. The faction-ridden position of the Kerala Congress, it appears, as adversely affected its fortunes in this election. Besides, the votes polled by Congress(I) will leave its own gap in the ruling front's votes. Moreover, the NDP which was with the ruling front in 1977 is now with the Janata in this constituency.

Down south in Parassala, it is the Tamil minority in the form of the Nadar community and the issues affecting it that will decide the election. From 1952 onwards, in every election, a member of the Nadar community has represented this constituency. And this time too the three main political groups have fielded candidates belonging to the Nadar community. In a constituency of backward people, of weavers and palmirah tappers, of agricultural labour and poor peasants, economic issues are the live ones. But here again a considerable section of the Nadars are converts to various Christian denominations and as such the Tyagi bill and cow slaughter assume importance. The Congress candidate last time won by a margin of 13,000 votes over the CPI(M) candidate. The Congress (I) has an influential candidate in the person of N Sundaram Nadar who has the support of the NDP. P C Nadar of the Congress (ruling front) has the support of the splinter NDP whose influence is negligible. M Satyanesan is the CPI(M) candidate, while a Janata dissident Sundaresan Thambi is contesting as an independent. This is thus the one constituency in which the two Congress are locked in a struggle and it is only here that the Congress (I) has some chance of showing that it exists.

Viewing the by-election scene as a whole, one finds the RSS and the Janata misrule dominating the campaign. But for the political opportunism of the CPI in wooing RSS voters, the battle would have been straight on this issue. For the CPI(M) the Janata alliance is a burden which is taking all its politcal acumen to explain away. At the same time, the CPI(M) can claim that it is the only party which has now as well as in the past stood firmly against the RSS The ruling front as well as the Congress(I) claim that the CPI(M)'s influence among agricultural workers and the backward sections is on the wane. That the CPI(M) has not been able to expand its political influence is too visible to be ignored. The fortunes of the election will be decided by the way in which the once-Congress votes are divided between Congress (I), the ruling Congress and the CPI(M).

Ashok Leyland Limited

Ennore Madras 600 057

Speech delivered by Mr S Ranganathan, Chairman, Ashok Leyland Limited, to the Shareholders at the 30th Annual General Meeting of the Company held on 30th April 1979 at Ennore, Madras 600 057

Friends,

It gives me great pleasure to welcome you all to the 30th Annual General Meeting of your Company The Report of the Directors and the Accounts for the year ended 31st December 1978 together with the Report of the Auditors have been with you for some time now

In my speech last year I made mention of the Government s appreciation of the vital role of the Transport Industry and expressed some optimism in regard to the growth of the automobile industry You will be pleased to know that as a result of various steps taken by the Government in providing assistance to the industry, total production of commercial vehicles in India recorded an increase of 38% during the fiscal year 1978-79 over the previous year As you will have seen from the Annual Report, our own production during 1978 recorded an increase of 37% over the previous year

The increase in production has been possible with Government assistance in allowing import of critical components which were not available in the volumes required by us from our indigenous suppliers Import was also permitted of those items where we had capacity constraints But imports cannot be a permanent solution With increased inflow of imports, cost disparities between domestically produced and imported components have inevitably resulted in price increases of the finished vehicles.

Although it has been the Government s intention to keep under check the overall price situation in the country the recent Budget proposals have encouraged inflationary tendencies in the economy. The recent rise in price of steel and various other engineering goods coupled with the excise levies cannot but affect the price of our own products.

Recent developments resulting in the phenomenal increase in the world prices of crude oil has over-shadowed the many problems we are facing on the home front. It is a matter of considerable concern for all of us that we are once again faced with a situation of acute power shortage all over the country as a result of which amongst other things, we are already experiencing difficulty in obtaining supplies of materials and components Our own problems at Ennore have been compounded by the fact that we are unable to utilise our captive generating capacity on account of scarcity of diesel There would therefore, appear to be no escape, at least for this year, from continuing imports of critical components

I am, however, not unduly pessimistic as the Indian Automobile Industry is used to vicissitudes and we as in the past, shall treat them as a challenge and continue to maintain the growth in your Company, both in regard to production and sales

Inspite of substantial increase in the production of commercial vehicles the demand remains unsatisfied to a considerable extent Your Company has obtained Government of India's approval for increase in licensed capacity for the manufacture of medium duty vehicles to 12 500 per year and you will be happy to know that we have already taken effective steps for achieving this capacity as rapidly as we can In addition the Company has undertaken programmes for replacement and modernisation of production facilities and our request for soft loans to finance this investment has been approved by the financial institutions

With the increasing activities of the Company your Directors have decided to establish a second location for our manufacturing activities and a site has been chosen in Hosur, declared as a backward area by Government We are hopeful that our construction activity at this new site will commence within the next few months

The demand projections for commercial vehicles prepared by the Working Group on Transport Industry constituted by the Government of India, the recommendations of which have been accepted in principle by the Planning Commission, confirm the need for your Company to consider further expansion of activities and Government of India have also been impressing on us the urgency of our undertaking further expansion. We hope to submit very shortly an application to the Government for permission to increase the licensed capacity from 12 500 to 40,000 vehicles per year This will be a major step for your Company but I am confident that with the ability and maturity of your management team and workers this ambition is not beyond our capacity to achieve

Apart from expansion of volumes, we are actively looking at the upgradation of our products and the introduction of new vehicles Last year I dwelt at some length on the research and development efforts undertaken by your Company The new vehicle, Tusker, with a gross vehicle weight of 13 tonnes which was introduced last year has become extremely popular in the market and we are increasing our production of this model to meet the market demand An event of considerable significance during the year has been the development of an indigenously designed multi axle vehicle with a gross vehicle weight of 18 tonnes to carry higher payloads You might be aware that there is a legislative restriction in India on the load carrying capacity per axle and this new vehicle which has stood well in extensive field trials so far should provide the means of overcoming this constraint We have also entered into an agreement with Leyland Vehicles Limited for their providing know how for up dating the technology of engines and axles Your Company continues to accord the highest priority to Research and Development and it is our endeavour to keep abreast of technological developments and to design our vehicles in a manner which is best suited to Indian conditions.

With all these schemes for expansion, replacement and modernisation, research and development we are planning to spend during 1979 nearly Rs 18 crores on capital items which will amount to more than 11% of our turnover This size of investment reaffirms our confidence in the future but it is to be appreciated that this kind of spending will show up in depreciation costs and would therefore, have an effect on the profitability of the Company inspite of higher turnover

You will recall that during 1978 the Company capitalised a part of its General Reserve with the issue of equity shares as fully paid bonus shares in the ratio of one share for every two shares held Taking into account the capital as enlarged by the issue of bonus shares your Directors have recommended payment of a dividend of 16% subject to deduction of tax and you will no doubt agree that this compares very favourably with last year s dividend of 18% which was on a much lower capital base

The recent public issue was over subscribed about 14 times which you will agree is a clear indication of the confidence placed by the investing public in the management and future prospects of your Company The basis of allotment of shares as per the Government guidelines have been finalised in consultation with the Madras Stock Exchange, and the allotment will be made shortly

Following the sanction accorded by you at the last General Meeting the term of Mr F Holdsworth as Managing Director was extended upto 30 9 1978 but unfortunately he could not complete his full tenure due to ill health On behalf of you all I wish to place on record our appreciation of the services rendered by Mr Holdsworth as Managing Director to this Company and wish him well Mr R J Shahaney the first national to hold this post has succeeded Mr Holdsworth as the Managing Director of the Company I shall not dilate on his competence and dynamism

Mr D H Pitcher resigned as a Director during the year Mr D R G Andrews, also tendered his resignation as a Director of this Company in view of his other pressing assignments and Mr J D Abell has been appointed a Director in the casual vacancy caused by the resignation of Mr Andrews I wish to place on record my appreciation of the advice and assistance given by Mr Andrews during his tenure as Director Messrs R J Shahaney, C S S Setty, W K MacIver and R A Fryars were earlier during the year appointed as Directors they vacate office at this meeting and necessary resolutions are submitted at this meeting for their re-appointment

I would like to record our gratitude to BL Limited and Leyland Vehicles Limited for their continued support and active assistance in the development of the Company I would like to take this opportunity to convey our sincere thanks to the Central and State Governments for their encouragement and support and also to the financial institutions and our bankers for the support they have continued to give us in our day to day operations You will I am sure wish to join me in expressing our warm appreciation of the enthusiasm and loyalty of all employees and the administration of the management team which have contributed to the gratifying results we have been able to achieve during the year under review I must not forget to express the gratitude we owe to all our dealers and suppliers of materials for their continued support, which I am confident they will continue to give us

Finally on behalf of the Board of Directors and myself I would like to convey our sincere thanks to you, shareholders, for all the confidence that you have reposed in us, which has been our main stay in the management of the Company

NOTE This does not purport to be a record of the proceedings of the Annual General Meeting

SAA/AL/478

Steel Pricing and Distribution

S V Char

EFFECTIVE April 7, 1979, Ministry of Steel and Mines has marked up the base prices of all steel items by 15 per cent. This would be over and above the development and import surcharges. Effective the same date, the government has also imposed a surcharge of Rs 100 per tonne on pig iron. The price increases would also apply to quantities already held in the stockyards.

The latest rise comes on top of upward revisions of prices on September 12, 1978 by Rs 100 per tonne and earlier, on June 5, 1978, by an average of Rs 320 per tonne. Of this latter amount, Rs 100 constituted a surcharge on all items excepting plates, structurals, tin bars and railway materials to be credited directly to a development fund. Yet another amount of Rs 45 was towards freight subsidy again to be credited straight away to the Freight Equalisation Fund administered by the JPC. The additional revenues from the net increase in prices of Rs 175 could be shown as part of sales proceeds in the profit and loss account of the producers and help keep the wolf from the door. For instance, TISCO on its product mix could benefit to the extent of about Rs 24 crores in a full year which, however, is not permitted to be frittered away in dividends. The additional sales realisation is governed by a stipulation that the dividend rate for a period of three years should not exceed 12 per cent. The price hike in September 1978 was for the different purpose of subsidising the higher cost of imported steel released from the pooled buffer stock.

The latest 15 per cent hike and the June 1978 surcharge have been specifically for the purpose of building up the new Steel Development Fund replacing the Plant Modernisation and Development Fund which had been wound up on March 1, 1964. The PM and D Fund and its predecessor were both operated with the help of the retention price system which, since April 1, 1977, has also been dispensed with. In respect of pricing several basic goods and services such as steel, coal, railway transport and power generation, the supplies of which are mainly a public sector responsibility, there has always been a cast-iron case in India for de-emphasising the external social obligation aspects of pricing. But thanks to the all pervading system of subsidies and other fiscal gimmicks in respect of public sector pricing, such realism has yet to make itself felt. Consequently, dual pricing of steel propped up by the 2-tier distribution system has meant losses in profits — Rs 32 crores for the Bhilai plant and Rs 12 crores for the Rourkela plant, for example. Durgapur's loss increased by Rs 4.5 crores.

It has been admitted by the government that increases in the cost elements had 'eaten up' the additional funds which accrued from the June 1978 mark up. As a result, instead of a respectable Rs 100 crores in the development kitty, there was now only Rs 30 crores. Further, the concessional pricing of steel supplied to the small scale sector, sharp increases in entry taxes on raw materials in Madhya Pradesh on transhipments, falling production caused by inadequate coking coal and power supplies have also contributed to the deprivation of resources for the Fund. It is also indisputable that the impact of the railway and union budgets have been adverse on the finances of steel producers.

As a matter of fact, there has never been a dearth of arguments for marking up steel prices. Underrecovery of the inexorable increases in costs is perhaps one of the strongest. The Inter-Ministerial Committee on retention prices estimated that, between 1972 and 1976, costs of production for the entire range of JPC products had gone up by Rs 356 per saleable tonne but there had not been price increases of the same order. In July 1975, the increase in prices was Rs 80 per tonne with no compensatory increase for the balance amount of Rs 276. Thereafter, the costs of all major inputs, coal, refractories, tin, furnace oil, ferro-manganese, ferro-silicon, along with power tariff have gone up and the trends apparently are still upwards. Wage bills and other benefits to employees have increased substantially as have railway freight rates.

In this connection, one may recall the escalation formula under the retention price system. Upward revisions in prices were permitted whenever cost increases worked out to more than 5 per cent of the works' cost excluding depreciation. Nevertheless, despite a standing cabinet ruling to this effect, increases in steel prices till recently were slow in coming.

Such rigid regulation of prices is mainly because of the heavy forward linkages that steel, as an intermediate product, has with the rest of the productive sectors of the economy. Thus, *inter alia*, the overwhelming concern with general price levels has come in the way of the government agreeing to mark up of prices, although ever since October 15, 1973 there is no statutory control on price of any category of iron and steel.

What is disquieting about the latter-day price increases is the stage-by-stage mark up in prices instead of in one lumpsum. While in the past there was a measure of stability in the prices of steel especially of JPC items, over the past twelve months or so prices have been revised periodically, particularly in non-JPC items. For instance, they were marked up on 1.3.78, 4.6.78, 5.6.78, 12.9.78 and 7.4.79 or about five times in the course of about a year. Stockyard prices have gone up oftener — for example, thrice in a period of 96 days on 1.3.78, 20.5.78 and again on 5.6.78. The reasons for such revisions are not far to seek. As noted above, prices of inputs, in particular of coal, railway fares and freights, fuels, electric power as well as indirect taxes are themselves being put up and, fortunately for the producers, the earlier rigidity about revisions is much less in evidence over the past year or so.

The thinking on pricing of public sector products having undergone some perceptible change towards commercial pragmatism, it will not be long before steel prices are once again put up to cover an anticipated 25 per cent increase in coal prices, wages, fuel and so forth. Thus, before the dust of the April 1979 increase settles down, there would be another one, marginal or sizeable depending on the extent of the coal price and the wage hike.

The rationale advanced for the recent upward revisions in prices has been one of internal generation of a larger measure of resources to finance developmental outlay. But there is more than meets the eye here, as we shall see presently. The Sixth Plan has earmarked an amount of Rs 2490 crores for establishing new iron and steel capacity and for purposes of undertaking the development of other economic activities linked backwards to it. For the first year of the Plan, the revised estimate of budgetary support for SAIL alone was Rs 346.15 crores. For the current year, SAIL's capital outlay is Rs 444.97 crores against which the budgetary provision has been only Rs 214.97 crores. SAIL, therefore, would have to fend for itself to the tune of as much as Rs 230 crores. This

TABLE: COMPARISON OF BAZAR AND BSC PRICES

Items	JPC Ex-Plant price w e f 7.4.1979 Rs/T (1)	Wholesale Bombay Bazar Prices as on 14.4.79 Rs/T (2)	BSC (UK) Basis List Price as on 2.4.1979 Rs/T (3)	Column 2 as Percentage of Column 1 (4)	Column 3 as Percentage of Column 1 (5)
Rods in Coils/Straight length 6 and 7 mm	2650	3700	2959	140	112
Rods in Coils/Straight length above 60 mm	2698	2800	3000	104	111
Flats all sizes	2801	3900	4887-a	139	175
Equal angles	2437	3800	3204	156	131
Joists	2517	4000-5000-b	3543	159-199	141
Billets/RC Squares	2190	2750	2773	126	127
Blooms and Slabs	2132	2500	—	117	—
Plates	2773	4900	3078	177	111
GC Sheets (16-20 G)	4670	7800	4141-c	167	89
G P Sheets (16-20 G)	4641	7600	—	164	—
G P Sheets (thinner than 20 G)	5519	7900	—	143	—
Hot Rolled Coils (2-10 mm)	3023	5000	3602	165	119
H R Sheets (14 G and thicker)	3223	4550	3230	141	100
H R Sheets (thinner than 20 G)	4222	5000	—	118	—
C R Coils (14 G and thicker)	4124	—	3576	—	87
Pig Iron (Foundry Grade I)	1041	1700	1826	163	175

Notes: a = These prices relate to spring steel flats and for M S flats it should be somewhat less.
b = Depending upon the size.
c = Price relates to 14 G sheets.
(1) Price data in columns 2 and 3 and particularly in column 2 should be considered approximate merely indicating the magnitude of the prices, since they fluctuate considerably.
(2) To compute stockyard prices, stockyard handling charges of Rs 35 may be added to column 1.

Sources: (a) Compiled by the author on the basis of JPC Announcement No 182 of April 6, 1979 (Column 1).
(b) Personal enquiries (Column 2). (c) *Metal Bulletin;* April 3, 1979, p 35 (Column 3). Prices converted at an exchange rate of £ = Rs 16.91.

should mean putting up prices substantially, since costs are sacrosanct, not to be curtailed through better purchase management, inventory and production control, higher shop-floor productivity, etc.

These observations about SAIL are equally true for all other public sector producers and for the entire industry. The Plan outlay being Rs 600 crores and the government's assistance being Rs 365.63 crores it may be conceded that the targets and objectives in steel cannot be achieved unless internally generated resources are adequately enlarged.

The present supply and price situation is in sharp contrast to the one that prevailed some 18 months ago when there were solicitous thoughts of price reduction to clear accumulated stocks. Steel consumption at that time was also being sought to be promoted in the primary sector for bio-gas units, storage bins, foodgrain godowns, bullock-carts, etc, so that over a period perhaps the per capita consumption of steel may go up from the dismal 12-14 kgs to at least as much as that of Egypt, about 20 kgs. Earlier, it was even being stated that during 1976-77, the excess of availability over domestic offtake was about 2.185 million tonnes and, accordingly, 1.49 million tonnes of finished steel and 1.022 million tonnes of pig iron were also exported during the year. The country's emergence as a net steel exporter, it was believed, was not a happenstance. But today demand appears to have peaked with the indents from major consumers such as wagon builders, structural fabricators, wire-drawing units, electricity boards, automobile industry, oil refineries, construction and others having substantially gone up. The supply position is tight and the premiums are high.

The buoyancy in steel markets is evidenced by the fact that in the course of a relatively short period of about 22 months, the prices of even a raw steel item such as electric arc furnace ingots have shot up from around Rs 1340 per tonne to Rs 3025 per tonne in mid-April, inclusive of the levy of Rs 100+5 per cent (special duty) on April 9, 1979. In other words, mini steel ingot prices have shot up by 226 per cent and in the process both the ministeel units and their input suppliers have been able to make good hay when the market sun is shining bright. If steel consumers wish to make full use of the established capacity of about 3.9 million tonnes in ministeel units, perhaps there can be no better way to do it than by keeping up the present festive mood in the market.

There is ample evidence to establish that the steel authorities are not entirely innocent of the trends in the market while revising their own prices. Thus, in June last year, the price increases veried anywhere from 8.19 per cent in the case of billets to as much as 45.17 per cent in the case of plates (IS-226) or in absolute figures from Rs 131 to Rs 696. In the case of HR sheets, CR coils, CR sheets of the thinner gauges, the increases were over Rs 890 per tonne. But the heftiest increase in June last year was in respect of GP sheets of 20G and thinner whose prices were put up from Rs 3375 to Rs 4588. But even after the increases, prices have always been way below the ruling prices in the bazar, as is brought out in column 4 of the Table. In the bazar, foundry grade pig iron, for example, sells at 63 per cent more than the JPC prices. Prices of plates are 77 per cent higher. Rounds and Squares, perhaps because their prices are only 4 per cent higher, are not much transacted. Blooms and slabs are 17 per cent higher if at all they are available to the rerollers, who would be willing to buy them up even at higher prices, depending upon the bazar prices of their own end products.

It is also apparent from column 4 of the Table that except in the case of items such as CR coils and GC sheets, the British Steel Corporation's basic prices, even after the 15 per cent increase in Indian prices are 11 to 75 per cent higher, the largest price difference being in respect of foundry grade pig iron and flats of all sizes. It is thus clear that domestic prices in the UK

rule much higher than in India and that we have been following a cheap steel policy.

There is also a cogent case for upward revisions in the prices of a few items so that at least a part of the large premiums and the apparent consumer surplus which legitimately belong to the producers are mopped up. It would also be interesting to study what the market can bear without, at the same time, being apathetic to the heavy backward and forward linkages the industry has with the rest of the economy and the impact of such an increase on the economy. Dual pricing should not mean just cheap steel and cheaper steel, but more rationally, cheap steel and what-the-market-can-bear-price steel.

In this setting, the government may also enquire as to at what prices engineering goods (metal products) are being marketed and the margins of such manufacturers. It would not be surprising if the number of engineering units which price their end products as if they have bought their requirements of steel from the bazar is not small. They also have an enviable temptation to reroute their entire allotment to the bazar, which at times may be a more rewarding deal than adding value by manufacture and marketing the metal products. There is no reason why JPC, stockyard or SSI prices should remain low enough to offer such a temptation. That brings one to the more basic question of replacing the dual pricing policy itself by a uniform price policy which may after all be better for the producers as well as consumers.

It would be more meaningful to study pricing policy in apposition with the two-tier distribution policy introduced in May 1975 under which a leading role is accorded to producers' stockyards. What the producers and the sponsoring authorities allocate the market reallocates. The existing distribution policy, providing for deliveries ex-plant in rakeloads and ex-stockyard and *via* small scale industries corporations and through the trade, can do well with a few amendments. Some revamping can help to some extent in preventing artificial scarcities. The genuine consumers should not only be supplied adequate quantities at the right time and at the right price, but also the opportunities for rerouting the supplies should be minimised.

Most fingers point to the traders for the large premiums for practically all steel items and pig iron. But as a matter of fact, the trade is only the visible part of the widely ramified reallocation game. When they do provide a retail outlet for certain quantities of steel, they will not always be acting on their own. For this to be possible, steel allottees and other users, big or small, as well as some officials themselves, particularly at the stockyards, have to more than extend co-operation. Where else can the stock-in-trade of tested and quality steel come from, the traders being entitled to only off-grade, untested and defective material?

A major strong point as well as a weakness of the distribution policy relates to ex-plant supplies. The rakeloads (20 wagons of about 1,000 tonnes) of supplies direct from the plants to the actual users have in fact contributed to a measure of efficiency of the distribution system. But it has also resulted in large quantities being appropriated by large users, numbering about 800 when this policy was introduced in May 1975. It is true that the rakeloads are made available against irrevocable letters of credit which only the financially sound and mighty can afford and against unimpeachable documents from numerous government departments. But it is possible that the entire quantities are not immediately required but over a period of months. Therefore, stockpiling of steel and pickling of working capital funds cannot be avoided. There must be a less vulnerable system of assessment of requirements to be met by rakeload supplies for due incorporation in the distribution policy.

Secondly, consumers do inflate requirements while indenting. After meeting their genuine requirements, there is a sizeable quantity of left-overs which finds a ready outlet in the bazar. This hoary tradition of inflating needs is not confined to DGTD or SSI units but even to government departments and public sector organisations. There is no dearth of quota sellers in the market with eager bazar operators waiting to grab them for a fat premium. But thanks to the fact that there is no so-called statutory control on steel prices, this is innoculously being termed a premium.

It is true that hundreds of blacksheep have been identified and supplies to them have been suspended. A large number of them have been debarred from receiving further supplies for periods of upto five years. The DGTD and the SSI units under the umbrella of the Directors of Industries need to be watched more carefully. But what is really called for is a more vigorous discharge of the enforcement function by the regional officers of the Iron and Steel Control, making better use of Clause VII of the I and S Control Order 1956. A crackdown on both seedy SSI units as well as genuine allottees with phony steel requirements should have a salutary impact on the distributional mechanism. A pointer to the likely collusion between the allottees and the bazar is that the former lift materials generally when the bazar is 'tezi'.

For both the pricing and distribution policies to function without going haywire, it is axiomatic that steel demand is not allowed to outstrip supplies, but on the other hand supplies are at least a million tonnes (under the required categories) ahead of needs. Such an excess can constitute a bufferstock worked on an imprest system. Since both JPC and stockyard prices are listed, there can be no loss of revenue to producers, even if the bazar prices, on account of the buffer and official intervention in the market, remain steady or come down.

Even the best of techniques for projecting steel demand in the short, medium or long-term can only indicate the broad magnitudes of demand. But they let one down mainly because of the unforeseen discontinuities in the basic parameters, unreckoned-with structural changes in the economy and the stupendous problems in quantifying the co-efficients of consumption which are universally valid for all the units in the consuming industry and are close to actuals. Secondly, while quantitative techniques are helpful for long-term or medium-term projections, for assessing short-term requirements, there can be few substitutes for down-to-earth market research.

Be that as it may, there is at the moment no need to create a separate cell or division for monitoring the growth and demand over the short-term, medium-term or the long-term. The authorities concerned have all the necessary machinery for this purpose. They only happen to be nonperforming, almost philosophically accepting that the glut of yesteryears has given place to the present chronic shortage, mainly on account of a 15 per cent spurt in steel demand as against a projected 8 per cent annual growth. The six regional offices of the Iron and Steel Control need to play a more active role in this respect. As a matter of fact, one of their major functions is to undertake monthly market surveys for assessing the demand and supply position of iron and steel items. The data thus monitored should be followed up with the producers with pre-emptive action aimed at giving the slip to speculative forces and stabilising the market.

Albright, Morarji and Pandit Limited

Registered Office:

Raj Mahal, 3rd Floor, 84, Veer Nariman Road, Bombay-400 020.

Speech of the Chairman, Shri N Dandekar

Speech delivered by the Chairman, Shri N. Dandeker, I.C.S. (Retd.) at the Thirteenth Annual General Meeting of the Members held on Tuesday, the 24th April, 1979.

Good Afternoon, Ladies and Gentlemen.

I have pleasure in welcoming you to this THIRTEENTH ANNUAL GENERAL MEETING.

Today, I recall with great sorrow that just a few days after the last Annual General Meeting, our colleague Mr. P. R. Morarji expired on 2nd May, 1978. He was mainly responsible for the formation of your Company, and right from its inception, he was the invaluable guide and constant source of inspiration to your Board. In his sad and untimely demise your Company has suffered an irreparable loss. As a mark of respect to his memory, I request you, Ladies and Gentlemen, to stand and observe a minute's silence.

The Audited Accounts for the year ended 31st October, 1978 and the Directors' Report for that year have been with you for sometime now. With your permission, I shall take them as read.

You will have observed from the Directors' Report and the published Accounts that although the sales turnover of the Company increased by 20% both in quantity and value, the pre-tax Profit for the year (before providing for Investment Allowance Reserve) decreased from Rs 1,96,25,121 to Rs 1,82,80,937 due to rising costs. However, due to appreciable reduction in the provision for Taxation as also for Investment Allowance Reserve, the Net Profit for the year increased to Rs 64,10,937 as compared to Rs 59,79,121 last year.

To absorb the substantially higher cost of production, the Selling Price of Sodium Tripolyphosphate (STPP) was increased by Rs 600 per tonne (from Rs 5,850 to Rs 6,450) with effect from 1st February, 1979. Soon thereafter, the Excise Duty on STPP (which we recover from our customers) was raised by the Union Budget from 5% to 8% *ad valorem*.

During the first five months of the current year, i e November 1978 to March 1979, the Company has sold 9,323 tonnes of STPP valued at Rs 5.66 crores, as compared to 7,962 tonnes valued at Rs 4.58 crores during the corresponding period last year. This was not unexpected; and the outlook continues to be good.

I am happy to announce that the Sulphuric Acid Plant of 45,000 tonnes per annum capacity at your Company's Roha Works has started producing acid and the usual teething troubles are being rectified. The work of construction of the Sodium Hexametaphosphate Plant with 3,000 tonnes per annum capacity (the technology for which was developed by the Company itself) is progressing satisfactorily.

During the year under Report, your Company made donations to alleviate the distress and sufferings of people affected by the devastating floods in Andhra Pradesh. Likewise, a substantial donation of Rs 1,25,000 was made for setting up a school at Ambarnath to be named after the Late Mr P R Morarji.

Your Company's relations with its employees have been cordial; and I must thank all employees for the efficient services rendered by them.

I also gratefully acknowledge the continued co-operation and technical assistance rendered by our collaborators, Albright & Wilson Ltd and the Dharamsi Morarji Chemical Co. Ltd, both for the current operations as well as for expansion and diversification of your Company's activities.

I must thank all my colleagues on the Board for their valuable services, assistance and guidance.

Ladies and Gentlemen, I now have pleasure in moving the following Resolution:

"RESOLVED that the Audited Statements of Accounts of the Company for the year ended 31st October 1978 and the Directors' Report to the Shareholders be and they are hereby received and adopted."

Note · "This does not purport to be part of the Proceedings of the Annual General Meeting."

Utkal Machinery

UTKAL MACHINERY will supply India's largest concentrator plant for lead-zinc and lead-zinc-copper ores for the Rajpura-Dariba mines of Hindustan Zinc. This plant, near Udaipur, will have a capacity to treat 2,700 tonnes of lead-zinc and 400 tonnes of lead-zinc-copper ore per day. The order by Hindustan Zinc, a Government of India enterprise, is valued at Rs 11.8 crores The scope of work by UTMAL, a subsidiary of Larsen and Toubro, covers design, engineering, fabrication, supply, electrical and sophisticated instrumentation systems civil construction, installation and commissioning of the concentrator. The major facilities involved in the order are for conveying the ore, wet grinding, concentration by floatation technique, dewatering by filters and thickners and for water recirculation. The basic design know-how for the concentrator is from Sala International of Sweden, UTMAL's collaborator in the field of the ore beneficiation. The import content of the supplies is less than seven per cent of the value of the order. Fabrication of equipment will be done at UTMAL's works at Kansbahal, in Orissa, and at the Powai Works of L and T and by several sub-suppliers. Another subsidiary of L and T Engineering Construction Corporation, which is presently doing erection work of concentrator for the Kudremukh project, will do the civil construction and electrical and mechanical erection of the Hindustan Zinc's concentrator The commissioning of the new concentrator complex in 30 months will result in marked increase in the production of zinc, lead and copper in India.

Economics of Feudalism

Ranjit Sau

An Economic Theory of the Feudal System: Towards a Model of the Polish Economy, 1500-1800 by Witold Kula; NLB, London; pp 191. (Translated by Lawrence Carner from the Italian edition; original publication in Polish in 1962.)

THE celebrated Dobb-Sweezy controversy[1] was concerned with the transition from feudalism to capitalism in Western Europe during 14th-16th centuries; it had very little to say on the basic structure of the feudal economy and the tendencies thereof.[2] Kula's book, on the other hand, spends itself more on the question of the inner structure of feudalism in eastern Europe, specifically Poland, during 16th-18th centuries, and has equally little to say on the problem of transition as such. The two together, being complementary in scope, would provide economists and historians enough food for thought in these days of drought of fresh thinking and flood of 'eight-legged essays'.

I

Model-Building

What are the units of analysis, and where to begin? This is an important question in method. In his study of capitalism Marx, after a false start in the "Grundrisse",[3] began with Commodity, went on to Money, and then to Capital. This is not a historical sequence, but only a methodological procedure. Once it was tentatively suggested by Takahashi that an analysis of feudalism should adopt the following categorical development: peasant farm (virgate) — village community — manor.[4] Kula also takes these categories, but not in that order.[5] He begins with a full-blown feudal system complete with its demesnes, peasant farms and craft guilds. Kula clears the ground with the observation that every economic theory ought to explain four things:

(1) the laws governing the volume of the economic surplus[6] and its appropriation (e g, the laws which govern the use of extensive and intensive methods of production, the laws which determine the degree of utilisation of productive forces and of the existing means of production, and the theory of feudal income);

(2) the laws governing the allocation of productive forces and of the means of production, and above all the allocation of the surplus (i e, the laws governing investment activities of all kinds, from taking on peasant tenements to investments of a manufacturing nature, the problems related to the productive or non-productive utilisation of the surplus, etc);

(3) the laws governing the adjustment of the economy to changes in social conditions, i e, the short-term dynamic;

(4) the laws of the long-term dynamic, and above all the internal causes of the disintegration of a determinate system and of its transformation into a different one. No theory is complete unless it contains this last element.

In other words, the task of every economic theory of a system consists in formulating the laws governing the volume of the economic surplus and its utilisation (points 1 and 2), and these problems have to be explained in the short-term and in the long-term (points 3 and 4).

An indispensable precondition for constructing a theory of social phenomena is the social determination of human behaviour which ensures that human behaviour will manifest itself as a mass phenomenon, that it will be oriented in a single direction within the limits established by the social structure and that it will *re-occur* within specific limits of time and place whenever specific conditions recur. This takes place in all societies. For every society, therefore, we can in principle construct a theory that is more or less broad ranging, more or less articulated. But does it not presume a certain degree of 'rationality' in economic behaviour? If so, how far are the economic activities in a feudal system informed by the concept of 'rationality'?

According to the prevailing thought, the answer to the question whether rational economic activity is possible where free competition does not exist, determines at the same time the answer to another question. Is it possible to construct the economic theory of a system that is not based on free competition? We have to ask ourselves, then, whether rational economic activity is possible within feudalism. The answer to this question does not determine the answer to the other question, whether it is possible to construct an economic theory of the feudal system. It undoubtedly determines, however, many characteristics of any such theory.

Kula maintains that, given the concrete complexity of historical reality, there is no reason to state the problem in terms of a dilemma. The question of the possibility or impossibility of rational economic activity is a matter of degree, not of absolute alternatives. Every economic activity is traditional to a certain extent and rational to a certain extent. In the course of economic development we can observe an increase in rationality.

If we mean by rational economic activity the minimisation of means and the maximisation of results, we will then be dealing with a rational economic activity whenever: (a) there exists more than one possible solution under the given conditions of technical knowledge, and (b) there exists the possibility of making a comparison between the multiple solutions and choosing the most economical one. The possibility of carrying out rational economic activity becomes greater in direct proportion to the number of available alternatives and the precision with which they can be compared. Choices among economic options are always being made in all socio-economic formations. In no system, however, are these choices ever made in so-called absolute freedom. In other words, the choices are never determined by considerations exclusively related to economic calculations. Rather, the choices are always socially determined. They are recurrent choices which display certain regularities, and on the basis of which dependent relationship can be established. It thus becomes possible to construct a theory of every economic system, feudalism included. In the course of economic development the degree of rationality in economic activities increases because the number of alternatives from which one can choose in each particular case increases. The number of alternatives from which one can choose expands as a result of two functionally interconnected processes: technico-scientific progress and increasing 'elasticity' in the social structure.

In short, an economic theory of feudalism is possible, QED There is a fundamental distinction between short-term and long-term. However, for a classical positivist the long-term phenomena are also the result of short-term ones, just as macro-economic phenomena are the result of micro-economic phenomena. Kula argues against this view as follows: long-term variations, the processes of develop-

ment, are not at all the simple result of short-term processes; as F Perroux states "growth only has meaning ... as a phenomenon related to the transformation of structures". A whole range of variables which we have the right to overlook in research on short-term phenomena (eg, variations in productive technology, in productivity of labour and in demography), become essential elements in the treatment of long-term phenomena. On the other hand, a whole range of short-term phenomena — reversible and non-cumulative — can be set aside in the case of research on long-term trends. It is beyond doubt that economic facts are subject to continual changes. In all likelihood, this variability is directionless and chaotic for certain elements and within certain limits, whereas for other elements it is cumulative and oriented in a particular direction. This cumulative, oriented nature can be observed for the most part only over the long-run, whereas over the short-run we almost always have the impression of directionless variations. One might even risk a generalisation: in precapitalist societies many economic indices are subject to greater fluctuations in the short run and only to very slow change in the direction of the trends; in capitalist societies however, the range of short-term fluctuations is reduced, but the trend of changes in direction is accelerated and becomes more pronounced. There is, then, no doubt that certain elements change rapidly, others slowly or very slowly, and certain elements can be regarded as constant even though they may vary greatly in the short run.

II

Short-Term Dynamic

The feudal economy is dualistic in character; there is a small monetised sector co-existing with an overwhelmingly large 'natural' sector. Production takes place in demesnes and in peasant farms. The demesne carries out essentially an extensive form of farming — with serfs. On the whole, production is limited by the number of serfs. An economic system based on demesne and serfdom entails an agrarian regime in which the peasant plot is, in principle, generally a subsistence unit and no more. But in fact, the feudal lord needed some larger peasant plots to be able to carry out the basic part of the simple reproduction of the demesne's productive capacity: the maintenance and reproduction of work animals, the preservation and renewal of equipment, etc. This accounts for the fundamental importance which the division of peasant plots into two categories takes on in this economic system: on the one hand, plots which supply only labour, and on the other hand, plots which supply labour and work animals. The problem was that in practice it was extremely difficult to arrive at this optimal point, to fix the dimension of the peasant plots so that it was neither more nor less than a piece of land sufficient for sustenance and reproduction.

Extension of the demesne area at the expense of the peasant plots is the means whereby the lord is able to increase the surplus product. The division of the land between lord and peasant, in that it is the key to the partition of the product into necessary and surplus product and to the division of revenues between lord and peasant, overlaps with the division of peasant labour between the lord and the peasants themselves. Kula observes that in practice the tendency was to reduce the area of the peasant plot below the optimal point during good years, and this measure could not but upset the reproduction process. He goes on to add that "it was precisely this element which was to become one of the fundamental elements in the feudal economy's disintegration"; but actually he fails to integrate this element in his long-term model of feudal disintegration in Poland, as we shall see below.

The use made of the surplus product was generally for the purposes of personal consumption of the lord and his retinue — either direct or indirect consumption, since a portion of the product was exchanged on the market for other goods. Direct consumption was considerable and tended to increase. It also grew as one passed from the lower to the upper ranks of the nobility. The part of the demesne production set aside for the market is extremely volatile. The yield of the land was subject in those times to tremendous fluctuations according to the kind of the year it was, whereas the amount of things consumed within the demesne was almost constant in a given period.

Both demesne and peasant lands generally made use of the same extensive form of farming. Under such circumstances, investment in agricultural production essentially means extension of cultivated area, with certain raw materials like timber, and above all, the labour of the serf. Whenever, the lord 'invests' he does not pay with money; he either forces the serfs to work on it or increases the duties imposed on them. The decision to invest either had no relationship to the market situation, or else it had a very peculiar relationship. Investments were decided not because the market conditions had become more favourable to the demesne (as happens in the capitalist system), but on the contrary because market condition had *worsened* and the lord wanted to make up for the losses sustained by increasing overall production, to maintain his own standard of living and social position.

The iron principle governing the economic activity of the nobility is to minimise those expenditures which are to be paid in money, and to maximise the earnings of money, having no regard at all to the serf's labour which does not involve any monetary disbursement. It is the money fetishism which reigns supreme. This is best illustrated by the balance-sheet (1786-98) of a demesne belonging to a middle nobility. The money income is 13,826 zl 20 gr (one *zloty* is equal to 30 *grosze*), while the money expenditure is 3,988 zl 14 gr; that produces a money profit of 9,838 zl 6 gr. But the labour services by the peasants, reckoned at the ruling wages, amount to 16,236 zl 14 gr, should this be taken into account as a component of costs the above-mentioned profit turns into a big loss. Yet the estate is viable and it commands a market valuation of as much as 160,000 zl. Kula notes that similar phenomenon can be found in India as well. (Remember, Amartya Sen drew our attention to it in the pages of the *Economic Weekly*.)

In the short run, then, demesne production depends upon the number of serfs; but the yield on land varies from year to year depending upon weather conditions. In good years the lord tries to squeeze the peasant land and thus jeopardises reproduction. The marketed surplus of the demesne output is extremely fluctuating. The lord 'invests' in bad years of low production.

Kula's story of a peasant farm in feudalism does not exactly echo the idyllic of Chayanov.[7] In the economic system based on the feudal lord's demesne and on the peasant's bondage to the soil, the typical peasant holding is a small piece of land sufficient to feed a family and for purposes of reproduction. Contrary to Chayanov's demographic differentiation, in Kula's model the variations in the size of individual holdings are primarily due to an uneven distribution of the reproduction functions among them. The sum total of obligations that encumbered such holdings was so great that a

TABLE

Terms of trade of: Year:	1600	1650	1700	1750
Upper nobility	100	139	121	310
Lower nobility	100	180	190	181
Peasant	100	82	58	25

holding of this kind often could not alone allow him to become rich. If the peasant attempted to get rich too obviously the lord was an ever-present threat.

In a poor year the tendency was to pass the losses on to the lord. The peasant could keep up his consumption level by giving less to eat to the livestock which was more valuable to the lord than to himself; or he could even eat the grain that was set aside as seeds In a year of good harvest, the peasant plot produced a surplus which was taken by him to the market; this led the lord to reduce the size of the plot, or else to increase the volume of services incumbent on it. As a consequence, in a poor year this plot had to drop below the level of a piece of land that was sufficient to feed a family. Precisely for this reason, poor years become more and more common with the passage of time in a feudal system and an economy based on the demesne and labour rent; and peasants' debts to the lord mount up with time, reaching fantastic proportions. Also, the marketed part of peasant (as well as demesne) production fluctuates more wildly than overall production, even though fluctuations in the latter are enormous.

Nevertheless, since in the system under consideration the peasant is under no obligation to produce for the market since the services in money paid to the lord are of little importance and, when the harvest is sparse, are not often paid at all, since the purchases made by the peasant concerned are not indispensable, the peasant could survive without buying or selling anything; he could withdraw like a snail into his shell Precisely for this reason it appears that the periodic recurrence of lean years did not bring about any irreversible and cumulative changes in the village structure in Poland, such as those which certainly took place in eighteenth-century France and those which took place in the structure of the landlord's properties at the same time in Poland.

The peasant's investment possibilities do not depend at all on the volume of overall production or on the market situation Rather, it depends on the amount of labour — primarily family labour, on the amount of services due to the lord from this available manpower, and finally, to an equally important degree, on the local possibility of enlarging the arable area. But then, the lord periodically appropriates the area under cultivation which had increased thanks to the efforts of a generation of peasants. This 'stability' of the peasant farm is quite different from the picture protrayed by Chayanov.

III
In the Long Run

In Poland in the fifteenth century a switch over from a system of tribute-payments in money and in kind to an extensive system of labour services coincided with the growth of corn export, following the Peace of Torun in 1466, which had given Poland an outlet to the sea.[8]

The export market, through Danzig, was monopolised by the upper nobility, and provisioned by demesne production, while the lower nobility could capture only the provincial trading centres, and the peasantry's trade remained confined to isolated local markets. The export price of grain was stabilised, or recorded some gain, the price of imported products, mainly for the luxury consumption of the nobility, continued to decline As a consequence, the terms of trade moved in favour of the upper nobility

There emerged a determinate regional dependence in the prices. The prices of export goods go down as one moves upstream along the main rivers, and those of the imported goods behave in the opposite direction. Now, define the terms of trade as the ratio between the price of a certain quantity of rye and that of a relevant 'basket of goods' purchased by the concerned seller of rye The computation based on the data of the port city of Danzig is attributed to the upper nobility, and that on the basis of data from the provincial city of Cracow is related to the lower nobility. As for the peasant, he is assumed to sell certain quantities of rye, oats, butter, eggs, in order to buy a yard of cloth, about 60 nails and a barrel of salt, at the price prevailing at Cracow. The results are surprising, as given in the accompanying Table.

The gain of the upper nobility from the sharply improving terms of trade is astounding; and the loss suffered by the peasant is equally significant even though only a tiny fraction of the produce from the peasant land passes through the market. One remarkable effect of this phenomenon was the process of contraction that took place on the inland market in Poland. The terms of trade at Danzig are so much more favourable than in the interior of the country that the upper and lower nobility gradually withdraws from the inland market. For the upper nobility it pays to purchase the products of the lower nobility (who is unable to arrange long-distance transport), and even those of the peasantry, in order to transport them to Danzig. At the same time, such a serious worsening in the peasant's process whereby the peasant disappears from the town market as a buyer. Secondly, the computations of the Table also shed light on the problem of economic development (or rather the lack of such development), and on the problems related to the returns to labour and land, agricultural investments, etc The real value of the income of the feudal lord tripled over the span of 150 years between 1600 and 1750 (eight-fold in two centuries between 1550 and 1750), so that he was in a position to live off his income, and had no interest in considering productive investments. It is the peasant who might have tried to embark on investments to make up for the deterioration in the terms of trade, but his possibilities in this area were minimal. Thus, due to the occurrence of great world-wide changes, the Polish nobility, particularly the upper nobility, found themselves in the position of rentiers, 'coupon clipping' and profiting from the process of economic retrogression in the country.

There were tendencies for the demesnes to become economically strengthened, isolated, and naturalised. Naturalised, because every demesne attempted to purchase indispensable things, but to instead produce them from their own resources, without spending money. Production was to maintain itself on its own, and the basic elements consumed by the owner's family and his work force equally so All the liquid money derived from the sale of surplus production — which was to be as great as possible — was to be set aside for the purchase of luxury goods. There is, therefore, a tendency to maximise the naturalisation, the formula is paradoxical, but it accurately reflects the reality. Such was the objective that the nobility set itself.

The peasant tries to produce a little extra and to establish a relationship with the market with a view to buy a few essential things in exchange of his produce. The feudal lord sees in it an opportunity to expand his money. The creation of certain manufacturing enterprises within the latifunda aims at augmenting the methods for siphoning off the peasant's money. The lords attempt unceasingly to prevent their peasants from going to the town markets belonging to others, from going to church in villages belonging to others, from drinking in inns belonging to others. Only the economic isolation of the individual estates could guarantee that every transaction of the serf went to increase the flow money at the hand of the feudal lord.

Finally, there was an increasing trend towards the concentration of land at the upper stratum of the nobility. The upper nobility had its estates scattered over an immense territory which provided a sort of internal insurance against devastations brought about by wars or natural calamities. The large landowners often escaped unharmed from the misfortunes which led to the demise of the middle and lower nobility who could not survive a number of poor years in a row. Besides, the possibility of directly reaching the world market (i e, the port) — a possibility that existed only for those who produced and sold large quantities, i e, the large landowners — gave an enormous economic privilege to the upper nobility, since the terms of trade on the world market were more favourable than on the local market.

All the long-term tendencies discussed here are just so many paths leading to capitalism, says Kula. But then he asks: paths to capitalism in Poland, or to capitalism elsewhere? The fact that the latifunda developed in Poland, guaranteeing a base of inexpensive provisions and raw materials, was not without importance for the development of capitalism in certain parts of Western Europe. In any case, what happened next in Poland? Also, what happens next in Kula's model of feudalism?

IV

Transition to Nowhere?

The subsequent history of Poland is well-documented. In 1806 Napoleon declared the blockade; Poland's links with the world market snapped, and for various reasons they were never restored. The English custom duties on grain, the growing importance of capital investments in agricultural production, the competition from Russian and then American grain, made it impossible to return to the *status quo ante*. In the meantime few other changes took place: The rate of interest on monetary loans dropped to the level of agricultural estates' profit margin; the more or less illegal mobility of the population led to the near emergence of a wage-labour market in agriculture, the more or less lawful struggle of the peasants for access to the market gradually created the market. Feudalism in Poland went into liquidation.

It was, then, an abrupt shock from outside the model that shook up the foundation of feudalism. The inner structure of the model itself does not contain any dynamics of transition to capitalism. Had the model been allowed to operate, it would have led the system nowhere.[9] Of course, there is a seed of class struggle embedded in the contradiction between the feudal lord and the peasant, the former bent on reducing the peasant land to the minimum and the latter being no less zealous in expanding it and, in forging a link with the market. This contradiction need not reach the stage of antagonism, so long as the terms of trade continue to improve at the port city of Danzig. The nobility could well live off the swelling bounties of external trade, and by the same token, ease the pressure on the peasant. The model could go on merrily, if there were no changes in the scene in the external front.

Kula refers to the emergence of a labour market in the wake of mobility of the impoverished peasants. This reminds us of a query that Sweezy puts to Dobb. Does the serf leave the manor just because the conditions for existence become miserable? "I think not", says Sweezy. "The serfs could not simply desert the manors, no matter how exacting their masters might become, unless they have somewhere to go. It is true ... that feudal society tends to generate a surplus of vagrant population, but this vagrant population, constituting the dregs of society, is made up of those for whom there is no room in the manors, and it is hardly realistic to suppose that any considerable number of serfs would deliberately abandon their holdings to descend to the bottom of the social ladder."[10]

If initially the interest rate on borrowed money was above the profit rate on investment in a demesne, and if this was one of the factors that inhibited productive investments in agriculture, how did the interest rate later come down so as to stimulate those activities, as claimed by Kula?

If the home market for industry in Poland had shrunk for two centuries, and the peasants were forced to withdraw therefrom, how could it be regenerated within a span of forty years between 1820 and 1860 by the efforts of the peasants to establish a relationship with the market, specially when they had so little to offer for sale, and that too was extremely volatile?

Kula devotes barely four or five pages to the process of transition; he leaves a series of questions open. He himself sets the tasks of a theory: no economic theory of a system is complete unless it has the elements that ultimately lead to the dissolution of the system itself. By his own standard Kula leaves his mission incomplete. But certainly he has produced a stimulating treatise that will be debated for years to come.

In this world, class society emerged nearly 4,000 years ago; in this long historical panorama the age of feudalism spans over 3,000 years, while that of capitalism is barely 400 years, if not less. Yet we know so little about feudalism, far less than whatever little we know of capitalism. Kula has opened an important window into that area of darkness.

Notes

[Thanks are due to N Krishnaji and to C P Chandrasekhar of the Centre for Development Studies, Trivandrum, for their invaluable help in preparing this review.]

1 Maurice Dobb, Paul Sweezy, and others, "The Transition from Feudalism to Capitalism" (Indian edition); Patna: People's Book House, 1957.
2 Sweezy, *ibid*, pp 2 and 7.
3 Martin Nicolaus in Karl Marx, "Grundrisse", Harmondsworth: Penguin Books, 1973, pp 36-38. E Marquit, "Nicolaus and Marx's Method of Scientific Theory in the Grundrisse", *Science and Society*, Vol 41, No 4, winter, 1977-78, and H K Takahashi in Dobb-Sweezy, *op cit*, pp 33.
4 Takahashi, *op cit*, pp 33-5.
5 This is not a criticism of Kula. It is only an attempt to place Kula's work in the perspective of the current literature.
6 In the sense of Paul Baran, "The Political Economy of Growth", Harmondsworth, Penguin Books, 1965.
7 A V Chayanov, "The Theory of Peasant Economy", edited by D Thorner, B Kerblay and R Smith; Homewood, Ill; Richard D Irwin, 1966.
8 M Dobb, "Studies in the Development of Capitalism"; London, Routledge and Kegan Paul, 1963, pp 40-41.
9 The author is aware of this criticism; see Kula, *op cit*, p 185. But he leaves it at that, without any attempt to meet it.
10 Dobb-Sweezy, *op cit*, p 6.

Democratic Kampuchea and Human Rights

Correcting the Record

David Boggett

This article seeks to demonstrate that

(a) the allegations against the government and Communist Party of Kampuchea of gross violation of human rights have been grossly distorted;

(b) the sources of the allegations are, in almost all cases, extremely suspect, having vested interests in discrediting the Pol Pot regime;

(c) the almost general appearance of such reports in the general Western press has been no more accident, but rather a concerted effort to conceal the true causes of the Khmer people's misery; and

(d) the restructuring of Khmer society by the Pol Pot government was not a fanatical attempt to put back the clock, but the only possible way for a responsible administration to alleviate the extreme miseries which faced the Khmer nation in 1975.

THE dearth of information in the regular press about government policies for the social and economic reconstruction of Democratic Kampuchea has only been matched by the barrage of almost daily allegations that the government and Communist Party of Kampuchea have been the worst violators of human rights in history, restructuring Cambodian society at the barrel of a gun and practising calculated and cold-blooded genocide against those allegedly considerable elements of the population which opposed them. Few people outside Kampuchea knew that the country was exporting a considerable rice surplus in 1977, but almost all had heard that a huge number of Cambodians had been liquidated, the precise number of victims varying from 500,000 to as many as 3 millions in the most extreme estimates. Faced with such a negative propaganda attack, no account of Kampuchea under Pol Pot can avoid addressing the problem of alleged mass violations of human rights. The nature of the charges themselves makes them extremely difficult to counter, the sources are usually not credited and, where they are, it is usually rendered by such vague terms as "according to refugees" and more often than not from information reported at third, fourth and even fifth hand. For example, a virulently anti-Kampuchean editorial appeared in the *"Christian Science Monitor"* (normally a liberal paper) on April 26, 1977, which turned out to be a fifth-hand rendering of events in Kampuchea; the only document the editor had read was a review by Lacouture which appeared in the *"New York Review of Books"*; the latter was based, in turn, on selections from materials published in the book "Cambodia in the Year Zero" by the French Father Ponchaud, and Ponchaud's material was based, in turn, on the reports of refugees who had fled Kampuchea! The further along the line the information passed, the less balanced it became ending up in the *"Christian Science Monitor"* as an extremely virulent anti-communist propaganda barrage aimed at the government of Democratic Kampuchea. The distortions that accompanied the information at each stage of transmission must have rendered it well nigh impossible for the Pol Pot government to reply sensibly or seriously, even when they were the official government in Phnom Penh, let alone for concerned researchers or scholars outside Kampuchea.[1]

The purpose of this brief article has, perforce, to be strictly limited, it does not set out to claim that nobody has been killed in Kampuchea since the Khmer Rouge takeover in 1975. (Such a claim would be meaningless and Ieng Sary himself has said that "some killings could not be avoided". The author has never heard of a mass restructuring of any society along revolutionary lines that was not accompanied by bloodshed, whether it be the French or Russian revolutions or more recent attempts such as that of the Ayotallah Khomeini in contemporary Iran!). But there is sufficient detail available to cause thoughtful persons at least to query the human rights allegations. This article seeks to demonstrate that (1) the allegations have been grossly distorted, (2) the sources of the allegations are, in almost all cases, extremely suspect having vested interests in discrediting the Pol Pot government; (3) the almost daily appearance of such reports in the general Western press has been no mere accident, but rather a concerted effort to conceal the true causes of the khmer people's misery by incorrectly blaming the Government of Democratic Kampuchea for terrible conditions in Phnom Penh caused by US policy toward the prior Lon Nol government and the Cambodian war; and (4) the restructuring of Khmer society was not a fanatical attempt to put back the clock, but the only possible way for a responsible administration to alleviate the extreme miseries which faced the Khmer nation in 1975.

Evidence of Population Statistics

In September 1978, the UK Foreign Office presented a report to the United Nations in which it claimed (according to Reuter's synopsis) "that Father Ponchaud gave it as his view in February 1978 that more than 100,000 Cambodians had been executed must be taken as the absolute minimum. It was possible that two or three times as many people had been executed. The number who had died because of the lack of food and of medical and sanitary facilities, and from the frantic pace of work, might well have been more than two million". The British government report can be taken as fairly typical in arguing that between 100,000 and 300,000 had been killed and that

about 2 millions might have died of other (remediable) causes such as malnutrition and lack of medical care. The figure of 2 million deaths (and note that "deaths" does *not* mean "executions") has been quite common. It apparently derives from a claim made in Paris and first widely reported in December 1977 by Reuters. The report reads, "An exiled Cambodian students group said Wednesday that more than two million people, one-third of Cambodia's population, had died since the Khmer Rouge took power in April 1975. *Quoting refugee reports*, the Union of Young Khmer Students (UNIJEK) said there were now practically no births in Cambodia because of famine, epidemics and Khmer Rouge massacres." More extreme reports of refugees in Paris even tried to suggest that all 2 million deaths were the result of direct massacres; an allegedly former Khmer Rouge political commissioner, Ear Soth, quoted in Paris "an official declaration made at an Assembly of victorious armies held at Battambang in February 1977. According to this statement 2,500,000 class enemies had already been killed since the takeover of power in April 1975. The statement added that the Communist party organisation (Angka) needed two million survivors to reconstruct democratic Kampuchea". Ear Soth was one of four recent refugees to be presented to the press by the indefatigable Father Ponchaud, all of whom had allegedly had high posts in the Kampuchean government and party organisations. In reporting the conference, Agence France Presse expressed some surprise that "the refugees were unable to give details of resistance to the ruling regime. They repeated rumours that guerillas were operating in the provinces of Kompong Thom and Kompong Cham". The US Embassy in Bangkok had also reported that they believed 1.2 million Cambodians had died (again note, not "executed") since the end of the war. The more extreme allegation of up to two millions dead or executed thus seems to originate among Cambodian exiles in Paris and the US Embassy in Bangkok. Moreover these same exiles were a major information source on whom Father Ponchaud has relied to cite evidence for his book "Cambodia in the Year Zero".

A mere glance at Khmer population statistics, however, shows that the 2 million deaths figure is impossible. In 1967, the population for Sihanouk's Cambodia was verified at 6,400,000. At the end of the war, AFP states the Khmer population was "estimated at seven millions". Ieng Sary stated in an interview with the *Der Spiegel* magazine in May 1977 that Kampuchea's population was 7,760,000. There is little reason to disbelieve this claim, for the not notably progressive *Far East Economic Review* of Hong Kong states authoritatively in its "1978 Yearbook" that the population of Kampuchea is 7,887,000. (The "1979 yearbook" sates 8.2 millions.)

It might be pertinent to wonder why the death of 2 million people (more than one quarter of the country's population) does not show in the population figures, particularly when the same dubious and already quoted sources state "there were now practically no births in Cambodia"! It should also be noted that the constantly rising population figures quoted above continue throughout the period of the Cambodian war. The Pol Pot government claimed that about 800,000 Khmers had died in the war period (this figure was never contradicted by any US authorities and can probably be taken as a relatively accurate estimate). Moreover, in the same *Der Spiegel* interview, Ieng Sary stated that "about 2,000 or 3,000 people died during the evacuation of the city (Phnom Penh) and another few thousand died in the rice fields". Other remarks made in the Ieng Sary interview were later found to be true. Countering the then current allegation that Sihanouk had been executed, Ieng Sary stated "He is alive and living with his wife in the former Royal Palace". Interestingly, this remark was also not believed at the time, until Sihanouk — embarrassingly for the rumourmongers — actually emerged publicly in Phnom Penh from the Royal Palace!) Whichever way one regards the population statistics, Ieng Sary's remarks seem probable; two million deaths are downright impossible.

The population statistics also reveal some interesting changes in racial composition. The 1967 census reveals that of the total population of 6,400,000 there were 330,000 Chinese (or 5.1 per cent); 300,000 Vietnamese (4.6 per cent) and 10,000 Indians. In other words, around 10 per cent of the total population where not Khmer. The 1978 statistics indicate that 99 per cent of the population are Khmer, and "significant ethnic minorities: none". This evident change has led some observers to suggest that the missing 9 per cent of non-Khmer peoples may have been the subjects of liquidation campaigns. It is certainly true that the Pol Pot government had little reason to feel sympathetically disposed towards the Vietnamese minority, most of whose roots in Cambodia go back to the time when they (rather than the Khmers) were imported under the aegis of the French colonial government to staff the nascent colonial bureaucracy. (Mutual Khmer-Vietnamese mistrust, of course, dates back even further.) But the disappearance of the Vietnamese minority is by no means the responsibility of the Khmer Rouge. Many of the 150,000 Vietnamese who lived in Phnom Penh in 1969 fled or were deported after the Lon Nol government staged a series of massacres of the Vietnamese minority in April 1970. In 1971 William Sullivan testified to the US Senate that only 3,000 to 10,000 Vietnamese remained in Phnom Penh. It is possible that the residual Vietnamese minority under the new Kampuchean administration might have been deported to Viet Nam, for the United Nations High Commissioner for Refugees reported on November 3, 1978, "The country with the largest number [of refugees] is Viet Nam where 350,000 people have fled from Cambodia". A later report dated December 10, 1978 stated, "More than 300,000 Cambodians have taken refuge in Viet Nam". It is more reasonable to suppose after the Vietnamese invasion of Kampuchea, that among these refugees were former Khmers of Vietnamese origin, and one can only presume that they are now again back in Cambodia. (This assumption seems plausible following the publication on January 13 this year of "a manifesto issued in Phnom Penh by the Kampuchean People's Revolutionary Council, headed by Heng Samrin to mark the establishment of the new 'People's Republic of Kampuchea' which promised, according to a Bangkok Kyodo News Service report, "freedom and equality between the sexes and among different ethnic groups". As 99 per cent of Cambodia under Pol Pot had been racially pure Khmer, one can only suppose that the "different ethnic groups" referred to in the Vietnamese-backed government's manifesto were brought back into Cambodia from Viet Nam by Heng Samrin and his cronies.) With regard to the other large minority noted in the 1967 census there is little evidence of particular distress. Ito Tadashi of Kyodo News Service who visited Democratic Kampuchea in September/October 1978 reported that, "Ny Kan (the Foreign Affairs Ministry official who accompa-

nied us on our tour) and the problems Viet Nam has had with its Chinese population have not touched Cambodia because all people in Cambodia, including the Chinese are, being treated equally. He admitted that those few who held special privileges in the pre-liberation days have had some problems adjusting". The Pol Pot government thus clearly claimed that there were Overseas Chinese still living in Democratic Kampuchea.

In short, the exaggerated claims that as many as 2 million Cambodians have been killed or had died since the liberation of Phnom Penh in 1975 are absurd and, when viewed against the population statistics and the then known numbers of Cambodian refugees (approximately 350,000 in Viet Nam, and more than 100,000 in France, Thailand and the USA), the lesser claims of between 100,000 and 300,000 massacred seem to stretch the population data. These figures appear to have originated from the roughly 12,000 Khmers living in exile in Paris. Of all the Cambodians abroad, those in Paris tend to come from the higher classes of Cambodian society since the French government gives priority to refugees who can already speak the French language or who have family members already resident in France. Most, thus, come from the French-educated Cambodian elite of pre-liberation days and, needless to say, have everything to gain from blackening as much as possible the reputation of the Pol Pot administration.

Cambodian Refugees in Thailand

But the Cambodian exiles in Paris are by no means the only source of human rights allegations against the Pol Pot government. Another source is the Cambodian refugees in Thailand who exist in special refugee camps close to the Thai-Cambodia border.[2] The most famous revelation of these refugees' stories was in *Time* magazine of April 26, 1976, in which it was stated, "Since the communist victory, 500,000 to 600,000 people — roughly one twelfth of Cambodia's population — have died from political reprisals, disease or starvation, and there is little evidence that the wave of death has crested. The country has become a kind of Indochinese Gulag Archipelago — except that the whole land is one island of oppression.' Its sources were, "News does leak out from refugees who have managed to flee to Thailand". The article was accompanied by lurid line drawings (prepared by *Time*'s artist) bearing such titles as "Artist's rendering of Khmer clubbing executions", "Plastic bag method for slow asphyxiation" and "Khmer Rouge soldiers bayonetting official". There was, of course, no photographic evidence of the alleged executions. Perhaps the most curious feature of this source of information on Democratic Kampuchea is the astonishing fact that there were no atrocity reports from the Cambodian refugees' camps in Thailand until almost a year after the liberation of Phnom Penh. Moreover, the timing of this information flow suggests that it may have been related more to the internal politics of Thailand than to Kampuchea. News of the existence of refugee camps for Cambodians in Thailand first started to appear under the liberation) Premier In Tam; "M R Kukrit Pramoj. During this Thai administration, Ieng Sary visited Bangkok on several occasions which resulted in the formation of a Thai-Khmer Liaison Office at the border town of Aranyaprathet, the start of trade between the two countries and a joint communique in November 1975 about the future establishment of diplomatic relations signed by Ieng Sary and Thai Foreign Minister Chatichai Choonhavan. But relations were still far from smooth between the two countries as evidenced in the series of border clashes that broke out towards the end of 1975. It was in this connection that the Kukrit government started to release information about the Cambodian refugee camps. On November 27, 1975, Premier Kukrit ordered the expulsion from Thailand of former Phnom Penh (pre-liberation) Premier In Tam; "M R Kukrit refused to discuss the reason for the expulsion of Mr In Tam who is now living near the Thai-Cambodia border, but said, 'He can't live here'" (*Nation* newspaper). On December 15, 1975 (more than two weeks later) the *Nation* reported under banner headlines "In Tam Still Here":

"Former Cambodian Prime Minister In Tam has slipped into the border area where Thai and Khmer Rouge soldiers are engaged in clashes, Foreign Minister Chatichai Choonhavan said yesterday. General Chatichai's statement thus confirmed that In Tam who had been ordered to leave the country within one week early this month by Prime Minister Kukrit Pramoj is still in the country. The minister also said that In Tam was taken to Bangkok, but somehow managed to slip back to the border again. He was supposed to leave for France. In Tam has announced setting up a liberation movement against the present administration in Cambodia which is now recognised by Thailand. *General Chatichai noted that the current border incident could have been incited by In Tam's people* or else it was caused by misunderstandings among low-ranking Khmer Rouge soldiers." (Emphasis added.)

Two days later on the 17th, the *Nation* reported "In Tam Meddled in Current Border Dispute", stating, "Prime Minister Kukrit Pramoj yesterday openly charged that former Cambodian prime minister In Tam has meddled in the current border dispute between Thailand and Cambodia in Klong Huay Hia of Ta Phraya District, Prachinburi. He said In Tam *who is staying in a refugee camp in Aranyaprathet* will be asked to leave the border area very soon. Foreign Minister Chatichai Choonhavan said he has asked In Tam to come to see him in Bangkok today or tomorrow."

But still In Tam managed to avoid leaving Thailand. A later *Nation* carried an interview with him at the Wat Chanachaisri refugee camp, where some light was thrown upon the "In Tam's people" mentioned by the Thai Foreign Minister in the previously-quoted report: "In Tam has altogether 119 relatives living in the refugee camp, and also some 60 of his followers... There are 2,551 Cambodian refugees in this camp and many young men said they are still loyal to In Tam. 'I'm ready to defend him with my life', said one tough-looking Cambodian ex-soldier."

That In Tam had been able to ignore the Thai government's instructions to leave the country is a clear indication of high support for his Cambodian activities within influential circles in Thailand (presumably that section of the military dissatisfied with the "soft" policy on communism taken by the civilian Kukrit government). The Kukrit government was overthrown by elections on April 4, 1976, and replaced by the fuddling government of Kukrit's brother, Seni Pramoj, under which the right wing Thai military started to move more openly, leading to the notorious "Bloody Wednesday" military *coup d'etat* of October 6, 1976. Lest there be any doubt of the military intentions of In Tam and his "refugees" a *Bangkok Post* report of November 29, clearly stated, "Former Cambodian Prime Minister In Tam, given a one-week deadline to leave Thailand, was yesterday named as one of the strong leaders of a Cambodian government-in-exile in Paris. The announcement, made by Col Sowattana, aide of former Cambodian Premier San Ngoc Tan in Paris, claimed

that 135,000 armed troops are on its side. Col Sowattana named In Tam and San Ngoc Tan as two former aides of former Cambodian President Lon Nol who have joined the government-in-exile... The 135,000 troops supporting the rebels, he said, are armed with sophisticated American arms delivered immediately after Phnom Penh fell to the Khmer Rouge on April 17 this year". And, presumably, many of those 135,000 troops were operating from In Tam's refugee camps in Thailand.

It was after the defeat of the Kukrit government in the April 4, 1976 Thai elections that the Thai military, In Tam and his "refugees" were able to operate more openly. It was not until that time that Western Journalists were invited to the Cambodian *refugee camps in Thailand, almost* a year after the fall of Phnom Penh. From these visits, articles such as the one quoted above in *Time* magazine started to appear. But some journalists who accompanied the group expressed their reservations about the accuracy of information gathered from the refugee camp inmates (particularly outspoken were Norman Peagam, Bangkok correspondent of *Far East Economic Review,* and John Everingham, former Vientiane correspondent of the same magazine). Evidently, upon entering the refugee camps, the journalists had been presented with pieces of paper on which each refugee produced for interviews had written of their experiences or the tortures/killings that they had witnessed. Interviews were held through interpreters from the camp staff. Naturally, many journalists paid for the information they received, giving out 20 dollar bills to informants. But when others looked over the pieces of paper (all written in Khmer script) they were surprised to find how many papers said exactly the same thing Moreover, those journalists who spoke Khmer language began to find that there were many refugees who could not speak the Khmer language at all, and that, moreover, hardly any of the refugees were actually able to either read or write! Some journalists began to suspect that they were witnessing a sort of stage-show arranged by the camp leaders for publicity purposes and which would, of course, bring in badly needed extra income. (These details were verbally related to the author by a former editor of the Thai *Phuen* magazine some time later in Bangkok.) No photographic evidence has ever been produced by any of the refugee groups, whether in Thailand or Europe. This, in itself, is perhaps not surprising, given the confusion that must have prevailed when many refugees left Kampuchea. The first photographic evidence of brutalities in Kampuchea did not appear until April 8, 1977 in the *Washington Post* which carried "photographs depicting forced labour conditions in the countryside, with Cambodians working under the guns of guards". It was only later learned that the same photographs had been offered to the anti-communist *Bangkok Post* newspaper a year before, in April 1976, but the newspaper had refused to print them; "the offer was turned down because the origin and authenticity of the photographs was in doubt", particularly because of "the way the alleged Khmer Rouge soldiers and those depicted to be villagers dressed other observers pointed to the possibility that *the series of pictures could have been taken in Thailand"* (emphasis added).

When the *Time* magazine report of Khmer "atrocities" was published, In Tam had at last departed to Paris to assume his more glorious post in the government-in-exile, but *Time* stated that the movement was still being directed — presumably still from within the refugee camps — by an (unnamed) "former Cambodian cabinet minister in the Lon Nol regime". The accuracy of the atrocity reports from Khmer refugees in Thailand is thus as questionable as the reports emanating from Paris (despite the fact that many of the Khmer exiles in Thailand are of a considerably less elevated social class than their Paris counterparts), it not only seems highly likely that the atrocity reports may have been fabricated to find a quick way of cash to fund the refugees, the camps and any related resistance activities, but it is also demonstrably provable from the Thai newspaper reports that In Tam and other former Lon Nol government leaders have been using the refugee camps as a center of military resistance activities against the government of Democratic Kampuchea. "Rumours" (a good Thai source of factual information) continue to abound in Bangkok about the refugee camps Eyebrows were raised in early 1978 when Thai police arrested 37 so-called "Thais" laden with guns and grenades in Pachinburi on the Thai-Khmer border area. None of the so-called "Thais" were apparently able to speak the Thai language. Police investigations revealed that they were refugees of Khmer origin, trained to infiltrate across the Kampuchean border and decoy Khmer Rouge troops back into Thailand in "hot pursuit" in order to cause Khmer Thai border incidents. The Thai army had sanctioned the activity but the "stupid" police, unaware of such plans, had routinely arrested the 37 armed "Thais". Nothing was ever done about the 37 for the army, in an unprecedented (and illegal) action removed the case from police to army jurisdiction [3]

It has also been discovered that a religious leader, a certain Thai Buddhist monk, Kittivutho Bhikun (Kittisak Jaraensathabawm), was supporting such military training programmes within the refugee camps. Kittivutho is a notorious figure in Bangkok social and political life, on the night of the Thai "Bloody Wednesday" military coup of October 6, 1976, Kittivutho broadcast over the military's "Armored Radio" urging those in Bangkok to kill "the communists" (students demonstrating in Thammasat University) to protect the Thai nation, the Buddhist religion and the King. His views had been widely publicised a little before in an interview in the *Chatturat* magazine in Bangkok:

"I think that even Thais who believe in Buddhism should do it [kill communists]. Whoever destroys the nation, religion and king is not a complete man, so to kill them is not like killing a man We should be convinced that not a man but a devil is killed. This is the duty of every Thai person.

Question. But isn't killing a transgression?

"Yes, but only a small one when compared to the good of defending nation, religion and king. To act in this way is to gain merit in spite of the little sin. It is like killing a fish to cook for a monk. To kill the fish is a little sin but to give to the monk is a greater good.

Question : So the ones who kill leftists escape arrest on account of the merit they gain?

"Probably."

Such savoury "religious" leaders as Kittivutho appear to be lending their support to the dubious activities of the Khmer refugees in Thailand.[4] It was also notable that the atrocity stories from the refugees started to fall off as soon as Thai government policy dictated other priorities. As mentioned above, the atrocity stoires themselves did not start until after the defeat of the civilian Kukrit government in the election of April 4, 1976; they reached their height

during the ideologically extreme rightist administration of Premier Tanin Kraivixien set up by the 1976 military coup; the stories then remarkably dropped after a less publicly ideologically rightist-committed military administration was set up in Bangkok by yet another military coup led by the present Thai premier, General Kriangsak Chomanan, in October 1977;[5] following the Vietnamese invasion of Kampuchea and the installing of the present Heng Samrin government, the atrocity stories have miraculously ceased altogether.

Vietnamese Propaganda

The third (and final) source of the atrocity stories and allegations against the Pol Pot government emanates from Hanoi and the Vietnamese government itself.[6] Over the Kampuchean invasion, the Vietnamese have been able to mobilise successfully all their many "progressive" foreign journalist friends, contacts built up by the remarkable and efficient Vietnamese publicity machine during the Indochina war. (The Cambodians never developed a similarly effective organisation in Paris or elsewhere during their war against the USA.) The effect of the Vietnamese-directed propaganda barrage against Phnom Penh has been devastating, as it has been penned on Viet Nam's behalf by journalists and intellectuals of "progressive" reputation throughout the world. Normally sensible commentators such as Australian writer Wilfred Burtchett and Japanese journalist Honda Katsuichi — with a high reputation for integrity — have parrotted the Vietnamese allegations, word for word. Honda Katsuichi's book against Democratic Kampuchea was entirely researched from Hanoi, where he interviewed selected "Cambodian refugees" in Viet Nam, specially chosen and presented to him by the Vietnamese Foreign Ministry, alleged photographic evidence of the massacres — also thoughtfully provided by the Vietnamese government — are totally unidentifiable, and could have been taken anywhere during any war (and there is no shortage of photographs of massacres and war brutalities in contemporary Indochina!). Wilfred Burtchett's information has been even more concretely exposed. Writing in the October 1978 issue of *Afrique-Asie* Burtchett claimed (as has the Vietnamese government) that a dozen leaders of Kampuchea, including Ok Sakun, had been internally purged. Richard Dudman, one of the two western journalists who accompanied Malcolm Caldwell on his fateful Kampuchean visit, reported in a January 1979 article, a meeting with the allegedly dead Ok Sakun:

"Ok Sakun, 45 years old, one of the intellectuals, engineers and economists who are often said to have been killed in internal purges. He said he worked in the Foreign Ministry. He mentioned Hu Nim, Minister of Information and Propoganda, and Hou Yuon, Minister of the Interior, Communal Reforms and Troops, as additional persons still active in the government who are regarded in the West as missing."

Vietnamese propaganda against Kampuchea, its admitted enemy, is best discarded for what it is; a series of fabrications and half-truths put out to discredit Democratic Kampuchea in the rest of the world in order to prepare psychologically for the planned Vietnamese invasion.

All three sources of "atrocity reports" — Khmer exiles in Paris, Khmer exiles in Thailand and the Vietnamese government — can be shown to be downright fabrications in their more extreme statements; they are at best a highly dubious source of information on events inside Democratic Kampuchea. Moreover, none of the opponents of Democratic Kampuchea have ever addressed the question of why a government committed to an agrarian revolution that needs actual *people* to work in rice fields should so thoughtlessly kill off so many persons, whose labour was so essential to the success of its agrarian policy. An official of the Kampuchean Foreign Ministry, Thiounn Prasith, reported to US journalist, Richard Dudman, "We have only about 8 million people. In Kampuchea there is no family planning. We need more and more people. We would like to have 20 million people in 10 years." (Quoted in the *St Louis Post-Dispatch*, January 1979.) One of the first Western visitors to Democratic Kampuchea, Swedish Ambassador to Peking, Kaj Bjoerk stated, "there is one factor that may speak against the probability of mass executions at this stage. That is their complaint about shortages of manpower and talk about the need of putting more people to work. In my view this indicates that they would rather put people to work than execute them" (*Far East Economic Review*, March 28, 1976.) In the *Der Spiegel* interview of May 10, 1977 Ieng Sary replied to the allegations of mass executions: "These people are mad. We only condemned the worst criminals... why should we have killed all these? We need a tremendous amount of labourers to rebuild the country."

Later, in Bangkok (July 19, 1978) at a press conference, Ieng Sary repeated, "If the government of Cambodia committed atrocities against its own people then it could not rally the people against the [Vietnamese] aggressors. Despite what refugees say, the government of Cambodia is one that serves the people; it has no reason to massacre its own people." Moreover, of all the Indochinese states, only Democratic Kampuchea has actually urged refugees abroad to return and help build the country (in marked contrast to Viet Nam's policy of actively encouraging the "boat people" to leave and face an uncertain future at sea in flimsy boats) and surely no government appeals to exiles to return, merely in order to execute them? Premier Pol Pot broadcast the appeal over Radio Phnom Penh on September 26, 1978: "All Cambodians abroad, in general, do not wish to live in those foreign lands, bu they stay there because they have been fooled by our enemies. If they want to return, no matter who they are, we will give them a cordial reception." Further, Ieng Sary on a visit to the United Nations, extended an invitation to UN Secretary-General Kurt Waldheim — which was subsequently accepted — to visit Kampuchea "to see with his own eyes the truth of human rights charges" (Associated Press, October 15, 1978).

As stressed earlier this does not necessarily mean that nobody died in the radical restructuring of Kampuchean society — far from it. But the allegations of genocide, mass murder or millions of deaths cannot be substantiated, evidence cited all points in the opposite direction. Pol Pot himself answered Richard Dudman, Elizabeth Becker and Malcolm Caldwell in Phnom Penh, "We consider that 95 per cent of the people, both those before liberation and those after liberation on April 17, 1975, are good. Among the other 5 per cent who were hesitating, we were able to successfully re-educate and recover more than 4 per cent, for the latter could re-educate themselves through the actual revolutionary movement. As for the remaining less than 1 per cent, we do our utmost to re-educate them." Ieng Sary himself, as quoted earlier, has stated that about two or three thousand persons died in the evacuation of Phnom Penh and some later working in the countryside.

The government has also stated that several high-ranking officials of the old Lon Nol regime have been executed (former Premier Long Boret, for example). But none of these admissions indicate any widespread or general abuse of human rights, in the generally-accepted sense of the terms.

True Causes of Khmer People's Miseries

It is not, however, sufficient simply to show that the allegations of atrocities, massacres and deaths have been exaggerated and distorted, without offering some explanation as to why such allegations were made in the first place, particularly if the allegations themselves were false. In most accounts, the deaths were said to arise from a number of causes, the most commonly adduced being starvation, lack of proper medical care, the forced and sudden evacuation of Phnom Penh and other cities (such as Battambang), and hard working conditions in the fields after the city populace had been relocated to the countryside. By thus suggesting that these phenomena were the responsibility of the Khmer Rouge, the propagandists carefully concealed the real reasons for starvation, lack of medical care and the evacuation of Phnom Penh. The fact that people had been dying of starvation in alarming numbers and that Cambodian hospitals had been grossly overcrowded and unsanitary long before the liberation of Phnom Penh were carefully omitted.[7]

Long before the liberation of Phnom Penh, the economy of Lon Nol's Cambodia was a total shambles. By the end of 1973, the rice surplus areas of Kompong Thom and Takeo had virtually all fallen into the hands of the National United Front of Kampuchea (NUFK). The total cultivated paddy land dropped from 2.46 million hectares in 1969 to 500,000 hectares in 1974. Destruction of farm machinery and impressment of young males into the army caused a drop in yield on the paddy land remaining under Lon Nol's control. Rice production fell from a total of 3.8 million tons in 1969-70 to a mere 493,000 tons in 197475 — an 87 per cent decline in production. Whereas Cambodia had exported some 230,000 tons of rice in 1968, it was forced to import some 282,000 tons in 1974.

Phnom Penh became slowly flooded with refugees escaping the US bombing. The population of the city increased from a pre-war figure of 600,000 to a probable total of nearly 3 millions (official census figures were never taken during the war but the estimates of various official organisations placed the population at anywhere between 1.2 millions and over 2 million. When evacuating the city the government of Democratic Kampuchea took a census in which they found the total close to 3 millions, according to a later interview with Ieng Sary). The consequent increasingly acute rice shortage sent rice prices up to a staggering height, from 10 riels per kilogramme in December 1971 to 125 riels per kilogramme in December 1973, later to 300 riels and over by early 1975 (mid-February hit a price of 340 riels per kilogramme).

Lack of food can lead to only one result — starvation. An investigation by the Inspector General of the Office of the US Department of State Inspector-General of Foreign Assistance in February 1975 "confirmed the universal medical impression given us by those involved in Cambodia health and nutrition that children are starving to death". Medical evidence was confirmed by journalists' observations; at a small Catholic Relief Services Hospital in Neak Luong, Sydney Schanberg of the *New York Times* described the scene on February 24, 1975:

"The children gathered by the dozen around a Western newsman... Some have swollen bellies. Some are shrunken. A 10-year-old girl has dehydrated to the size of a 4-year-old. Harsh bronchial coughs come from their throats, marking the beginnings of pneumonia and tuberculosis. All have dysentery. Their noses run continuously. Their skins have turned scaly. Every scratch on their legs and arms becomes an ulcer."

The death rate among those few children lucky enough to be admitted to the few functioning clinics was extremely high. At the Red Cross clinic the death rate reached 46 per cent of those admitted in February 1975 alone. Most could never hope to enter a clinic. The World Vision Child Nutrition Center, for example, had to turn away 1,758 severely malnourished children over a two-month period from December 1974 due to lack of beds. The Office of the Inspector-General in the report quoted above noted, "It requires little imagination to picture these wretchedly frail and sickly little bodies, borne away in their weak mothers' arms, carried to an ally somewhere, to die: certain to suffer untreated, unhospitalised, unfed." Dr Gay Alexander, head of Catholic Relief Services, stated in March 1975, "hundreds are dying of malnutrition every day". An eyewitness in Phnom Penh in the same month was quoted in *Newsweek* as saying "thousands of small children, their bellies swollen from hunger, waited for slow death from kwashiorkor and marasmus". It has been estimated from such accounts that there must have been an average of 250 deaths per day from starvation during the closing day of the war; a figure which would give 8,000 deaths for the month of March alone and an estimated minimum of 15,000 for the last 3 months of the war.

According to a study by the Indochina Resource Center, by 1974 an analysis of the total resources used by the Lon Nol regime to remain in control of Phnom Penh and a few outlying enclaves showed that only 2.2 per cent of these came from domestic revenues, while 95.1 per cent came from US assistance. During fiscal years 1971, 1972 and 1973, the United States provided $ 748 millions in assistance to Lon Nol of which only $ 1.1 millions went to assistance to Phnom Penh's refugees (the rest supported either military equipment or military salaries). US Senator Harrison Williams of New Jersey protested in April 1975 that "although warnings were given that large numbers of Cambodian children were beginning to experience malnutrition and that a crisis was emerging, little was done to meet the crisis by either the US government or the Cambodian government" and that in spite of the extraordinary airlift mounted by the US to the beleaguered city of Phnom Penh, the administration had "disregarded the need to move food into the city until forced to [by Congress]". At the same time an Associated Press dispatch of March 5, 1975, stated that the US was airlifting 565 tons of ammunition into Phnom Penh each day!

Medical services in pre-liberation Phnom Penh were also hopelessly inadequate. Of the four major hospitals, Preah Ket Melea hospital was reported to have more than three times the number of patients that it could adequately handle and to be short of antibiotics, sterile dressings, syringes and stethoscopes. Such modern equipment it did have — operating room lights and sterilisation equipment — was rendered unusable by continual power shortages (US Senate Committee on the Judiciary report). The same committee reported as early as 1971 that another major hospital, the Khmer-Sovietique Hospital, had only 512 beds and 27 doctors for 1,009 patients. *Newsweek* reported

an eyewitness to the same hospital in March 1975:

"In the Khmer-Sovietique hospital, more than 1,300 patients struggled for survival last week. Doctors, nurses, medical corpsmen, drugs and plasma were scarce; malaria, tuberculosis and dysentery were rampant. Out of desperation, overworked staffers in some wards tied wounded men to their beds to pervent them from breaking open their wounds and sutures. Flies covered the face of one such patient, who could only shake his head feebly in a vain attempt to keep them from crawling into his mouth."

In his testimony to the US Senate Subcommittee on the Judiciary in January 1975, Dr David French ("Humanitarian Problems in Indochina") describes a visit to one of the hospitals:

"We walked down corridors with stretchers of men with open wounds unattended; filth and detritus, flies and insects and everything there, and there was obviously no medical personnel to meet their needs."

A report of Inspector-general of Foreign Assistance over the same period reads:

"The facilities were not only overcrowded, for the most part they were crude and unsanitary. There was an acute shortage of medicines and drugs. Death frequently resulted from infection and lack of proper care; medication was not being administered to patients suffering severed limbs or gross traumatic abdominal wounds. Little or inadequate antibiotic therapy was being given to patients in need of such therapy... Patients overflowed the wards and were lying on mats or stretchers in the halls and corridors, their unattended wounds exposed to the dirt and filth of aseptic conditions; the stink of pus and infection mingled with the foul odour from clogged, flooded toilets."

Such were the conditions which the Khmer guerillas inherited when they marched into Phnom Penh in April 1975 It was to meet these conditions — to move the city people out to the source of food supplies and in reach of proper medical care offered by clinics already set up in the liberated bases — that the evacuation of Phnom Penh was carried out. It was later alleged that the Khmer Rouge had closed all the hospitals, leaving their patients to die in cold-blooded hatred. This was not true. The only hospital considered fit to take patients, the formerly French-run Calmette hospital was never closed. According to Lawrence. Maurel in his report, "Phnom Penh, L'ambassade en perdition" printed in *Paris-Match* of May 10 1975, ten French doctors who appeared from the hospital to join the other foreigners assembled at the French Embassy compound stated, "We have the impression that they are replacing us with their own doctors and in any case, the hospital is functioning normally". Far from *causing* deaths from starvation and unsanitary conditions, the Khmer revolutionary soldiers must have saved an inestimable number of lives by hastily moving about three million persons to the countryside where both food and adequate medical care were available, away from the deathhole of Phnom Penh.

Restructuring of Khmer Society

Democratic Kampuchea thus inherited starvation and unsanitary health conditions from the previous Lon Nol administration and its US backers; the government of Democratic Kampuchea did *not* create these conditions, but it had to find solutions to them. Moreover, Agence France Presse had reported Lon Nol's Premier, Long Boret as stating on the eve of the surrender of Phnom Penh, that the city had sufficient rice for only eight days. Transporting food to the city of Phnom Penh was impossible. Firstly, as Ieng Sary later pointed out (in an interview in *Chicago Tribune*, September 10, 1975): "We did not have sufficient transportation to move food into the capital." Moreover, there was a shortage of fuel since the new government received virtually no foreign aid and had been reliant on supplies captured from the enemy during the war, after the US supplies of fuel to the Lon Nol regime dried up, the new administration had to trade for fuel across the border in Thailand (according to a report by Sri Lankan journalist, Errol de Silva, who visited Kampuchea in August 1976). Lack of pure water was also a health hazard in the city, the US Inspector-General of Foreign Assistance reported in March 1975 that contaminated water supplies presented "the potential for the spread of epidemics of cholera and typhoid fever" and concluded that "Unsanitary living conditions in Phnom Penh caused by crowding and the influx of refugees into the city create a health hazard and present a danger of epidemics". Although several witnesses later reported that the new administration's soldiers had administered cholera vaccine to the population, there was simply not enough to go round.

But the plan to evacuate the cities was certainly not a new one. Thai military intelligence reports had stressed that the Khmer Rouge were militarily capable of taking Phnom Penh whenever they wished for a couple of years prior to the actual liberation of the city; the fact that the Khmer Rouge did not choose to take the city and thus end the war earlier must have been related to the logistics of supplying the city of Phnom Penh. The Khmer Rouge leaders moreover considered the cities (Phnom Penh and to a lesser extent, Battambang) as a false, outside creations within Cambodia. Life in the cities was a life-style imported from the West; the cities were sort of internal enclaves of Western culture, foreign businesses and diplomats, totally unrelated to the rest of the Cambodian peasant economy; the money-market economy only operated in the cities (the rest of the nation operated on a barter/natural economy). The clear intention to restructure the Cambodian economy — minus its city enclaves of Western culture and domination — had already been expressed in Khieu Samphan's early thesis on "Underdevelopment in Cambodia". But the appalling conditions inherited by the new administration in Phnom Penh added new urgency to implementing the plan. There were doubtless deaths during the evacuation (admitted by Ieng Sary) and disease might well have broken out during the evacuation before people could be got to the clinics in the former liberated country areas; but to blame this on the Khmer Rouge is absurd. Having inherited these foul conditions from Lon Nol and the USA, the Khmer Rouge rather did all they could to alleviate the number of deaths and the toll was much less than might have been expected. Father Englemann has summarised reports received from Catholic priests who were involved in the evacuation as, "During the first days there were deaths: some very ill, some old people, some newly born — but very few. In any event, not thousands, as certain newspapers have written." Since 1972 there had been a comprehensive medical care system set up in the liberated areas consisting of at least one hospital in each province, a fully-trained doctor for each district,

a medical committee for each village and two male nurses with three years medical training for each hamlet. The entire system was under the direction of Dr Thiounn Thioeun, the former Dean of the Medician Faculty at the University of Phnom Penh and ex-director of the Khmer-Sovietique Hospital. It was to get the sick under the care of this superior and already existing medical structure that they, too, were evacuated from the insanitary hospitals of Phnom Penh.

There have also been allegations that the populace of Democratic Kampuchea was forced to labour under severely hard conditions at gun point. As mentioned above, the only photographic evidence adduced to prove this (printed in the *Washington Post*) was so suspect that a generally anti-communist Thai newspaper refused to publish it. Neither do these allegations accord with observations of any of the foreign visitors to Kampuchea. Ito Tadashi, the Kyodo News Service correspondent who visited Cambodia in September last year, quotes working hour figures that tally with the observations of other foreigners; namely an 8-hour working day in both countryside and few factories in the cities, divided into periods of 6 to 11 in the morning and 2 to 5 in the afternoon. He confirms that meals are usually eaten communally in the communes or factories. He also added:

"In our journey of more than 1,000 kilometres across rural Cambodia, the expressions of most of the farmers we saw along the road were bright. One had the impression both that these people had adjusted well to their new environment and that in many ways the leisurely relaxed atmosphere peculiar to rural areas in the tropics had suvived political changes." (*Japan Times*, October 20, 1978.)

Elizabeth Becker also noted in her report in *Newsweek* (January 8, 1979), "We saw no such abuses ourselves... Where are those armed guards oppressing the peasantry?" Caldwell would cry mockingly as we drove past rice fields with no guards in sight."

With regard to the observed working hours and conditions, one might profitably compare them with the situation of day-labourers in Japan in such areas as Kamagasaki. Even when jobs are available, most day labourers leave home at 6 am and do not usually return until after 7 pm (the time taken including work hours, finding a job and transportation time). From their meagre earnings they often have to pay their nightly rent at a "doya" or hotel, as well as tuberculosis (which is not supposed provided for them). There are no adequate health schemes, and diseases such as tuberculosis (which is not supposed to exist in "modern" Japan) are quite high. By such comparisons, it is difficult to view the Kampuchean peasant, working 8 hours per day in the fields, with a 3-hour mid-day break and meals provided on the spot, as a brutally-oppressed labourer. (Health care is, of course, free of charge.) It is perhaps not surprising that those few lower class Cambodian refugees who have come to the West — such as Khuon Sakhon, a former peasant, and Peang Sophi, a worker, in Melbourne, Australia, give a very different picture of working conditions in Democratic Kampuchea. Peang Sophi has stated that working conditions in revolutionary Kampuchea in 1975-76 were less severe than in the Melbourne factory where he now works and Cambodian resident in Australia, Chantou Boua, has stated, "many refugees arriving in Melbourne complained that the normal factory work they began doing was 'harder' than the so-called forced labour they had escaped from in Kampuchea" (unpublished letter to the *Times* dated August 10, 1977 reproduced in *Journal of Contemporary Asia*).

Notes

[A much more detailed book, outlining the falsehoods spread by the Western press about all three Indochinese countries since their liberation is presently being prepared by Noam Chomsky for publication in the USA.]

1 The twisting and turning distortions which the information underwent prior to appearing in the *Christian Science Monitor* editorial were investigated through correspondence with the authors involved by Malcolm Caldwell. Despite the fact that informants at each stage agreed with Caldwell's conclusions, the *Christian Science Monitor* never published any retraction of the extreme conclusions of the editorial. Caldwell's correspondence on the subject was subsequently published in the *Journal of Contemporary Asia*.

2 The precise number of Khmer refugees in Thailand is difficult to ascertain. The UN Commissioner on Refugees has stated on several occasions that there were 170,000 refugees in Thailand from Cambodia and Laos. For the number of Cambodian refugees the Agence France Presse has estimated them to be between 30 and 50,000. However, Thai Communist party publications early this year claimed that the number of Khmer refugees may be as low as only 10,000. Whichever figure is accepted for the number of Khmer refugees, it is in any case extremely small, a fact which in itself should be a cause for serious reflection.

Both the Thai government and the UN Commissioner for Refugees have frequently stated that the number of Laotian refugees in Thailand is "over 120,000". For both Laos and Cambodia, Thailand represents the only land exit route for refugees and it may be pertinent to wonder why there should be more than 120,000 refugees from Laos with a population of around a mere 3 millions, whereas for Kampuchea — with a much greater population of nearly 8 millions — there are, taking a larger estimate, only about 40,000!

These figures alone would suggest that conditions in Laos should be carefully scrutinised — rather than those in Kampuchea! It is rather difficult to establish the accuracy of information pertaining to Laotain conditions. Suffice it to say that Thai Communist party sources have claimed early this year that since Laos and Viet Nam signed a 25-year "Treaty of Friendship and Co-operation" in July 1977, as many as one million Vietnamese have immigrated to Laos as settlers. It is also claimed that Viet Nam has as many as 40 or 50,000 troops permanently stationed in Laos. If true, the unavoidable implication is that almost a quarter of Laos' population is now Vietnamese and, whatever justifiable reasons there may have been for this migration, it does appear reminiscent of an extreme form of "assimilation" policy and casts considerable doubt on Viet Nam's motives in establishing an "Indochina Federation". The present Laotian premier, Khaysone Phomvihane, is half-Vietnamese. That all is not well in Laos was indicated by the flight in late March this year of Laotian Deputy Premier, Phoumi Vongvichit, across the Mekong to Thailand. He appeared to be making his way to China, but apparently agreed to return to Laos after meeting with representatives of Khaysone in Hong Kong. The full details behind the incident are not yet known. Nevertheless, it must be a cause for reflection that Phoumi, a staunch Laotian liberation fighter during the war, should have come to contemplate such a course of action.

3 The incident was fully reported in a February 1978 issue of the Thai language *Athit* (Sun) magazine. The same magazine in March also suggested that the former Thai ambassador to (Lon Nol's) Phnom Penh, Chanat Samutwanich, had

been in [illegible] in activities. In the [illegible], a [illegible] in *Athit*, Chanat stated that, as ex-Ambassador, many refugees who had been his former friends in Phnom Penh came to seek humanitarian aid from him. He added that he had been pressured by several high figures in the Thai military to assist the refugees, clearly indicating that the refugees were receiving political assistance from high Thai quarters. Nevertheless in a subsequent interview in the *Matichon* magazine (March 12, 1979), Chanat stated that in order to get rice and fish (from Tonglesap) the Vietnamese "are forcing the Khmer peasants to work much, much harder than under the former Pol Pot government".

4 According to the February 1978 *Athit* article quoted above, Kittivutho is running military training programmes for the Khmer refugees from Wat Jittapawan Temple in Chonburi Province, East of Bangkok.

5 *Athit* demonstrated in its early 1978 issues that the refugee reports of atrocities reached their height under the Thanin government. It noted that both atrocity reports and border incidents dramatically declined after Kriangsak took power in October 1977 as the new government was intent on improving relations with Indochina. The magazine concluded that, as the reports and their tone varied in quality and quantity according to the attitudes of the governments in power in Bangkok, they reflected only the current attitudes of the Bangkok administration, and not the objective situation pertaining in Kampuchea under Pol Pot. Shortly after these statements, *Athit* reported that it had been instructed by General Prem, Deputy Assistant Commander-in-Chief of the Thai army, to cease from publishing any further information on the Khmer refugees in Thailand.

6 Vietnamese government sources have been the most common source of atrocity stories. It is interesting to note that the Soviet Union initially attacked the atrocity reports and human rights allegations about Kampuchea. As Soviet relations with Viet Nam deepened, the tenor of Soviet reports was toned down, until, after the signing of the Soviet Viet Nam Treaty last December, the Soviet Union accomplished a propaganda about-face and added its voice to those condemning Pol Pot for atrocities and violations of human rights.

7 The details which follow on the growth of starvation in Phnom Penh, the breakdwn of medical services and the evacuation of the cities are largely taken from the first two chapters of "Cambodia: Starvation and Revolution" by George C Hildebrand and Gareth Porter (Monthly Review Press, 1976). Limitations of space have not permitted the translation in full of these two excellently documented chapters. To save space, also, a number of the original references have had to be omitted. Readers wishing to check source references will easily find them in the long section of footnotes at the end of the original book.

Demand for Total Ban on Cow Slaughter in Kerala and West Bengal

Some Observations

K N Raj

Vinoba Bhave's demand for banning cow slaughter in Kerala and West Bengal and his fast for gaining its acceptance raise three sets of issues; (a) the constitutional and legal basis of the demand, (b) its economic rationale, and (c) the political implications and possible consequences. This note examines these issues.

VINOBA BHAVE'S demand for total banning of cow slaughter in Kerala and West Bengal, and his fast-unto-death for gaining its acceptance, raise three sets of issues which we need to understand very clearly. They are (a) the constitutional and legal basis of the demand, (b) its economic rationale, and (c) the political implications and the possible consequences.

The constitutional basis of the demand is Article 48 of the Indian Constitution, and the legal sanction claimed is from a Supreme Court judgment on cow slaughter delivered in April 1958. Let us therefore consider first what each of these says and what follows from it.

Article 48 of the Constitution is quite explicit on the question. "The State", it says, "shall endeavour to organise agriculture and animal husbandry on modern and scientific lines and shall, in particular, take steps for preserving and improving the breeds, and prohibiting the slaughter of cows and calves and other milch and draught cattle". This is in fact one of the Directive Principles of State Policy, which have been laid down as "fundamental" in the governance of the country".

The Directive Principles are however not enforceable by any court, and are only a broad guide to policy. They are to be applied in making laws, and it is these laws alone that can be appealed to or challenged in courts of law. Moreover, if the laws so framed are challenged, the courts are free to interpret the relevant Directive Principle and decide wheher or not the laws are in conformity with it and the other provisions of the Constitution.

In fact this is what makes the Supreme Court judgment of 1958 so important in this context. The Government of Uttar Pradesh had enacted legislation in 1955 imposing a total ban on cow slaughter, but only on the slaughter of "the cow and its progeny"; while a law passed by the Bihar Legislature a year later imposed a total ban on the slaughter of all categories of bovine cattle including buffaloes. On the face of it one would think that the Bihar legislation carried out the intention of the Directive Principle more fully, as Article 48 covered not only cows and calves but other milch and draught cattle as well. And yet the Supreme Court thought otherwise, and struck down the portions of the Bihar law which prohibited the slaughter of she-buffaloes, breeding bulls and working bullocks (both cattle and buffalo); it upheld in full the constitutional validity of only the Uttar Pradesh legislation. We need to understand the grounds on which the Supreme Court arrived at these decisions, particularly because they pro-

has a logical framework and some important criteria for judging whether demands such as those that are being made by Vinoba Bhave in the name of the Supreme Court are well founded or not.

In the first place, the judgment of the Supreme Court takes the position that, though there are three directives incorporated in Article 48, "the two last directives for preserving and improving the breeds and for the prohibition of slaughter of certain specified animals represent, as is indicated by the words 'in particular', two special aspects of the preceding general directive for organising agriculture and animal husbandry on modern and scientific lines". This implies that whatever steps are taken in pursuance of the directive for prohibiting such slaughter should be at least consistent with the development of agriculture and animal husbandry on a modern and scientific basis.

The second important premise in the reasoning of the Supreme Court in this case is that the Directive Principles of State Policy have to conform to and run as subsidiary to the fundamental rights of the citizens under the Constitution; and that any legislation which imposes restrictions on these rights can be constitutionally valid only if it can be adjudged as "reasonable" restrictions "in the interests of the general public". This is for the judiciary to decide, not on the basis of any abstract standard of reasonableness but taking into account all the circumstances of a given case. "... it is inevitable", observes the Court in this context reiterating one of its earlier judgments "that the social philosophy and the scale of values of the judges participating in the decision should play an important part, and the limit to their interference with legislative judgment in such cases can only be dictated by their sense of responsibility and self-restraint and the sobering reflection that the Constitution is meant not only for people of their way of thinking but for all, and that the majority of the elected representatives of the people have, in authorising the imposition of the restriction, considered them to be reasonable".

It is on these two important premises that the Court went on to consider the legislation on cattle slaughter which had been challenged. The Court's examination of the relevant facts in this light led to its ruling that the protection recommended by Article 48 was confined only to "cows and calves and to those animals which are *presently* or *potentially* capable of yielding milk or of doing work as draught cattle but does not, from the very nature of the purpose for which it is obviously recommended, extend to cattle which at one time were milch or draught cattle but which have ceased to be such".

It is in fact significant that in this context the Supreme Court took a categorical stand against total banning of cattle slaughter, both on the ground that it would lead to waste of national resources and for the reason that it would deprive many people of their staple food and means of livelihood. Since this has not been brought out clearly enough in the recent discussions on cow slaughter, an extract from the Supreme Court's judgment may serve a useful purpose:

> If the nation is to maintain itself in health and nourishment and get adequate food, our cattle must be improved. In order to achieve this objective our cattle population fit for breeding and work must be properly fed and whatever cattle food is now at our disposal and whatever more we can produce must be made available to the useful cattle which are *in presenti* or will *in futuro* be capable of yielding milk or doing work. The maintenance of useless cattle involves a wasteful drain on the nation's cattle feed. To maintain them is to deprive the useful of the much needed nourishment. The presence of so many useless animals tends to deteriorate the breed. Total ban on the slaughter of cattle, useful or otherwise, is calculated to bring about a serious dislocation, though not a complete stoppage, of the business of a considerable section of the people who are by occupation butchers, hide merchants and so on. Such a ban will also deprive a large section of the people of what may be their staple food. At any rate, they will have to forego the little protein food which may be within their means to take once or twice in a week. Preservation of useless cattle by establishment of Gosadans is not... a practical proposition. Preservation of these useless animals by sending them to concentration camps to fend for themselves is to leave them to a process of slow death and does them no good. On the contrary, it hurts the best interests of the nation in that the useless cattle deprive the useful ones of a good part of the cattle feed, deteriorate the breed and eventually affect the production of milk and breeding bulls and working bullocks, besides involving an enormous expense which could be better utilised for more urgent national needs.

Since the legislation enacted in Bihar prohibited the [illegible] cattle, the Court [illegible] strike down part of its provisions as invalid.

The only question that remains is why the Supreme Court considered a total ban on the slaughter of cows of all ages, imposed in Uttar Pradesh, as a reasonable restriction when, according to its own interpretation, the protection offered by Article 48 was to cover only those which are presently or potentially capable of yielding milk. We need to understand this very clearly, because it is on the basis of this decision that Vinoba Bhave is now demanding a total ban on cow slaughter in West Bengal and Kerala.

A careful reading of the judgment of the Supreme Court makes it obvious that the special exemption it gave to the cow in this regard was not because it was thought to be a good milch animal but for exactly the opposite reason. "If milk yielding capacity were the only consideration", observed the Court, "the comparatively smaller number of female buffaloes which produce 54 per cent of the total milk supply of our country would obviously have deserved a far greater preference over the cows in our estimation". The more important consideration in its view was that bullocks were required for agricultural purposes, and cows were needed for producing bullocks. But the yield of milk from cows being much lower than of she-buffaloes there was a tendency to get rid of them by sending them to the slaughter house. "The danger of such premature slaughter is greater for the cow, for being an animal with a scanty yield of milk it does not pay the owner to maintain her through the long dry period and hence there is an inducement for adopting even cruel practices to get her passed by the inspectors [of slaughter houses]". Consequently, "regulation of slaughter of animals above a specified age may not be quite adequate protection for the cow", though it may be quite sufficient for breeding bulls and working bullocks and the she-buffaloes which are highly valued by their owners. It is these considerations, concludes the Court, which have "induced us to make an exception even in favour of the old and decrepit cows".

It is also evident that all that the Supreme Court did in this cases was to extend to the Uttar Pradesh legislation, when it was challenged, the benefit of such concessions as could be given to it by interpreting its rationale as sympathetically as possible.

This was therefore to be understood in the light of an earlier observation of the Court in its judgment that "there is always a presumption in favour of the constitutionality of an enactment" and that the courts "must presume that the Legislature understands and correctly appreciates the needs of its own people".

There is therefore no warrant at all for the position taken by Acharya Vinoba Bhave that, since the total ban on cow slaughter imposed in Uttar Pradesh was declared valid by the Supreme Court, it is now in some way obligatory for other states such as Kerala to introduce identical legislation. It is clear from the reasoning underlying the judgment of the Supreme Court that it is upto the Kerala legislature to enact such laws as it considers essential to meet the needs of the people in Kerala; and that, if it were to decide in favour of regulating the slaughter of only particular categories of animals falling in specified age-groups, it would be more in line with the constitutional requirements than the Uttar Pradesh legislation for which the Supreme Court had to go out of its way and make an exception.

If this is an incorrect interpretation — though there is no obvious reason to think so — it is upto Vinoba Bhave and his followers to take the matter to the Supreme Court in an appropriate way and test the correctness of their own position. That they do not take this obvious course, but have decided instead to use coercion of all kinds, for which there is neither legal nor moral justification, is a sad reflection on their understanding of their own obligations in a democratic society governed by the rule of law and in which all are supposed to have equal rights.

Let me now turn to the purely economic aspects of a total ban on cow slaughter. Since the judgment of the Supreme Court has itself touched on the most important aspects that have to be borne in mind, it is not necessary to cover that ground again. I shall therefore confine my observations to a few considerations which are particularly relevant in the context of Kerala.

In the first place, the pressure of population on land is very much greater in Kerala than in the rest of India. For this reason the total bovine population maintained in Kerala has always been much lower, as a proportion of the total human population than in other parts of India; as the human population grows, the need for restricting cattle population (on the grounds mentioned in the Supreme Court judgment) is also much greater.

Secondly, unlike in the rest of India, there has been no pronounced tendency in Kerala to favour the she-buffalo at the expense of the cow (which, as we have noticed, was an important consideration in the Supreme Court's judgment relating to cow slaughter). In fact, what is most striking is the sharp contrast in this respect between Kerala and Uttar Pradesh where the cow is supposed to be held in the highest veneration.

Though male and female cattle are born nearly equal in number (as one would expect), the number of female cattle above the age of 3 years is below half the number of male cattle in the same age-group in Uttar Pradesh. This is the case even in districts such as Allahabad, Varanasi and Gorakhpur where Muslims account for only about one-tenth of the population. The explanation for this has been given very clearly in the Supreme Court judgment of 1958:

> ... despite all the veneration professed for the cow, when it comes to the question of feeding, the she-buffalo always receives favoured treatment and the cow has to be satisfied with whatever remains after feeding the she-buffaloes, bullocks, and calves in order of priority... the professional gowalas, who are mostly, if not wholly, Hindus, find it uneconomical to maintain the cow after she goes dry and consequently sell her to the butcher for slaughter at Rs 30 to Rs 50 per head, irrespective of her age and potential productivity...

In Kerala, on the other hand, it is the male animal (with which Vinoba Bhave is not concerned) that has been primarily singled out for such treatment, mainly for the reason that the garden lands of this state do not require ploughing and field cultivation is not so extensive as in the Indo-Gangetic Valley. Nor is there any strong preference for milk of she-buffaloes, presumably because the fat content is considered too high in the almost uniformly hot and humid climate of the state. Consequently, the cow receives preferential treatment, and there are in Kerala more than three times as many adult female cattle (above the age of three) as adult male cattle.

The absurdity of asking Kerala to follow the example of Uttar Pradesh becomes still more obvious when we consider the trends in the number of cows and she-buffaloes maintained for breeding and milk production in the two states. In Uttar Pradesh, despite the total ban on cow slaughter, not only has there been no change in the sex-ratio in favour of cows over the last two decades but the total number of cows maintained for breeding and milk production has remained almost

unchanged at about 6.75 million; at the same time, the number of she-buffaloes maintained for these purposes has been steadily rising and is now larger than the number of cows. In Kerala, on the other hand, the increase in the number of she-buffaloes maintained for breeding and milk production has been negligible (from 0.14 to 0.16 milion), while the number of cows maintained for these purposes has risen significantly from 1.1 million in 1961 to nearly 1.4 million in 1977, an increase of over 20 per cent. In fact, nearly 90 per cent of the milk output of Kerala is from cows.

Further, the breeding efficiency of the cows in Kerala (defined as the ratio of the number of calves born annually to the total number of the adult female cattle) has not only been higher but has also been rising. In 1961, it was 0.48 in Kerala compared to 0.40 in Uttar Pradesh; by 1977 it was 0.60 in Kerala, while the data available for Uttar Pradesh upto 1972 indicate that there was hardly any improvement there.

Moreover, as has been brought out in a study by K Narayanan Nair ("Milk Production in Kerala: Trends and Prodepects", *Economic Political Weekly*, Review of Agriculture, March 1979) here has been a significant increase both in the total output of milk in Kerala and in the average milk yield of cows. This has been made possible to a considerable extent by selective culling of cows and the more efficient use of cattle feed among the rest. The increased availability of milk in the state has in turn helped to offset in part the reduced per capita availability of fish for internal consumption, and thus meet the minimum necessary protein requirements of the people. Beef also makes an important contribution to these requirements.

These and many more such highly relevant facts are available to those who are interested in them. In 1958, when the Supreme Court gave its ruling on cow slaughter, hardly anyone had made an intensive study of the economics of cattle, so much that the Court had to rely largely on its resources. The only expert advice it received from outside was from a gentleman by the name of Pandit Thakurdas Bhargava who acted as *amicus curiae* (i e, friend of the court) at the instance of one of the all-India movements for the protection of the cow. The dilemma in which the Court found itself, and the special considerations on which Pandit Bhargava was accepted in this role, will be evident from the following extract from the Court's judgment:

> Under O.XLI, R. 2. Supreme Court Rules, intervention is permitted only to the Attorney General of India or the Attorney General for the States. There is no other express provision for permitting a third party to intervene in the proceedings before this Court. In practice, however, this Court, in exercise of its inherent powers, allows a third party to intervene when such third party is a party to some proceedings in this Court or in the High Courts where the same or similar questions are in issue, for the decision of this Court will conclude the case of that party. In the present case, however, the petitioners for intervention are not parties to any proceedings and we did not think it right to permit them formally to intervene in these proceedings; but in view of the importance of the questions involved in these proceedings we have heard Pandit Thakurdas Bhargava, who was instructed by one of these petitioners for intervention, as *amicus curiae*.

The Supreme Court need not be in such a predicament if the matter comes up again before it. Several scholars, like V M Dandekar and S N Mishra among others, have gone into these issues in some detail and the results are available in the form of a number of research papers. These papers can help in understanding the economic issues involved in somewhat greater depth than was possible two decades ago. No one can of course claim that all the issues are fully clarified by the work that has been done so far or that the findings cannot be disputed. All one can say is that, for anyone seriously interested in these issues, there is now enough empirical evidence on which discussion is possible on a systematic basis.

Unfortunately it is such rational discussion that is ruled out by the method adopted by Vinoba Bhave and his followers for gaining acceptance of their point of view. It has been reported that, when the Chief Ministers of Kerala and West Bengal requested him earlier this week to postpone his fast by a year, during which period they could have the matter considered further by discussion among the people, Vinoba Bhave was prepared to give them only three days for doing so. All this reflects a kind of moral, intellectual and political authoritarianism which those of us who believe in democratic processes cannot possibly accept. For this reason it is no longer an academic issue, and we need to consider, as ordinary citizens of India, the political implications of the stand taken by Vinoba Bhave and its possible consequences.

If Vinoba Bhave does not himself see this dimension of his wholly misplaced zeal it is understandable, since he was also in favour of the Emergency and give it his full moral support in the name of "Anusashan". But those of us who have experienced what such high-minded slogans can lead to cannot afford to be indifferent to the far-reaching implications of what he is doing now. His fast and the satyagraha movement that is being launched along with it, we are told, will bring in large numbers of volunteers from outside the state to press for a total ban on cow slaughter. Not only does all this constitute a serious threat to our fundamental rights as citizens of India and of this state but it creates the possibility of serious communal and other tensions being created both inadvertently and deliberately. After all though Vinoba Bhave appeals to the Directive Principles of the Constitution and to the Supreme Court judgment, his plea, when he addresses common people, is more direct: "The cow is our mother, killing the cow is killing our mither." Such ill-disguised appeals to religious sentiments can obviously have very serious consequences. There are also many forces in our country which would welcome such developments.

If they are not to have their way it is important that we make clear to the people of Kerala, and of the rest of India, what the issues involved in cow protection really are and what the facts are. It is on mass ignorance that movements such as the one launched by Vinoba Bhave usually thrive. To dispel ignorance is therefore the main task before all of us who believe in a more enlightened approach to social and political problems.

Indian Explosives

INDIAN EXPLOSIVES is celebrating its 25th year this year. Coincidentally, in February last, it received a licence to expand fertiliser production by 50 per cent at Panki in UP. This Rs 80 crores investment will lead to an annual output of urea which will help produce an additional 3 million tonnes of foodgrains every year. With the completion of this expansion by 1981, IEL's Panki unit will become India's largest urea plant. In the year ended September 1978, the fertiliser division recorded production of 4,02,000 tonnes which represented 90 per cent capacity utilisation.

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Masterpieces inspired by Indian dyes



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ECONOMIC AND POLITICAL WEEKLY

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CLASS AND CASTE IN MARATHWADA

WHOM DOES WORLD BANK SERVE?

INDUSTRY MINISTRY: MUCH TO HIDE

PARVATHIPURAM CONSPIRACY CASE

BOMBAY'S RICKETY MUNICIPAL FINANCES

PLAYING POLITICS WITH THE ECONOMY

Who would recognise her today?



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HINDUSTAN LEVER LIMITED

A changing organisation

Founder-Editor: Sachin Chaudhuri

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PRICE support purchases of rice in the 1978-79 kharif season were nearly 20 per cent larger than in the previous season; the offtake of rice from the public distribution system, however, declined from 4.7 million tonnes in 1977 to 3.2 million tonnes in 1978; as a result, surplus stocks of rice with the government agencies have assumed embarrassing proportions. Nevertheless, the Agricultural Prices Commission (APC) has once again recommended an increase of Rs 5 per quintal, from Rs 85 to Rs 90, in the support price (the expression 'procurement price' has long since become a misnomer) of rice for the 1979-80 kharif season. Only a month ago, accepting the APC's recommendation, the government had raised the support price of wheat from Rs 112.50 to Rs 115 per quintal. Subsequently, it has sought to offer still higher prices to wheat farmers who, instead of selling their output at the start of the marketing season, bring it to the market later — a dual price arrangement favouring the big farmers who are the ones able to hold on to their stocks the longest.

The government has claimed the recent rise in production of rice as one of its achievement. Actually, the rise in production itself has been quite modest. Thus, according to the APC, production of rice increased by no more than 17 per cent, from an annual average of 40.8 million tonnes during the three-year period ending 1970-71 to 47.8 million tonnes during the triennium ending 1977-78. What is striking, however, is the distribution of this increase. Out of the additional production of about 7 million tonnes over the period, as much as 3 million tonnes, or 42 per cent, came from Punjab, Haryana and Uttar Pradesh, and only 0.8 million tonnes and 0.5 million tonnes, respectively, from the traditional rice growing and rice eating states of Andhra Pradesh and Tamil Nadu. The difficulties currently facing the government's price support machinery are a consequence of this. Thus procurement of rice has had to go up from 4.4 million tonnes in 1976-77 to 5.7 million tonnes in 1978-79 and, what is more, the share of Punjab, Haryana and UP in total procurement of rice, which at 65 per cent in 1976-77 was already very high in relation to share of these states in the total output of rice, went up further to 76 per cent in 1978-79. These figures not merely speak of skewed regional distribution of the increases in production but also suggest their concentration in the hands of farmers producing largely or exclusively for the market.

On the other hand, circumstantial evidence is equally suggestive of the public distribution system for foodgrains leaving outside its coverage the poorest sections of the population, especially the rural population. How else can one explain the sluggish offtake of wheat from the public distribution system at the official issue price of Rs 130-134 per quintal at a time when the open market prices are, as the managing director of the Food Corporation of India recently pointed out, Rs 160-180 per quintal. Clearly, a substantial proportion of the population which falls within the ambit of the public distribution system has the means to forgo the wheat offered by the fair price shops in favour of higher-priced, presumably better quality, supplies from the open market. The relatively sharper fall in the offtake of rice suggests the same, since quality preferences are stronger in the case of rice. Essentially, the public distribution system in foodgrains, which is kept going at the cost of a budgetary subsidy of over Rs 500 crores annually, serves the purpose of making available foodgrains at relatively stable prices to the industrial working class and the white collar workers and thus keeping down the wage costs of organised industry and business.

Given the government's preoccupation with operating a price support system which benefits essentially the larger farmers (and is being made to serve that objective even more explicitly with innovations such as the latest dual price system for wheat referred to above) and with a public distribution system whose *raison d'etre* is to keep urban discontent under check and protect organised industry and business from wage demands which might be engendered by rise in prices of foodgrains, there is little inclination to spare a thought as to why it should happen that altogether modest increases in production — the Fifth Plan target for foodgrains production in 1978-79, let it be remembered, was 140 million tonnes compared to the 125 million tonnes or so likely to have been actually achieved — should present such agonising problems of price support in a country where roughly half the population does not get enough food to eat. The answer to the puzzle has to be sought in the kind of facts which have been brought to light, for instance, by Rural Labour Enquiry, 1974-75, conducted by the Labour

[illegible] Labour Ministry.

The Enquiry found that between 1964-65 and 1974-75 the number of agricultural labour households had gone up by 35 per cent compared to a rise of 17 per cent in the number of all rural households. Further, among agricultural labour households, the number of those with land went up sharply by 52 per cent and their proportion to total agricultural labour households rose from 44 per cent to 49 per cent. Clearly, a large number of small peasants who, according to conventional wisdom, should have prospered as a result of the supposedly 'scale-neutral' new agricultural technology, had got pushed down into the ranks of agricultural labourers. Further, with the rapid expansion of the agricultural labour population, the average number of wage employment available to members of agricultural labour households declined as did the average daily real earnings, after correcting money earnings for the price rise over the decade. It is this other side of the type of agricultural growth that we have had which is responsible for creating the seemingly intractable problems providing price support to agricultural products and which is driving the government in ludicrous directions like looking for openings for export of foodgrains. The APC has in its latest report busied itself with recommendations for expanding storage facilities and matters of that kind, but the problem is part of the whole structure of the agricultural economy.

International Relations

Competition and Accommodation

SALT II, agreement on which has been reached after over six years of negotiations, is now expected to be signed next month. There is much speculation about the opposition the agreement might meet with in the United States where the Senate has to endorse it with a two-thirds majority for it to become effective. But it is most unlikely that the agreement will not be finally endorsed by the US Senate. Big powers like the United States do not enter into elaborate agreements with equally big powers like the Soviet Union without the leaders being quite certain that they will be able to carry legislative support to their undertakings. As for the fears expressed in the US that with the loss of the monitoring facilities that the US enjoyed till recently in Iran, monitoring of Soviet strategic programmes would be difficult, the highest authorities in the US have reiterat[illegible] manded more [illegible] attention during SALT II negotiations than the ensuring that the agreement would be fully verifiable. In the words of President Carter, "For many years we have monitored Soviet strategic forces and Soviet compliance with SALT I agreement with a high degree of confidence. The overall capability remains. It was certainly not lost with our observation stations in Iran, which was only one of many intelligence sources we use for following Soviet strategic activities."

Enough has been reported about the provisions of SALT II to make it clear that the proposed agreement does not in the least affect the awesome destructive capabilities of either of the contracting parties. In fact, what both the parties are anxious to achieve is some control over the quite unnecessary expenditures that would be inevitable (under the pressure of the respective military establishments) if some halt is not called to the meaningless multiplication of existing destructive capabilities. At the same time, the proposed agreement, even while it lays down very specific limitations on the number and deployment of missiles, warheads, etc, also allows freedom to each side to develop one entirely new 'military system' during the life of the Treaty (the Treaty is to expire on the last day of 1985); that is, the agreed ban on the testing and deploying of new types of ICBMs is qualified with "one exemption for each side". Thus, even as quite sensible and economically sound limitations are being agreed upon over the redundant proliferation of mutually known military facilities, both the parties are also left free to develop further sophisticated military systems whose aim would only be to further refine the existing balance of terror.

Leaving aside these details of the agreement (whose final text is yet to be published), what does the agreement portend for big power relations and for the rest of the world which is not directly a party to it?

Carter himself has acknowledged that "because our values are so different, it is clear that the United States and the Soviet Union will be in competition for as far ahead as we can see". But this 'competition', while being confined to the peaceful variety in areas which are generally assumed and acknowledged to be of each other's spheres of interest, might take bloodier forms in such areas as Indo-China, Africa, South and West Asia. In other words, SALT II is part of a series of accommodations entered [illegible] last de[illegible] which the balance of terror is to be maintained and further refined, but also have many safety clauses built into it to ensure that the citizens of the countries of the contracting parties and of those states geographically, culturally and economically peripheral to them will never be faced with the kind of devastation that overtook Europe in the Second World War.

Waging a conventional war in Europe is to invite suicide for the countries of both the Warsaw Pact and NATO. The political and economic conditions in these regions also make them quite unsuitable for any kind of unconventional war, barring situations when these are under foreign occupation — a possibility which might arise only after a conventional war. But the vast regions in Africa and Asia are still fresh pastures; and it is there that 'competition', in whatever form it is proposed to be entered into, is going to take place.

Jute

Collusion with Trade and Industry

THE Committee on Public Undertakings of the Sixth Lok Sabha, whose earlier reports on matters relating to jute (the third, the eighth, the twelfth, the thirteenth, the fourteenth and the sixteenth reports) have already highlighted the wretched conditions of the jute growers as also the various economic offences committed by the trade and industry and the many instances of tacit and active connivance at these offences by the Jute Corporation of India (JCI) which is supposed to look after the interests of the growers, has now published three more reports, two of which deal with 'action taken' on the findings of its own earlier findings in the third and eighth reports referred to above and the third, the 25th report, which continues the saga of the JCI and its continued failure to function as an agency primarily intended to ensure that a fair return is ensured to the jute growers.

The poor performance by the JCI, particularly with regard to properly publicising its own activities among the growers, and its persistently late entry into the jute market well after the grower had been forced to sell his produce to private traders (a point which had been highlighted in earlier reports of the COPU too) is indictment enough; but the 25th report also

[illegible] out the continuing close links between the JCI and private trade, suggesting that many of these lapses by the JCI might not have been involuntary after all. Instances are cited of the officials of the JCI actually conniving with private trade in cheating the poor grower by employing such time-honoured devices as downgrading the quality of jute offered for sale and underweighing. There is also a fairly detailed account of many shady deals with trade and industry, including the appointment of two private firms (controlled by two brothers) of Calcutta as JCI agents for purchase of jute at Parvathipuram in Andhra Pradesh. The report also cites many instances where JCI appointed buyers colluded with private traders by preparing bogus cash memos in the names of different 'farmers' in order to show that jute has been actually purchased from the growers. The JCI-appointed private firms buying jute in Parvathipuram, for instance, produced receipts in one case to show that 198 growers in 21 villages had sold jute to the JCI, only for the COPU to discover that 186 of these 198 did not exist at all, and the remaining 12 growers denied ever selling jute to either of the two agents.

Another serious malpractice uncovered by this report relates to the extraordinary concessions shown by the JCI to sundry jute mills. The five cases involving six firms cited by the Report all have such common features as selling of jute at rates lower than those at which it is supplied to other mills, ignoring such normal requirements as that the purchasing party should open a proper letter of credit in time, that such a letter of credit should be irrevocable (in one instance, the report notes that the terms and conditions of a letter of credit as sent to the JCI by the bank differ from the terms and conditions of the letter of credit in the records of the bank!), reneging on the payment of dues on agreed instalments, and continued supply of jute even when a mill had failed to keep up the payment schedule. The report also goes into certain financial irregularities, including the JCI's odd practice of not depositing cheques promptly, or of accepting post-dated cheques clearly with a view to further accommodating the jute mills.

But what actually happens to the painstaking deliberations of the COPU can be seen in the two quite depressing documents produced by the same committee in the form of an [illegible] Report (which is about action taken by government on the COPU findings in its Eighth Report) and the 33rd report (which is about action taken by government on the COPU's Third Report). The latter is a relatively less depressing document in that the findings of the original Report — that the JCI enters much too late into the market to be of any good to the grower; that the price of jute continues to be manipulated by private traders and industry; that the elaborate system of grading jute makes possible extensive malpractices and leads to the defrauding of growers; that the facilities of institutional credit, available in such ample and easy measure to industry, is not at all available to the grower — as well as the recommendations to rectify these wrongs are all more or less 'accepted in principle' by government.

The other 'action taken' Report relates to the recommendations of the Eighth Report of the COPU that the minimum price for raw jute be raised to Rs 447.64 per quintal (that is, the cost of producing a quintal of jute as computed by the West Bengal government in 1977-78 at Rs 334.34 plus a return of 30 per cent to the growers). The controversies raging over this recommendation are well known, and the report itself recounts all the issues involved, the different set of criteria adopted by the agricultural department of the government of West Bengal and the standing technical committees on indices of input costs of the Union Ministry of Agriculture. Nothing seems to have moved the Union government to even consider the recommendations of the COPU. In fact, the whole of Chapter IV of the Report, which again sets out the recommendations made in the Third Report of the COPU on jute prices and the replies received thereof from Government of India (which, the COPU for its part, says "have not been accepted by the Committee", though it is difficult to see what the COPU can actually do about it except reiterate its recommendations) and which occupies the major part of this 'action taken' Report presents a most instructive instance of stonewalling by government; the impression one gathers is of endless repetitions of counterarguments and set answers. The whole exercise is no doubt a tribute to the persistence of those hard-working members and staff of the COPU and, particularly, its Chairman; but in practical terms, barring the fact that these reports provide material for further investigations into the misery of the jute growers and their impossibly wretched state, little by way of actually alleviating their distressing conditions seems to have been achieved by these exercises.

Politics

Parvathipuram Conspiracy Case

Mohan Ram writes:

IT was just a coincidence that the CPI had just observed the 50th anniversary of the Meerut Conspiracy Case when the curtain was rung down on the marathon Parvathipuram Conspiracy Case relating to the Srikakulam peasant struggle of 1969-70. It is not quite the end because the division bench, which rejected the state's appeal against the acquittal of 50 of the accused, acquitted only Kanu Sanyal and 11 others but was divided on the sentence passed on five others (including Choudhury Tejeswara Rao) and has referred this specific issue to a third judge.

The British colonial rulers had tried to strangle the infant Indian communist movement by instituting a string of conspiracy cases even before the formal launching of the Communist Party of India in 1925. The Peshawar and the Cawnpore cases were the more prominent among them. The Meerut conspiracy case was instituted in 1929. More recently the government of Andhra Pradesh has continued the use of this colonial method to hold the leadership of the Naxalite movement on a short leash. The process began with the arrest of almost the entire leadership of the then Andhra Pradesh Revolutionary Committee at the end of 1969 when it was holding a conclave in Madras and the institution of conspiracy charges against those arrested. The result was imprisonment of upto four years for the more prominent leaders before they came out on bail pending appeal. When the Emergency was declared, they went underground. The appeal was disposed of during the Emergency with some of the accused on bail absconding. Tarimela Nagi Reddy died underground during the Emergency while some other leaders are still underground. The Secunderabad conspiracy case, involving revolutionary writers besides political leaders, is still dragging on.

Many of the accused in the Parvathipuram conspiracy case were killed by the police in so-called encounters after the charge-sheet in the case had

be filed. It has taken nine years between the filing of the charge-sheet and disposal of the appeal by the High Court. Most of the accused had already been taken into custody either under preventive detention laws or in connection with criminal charges when the charge-sheet in the Parvathipuram case was filed. This means that many of those implicated in the case spent as long as nine years in prison, though the case against them was not proved. It is a clear case of miscarriage of justice, of sentence of imprisonment by an executive diktat. It took six years after the charge-sheet for the sessions trial to be completed and another three years for the High Court to dispose of the appeal.

Since the alleged offences relate to the Srikakulam girijan armed struggle, the state government launched the prosecution to keep the leadership and important cadres of the movement out of the scene of action. The prosecution had alleged as many as 81 armed encounters between the Naxalites and police forces and had cited several crimes like murder and dacoity allegedly carried out in furtherance of the conspiracy.

The charges leave little doubt that the case was of a political nature. Individual acts of alleged dacoity and murder, etc, were aggregated to form part of an omnibus conspiracy case. Some of the accused had been acquitted when tried on these specific charges. And these alleged offences were supposed to have been carried out in furtherance of an alleged conspiracy. It was an absurd situation amounting to trying the same persons twice-over for the same alleged offence.

Much of the evidence in this (as well as in other conspiracy cases in Andhra Pradesh) is the aggregate of evidence in specific cases and the witnesses in the conspiracy case turn out to be those examined in connection with specific cases. Some of the accused in the Parvathipuram conspiracy case are also among the accused in the Secunderabad Conspiracy Case. There is a grim, bizarre pattern to it.

West Asia

Israeli Expansionism in Action

THE renewal of Israeli attacks on Lebanon, almost before the ink on the Washington-inspired Egypt-Israel peace treaty has dried, has, apart from gravely embarrassing the Egyptian President who despite all the evidence to the contrary maintains that he is still committed as [illegible] the Palestinian [illegible], also opens up possibilities of further Israeli consolidation in southern Lebanon. The attack has to be seen in the context of developments that immediately preceded it, especially the announcement by the commander of the Falangist forces in southern Lebanon that the region has declared itself 'independent'. That move could not have been made without encouragement from Israel which has virtually controlled the region south of the Litani since its invasion of March last year.

Ever since that invasion a major aim of Israel has been, first, to secure a buffer on its northern borders contiguous to its already consolidated hold on Golan; and, secondly to make Lebanon resile from the historic Arab position that no Arab state would accept any settlement in West Asia that did not provide for a just settlement of the Palestinian question. With the remarkable success that Israel has had in securing a settlement with so important an Arab country as Egypt, Israel is naturally anxious to continue its job of winning over to its side other Arab nations, one by one, by a judicious mixture of force and inducement. Lebanon, more than any other Arab country, qualifies to be the next Arab country which might be amenable to such pressures.

The present invasion has many similarities with the invasion 14 months ago. When, in March last, Israel launched its massive invasion of Lebanon, the ostensible reason was the provocation offered in the shape of a Palestinian guerilla raid. That retaliation, which too took the form of a land, sea and air attack involving over 25,000 of regular Israeli troops, led to virtually the whole of southern Lebanese territory south of the river Litani being occupied by Israel and the consolidation of the Falangist elements in the region who had already been involved in a civil war against Lebanese left wing elements. In the present instance too, the provocation has been the PLO attack at Nahariya on April 22, and the response has been equally massive with Israeli infantry backed by tanks crossing into Southern Lebanon; and its political fall out has been the further consolidation of the Lebanese Christian right in Southern Lebanon.

With the remarkable success Israel has achieved in neutralising its most dangerous opponent among Arab nations, Israel's perspectives and [illegible]ment [illegible] invasion, so [illegible] events of March last, has to be seen as Israel's way of serving notice on Lebanon that it too should break with the other Arab nations and seek a separate treaty with Israel. Such a notice is indeed contained in the Israeli Prime Minister's address to the summer session of the Israeli parliament on May 7 where Begin has invited Lebanon to enter into peace negotiations. Quite characteristically, Begin has been at his sabre-rattling worst even as he is calling upon Lebanon to enter into peace negotiations in his vow to continue his "unrelenting war of attrition" against the PLO. "We will attack them, with all our force from the sea, the air and on the land in order to destroy them."

While the 'peace treaty' that he has signed with Egypt includes a provision for the eventual emergence of a Palestinian entity in West Bank and Gaza in the form of a 'self-governing authority' which might progressively become 'autonomous' and even 'independent'. Begin has gratuitously demanded that Lebanon should not absorb the Palestinians who have been driven into that country to seek refuge from Israeli expansionism, but should drive them off to countries like Libya, Iraq or Saudi Arabia, geographically further away from their original homes than their present wretched camps. And even while the commander of the Falangist forces claims that he did not consult Israel before declaring the 'independence' of Southern Lebanon, Begin for his part has assured that Israel would continue to expand its aid to the Lebanese Falangists both in the North and the South of the country — clearly serving notice that the putative 'independent' republic of southern Lebanon might in due course, with the necessary help from Israel, establish its authority over the whole country. For good measure, the Israeli Premier has also served notice on Syria demanding that it should withdraw its troops from Lebanon even as he has ruled out the possibility of a return of Golan Heights — whatever tacit understanding that might have existed during the civil war in Lebanon now obviously ceased to be relevant in Israeli calculations — and no less a hawk than Moshe Dayan himself has been hauled up by Begin for venturing to suggest recently that Israel might find it advisable to give up Golan in exchange for peace.

Clearly, the never-ending Israeli expansion is due for a further push.

The Military Establishment

Romesh Thapar

IN the Capital, there is much speculation about the Pakistani attempt to create a nuclear presence with the assistance of Arab funds and pressures. Our own nuclear lobby has surfaced and I would not be surprised if we were in the throes of a rather bitter controversy over nuclear "devices" within a few months which might split the Janata heirarchy on an issue for the first time.

It is well known that our successful explosion of a "device" at Pokaran occurred after several failures, that considerable effort was put into the drive when Indira Gandhi's political calculations demanded it, and that "devices" are not "instance" — unless, of course, a member of the nuclear club helps out. Pakistan has many suction points. If one does not oblige, another will for some hidden pay-off. The Indian assumption is that Pakistan will detonate a "device" sooner than we expect.

This nuclear proliferation will have wide repercussions on the situation in Southern Asia, but in the meantime the military situation is receiving a fresh look with the publication of the book on the NEFA debacle of 1962 ("The Unfought War of 1962" by Lt Col J R Saigal) which tells us that no war was fought, that so much of the reportage about "waves" of attacking Chinese and "superior fire power" was a figment of someone's vivid imagination, that many of the commanders who failed to fight repeated their performance against Pakistan in 1965, and that the Majors of those days are the Major-Generals of today.

The long-forgotten Defence Ministry investigation of the debacle (known as the Hendersan-Brooks Report!) is again in the news. Successive Army Chiefs have restricted its circulation to themselves! Admittedly, the investigation is in the nature of an Intelligence operation — and, therefore, needs thorough verification — but it is incomprehensible why a report of this kind has not seen even limited circulation at higher military echelons. It is also known that several key figures in the 1962 debacle were never asked to contribute their knowledge: a strange commentary on the way these matters ase handled when "leaks" have already been published (refer "India's China War" by N Maxwell).

These facts, together with a revealing review of "The Unfought War of 1962" by Lt General Harbaksh Singh which confirms rumours about haphazard military decision-making in the 1965 war with Pakistan, cannot but cause disquiet. Islamabad now has a land army of nearly half a million men — larger than ever before. There is talk of nuclear developments and an Arab "armament pool" (whatever that might mean). And the Punjabi-dominated martial law system is so unsteady that it might well think of diversions, apart from Afghanistan. Fears of this sort crystalise the demand for a closer look at India's military capacity, still very much spread out over a varied and sprawling frontier.

Defence Minister Jagjivan Ram's careful self-confidence may well come in for shock treatment if the public is not fully informed about the past and the lessons that have been learned from it. Already in the villages, people are talking in disparaging terms about the way recruitment is being done to the defence services. It takes anything up to Rs 2,000 to "get in". This shocking fact is known to the senior brass, but no one stirs to get the men who are sabotaging — yes, sabotaging is the word — the defence system. Corruption in recruitment means that the best material is not being located.

We have accepted corruption for the recruitment of peons, stenographers, policemen and school teachers. Maybe, the net is even wider. Enormous sums are being paid to "get in". Once that's done, there must be a hundred different ways to collect the thousands of rupees that have been paid. The politicians play the game. Why not the smaller actors on the national scene. But when it comes to soldiers, we had better watch out. The sooner this business is stamped out, the better — or else we might end up with an uncertain fighting force of some one million men.

It would be interesting to know why a certain number of watch-dog committees, composed of some of our more distinguished officers, cannot be established at some level to overlook the recruitment system. At the moment, the recruiting officers do not even take notice of letters from Lieutenant Generals recommending the services of members of distinguished military families if they meet the rigid requirement laid down. Who is protecting the miserable recruiting shelf?

To illustrate the point, we are also in the middle of a spy story involving not one or two key personnel, but a large number of officers and other ranks. It is alleged that they were working for Pakistan in the Poonch area. The whole business defies all the basic principles of spy dramas — and we come to know about it when the wives of the arrested men begin a sit down outside the Defence Minister's house claiming that their husbands are being tortured. We await the promised details of this story of "mass spying" with more than ordinary interest.

If these are straws in the wind, I think it might not be such a bad idea to approach the whole question of the future structure of the Indian military establishment with a very open mind. We have inherited very valuable British military traditions which insulate our armed forces from the political pressures of the day, but it is quite another matter to use such traditions to make thinking people illiterate on military matters. It is here that some hard work has to be done. Would it be too much to expect the present ferment to make this more lively interest possible. A first step, and a valuable one.

May 5

REQUEST FOR BACK VOLUMES

We are in need of back volumes of *Economic and Political Weekly* from 1966 to 1970. We shall be grateful to readers who can offer us complete sets for any or all of these years.

These will be paid for at Rs 75 per volume plus packing and forwarding charges.

Those who have substantially complete sets for 1966 and 1967 are also requested to write to us, giving the dates of the missing issues.

Turning Adversity into Profit

Hansavivek

GUEST KEEN WILLIAMS has been permitted to carry on business under FERA with the existing foreign holding of 58.7 per cent, by moving into sophisticated technological areas with. in a couple of years. Considering the current product profile of the company and the anticipated gowth in sophisticated technological areas, the management has accepted this option. Founded 55 years ago, today GKW has five divisions manufacturing a variety of products. Sankey pressing division makes electrical steel stampings and laminations and the steel division turns out electrically melted special steels, leaded and sulphurised freecutting, alloy, carbon and spring steel hot rolled bars and coils and billets. The fasteners division manufactures high tensile fasteners, mild steel bolts and nuts and spikes. The forging division makes drop, upset and open hammer forgings for automotive, railway and other industries. The engineering and machinery division fabricates special purpose machinery and equipment and also undertakes reconditioning, jobbing and motor rewinding services. Aided by a favourable market trend, GKW has recorded a fair recovery during 1978. Most of its products met with rising demand, and in many instances with improved realisations. Net sales increased from Rs 82.95 crores to Rs 92.42 crores. With margins widened, gross profit rose from Rs 7.24 crores to Rs 9.40 crores. Net profit was Rs 3.47 crores (Rs 2.47 crores). Dividend has been stepped down from 14 per cent to 12 per cent, but is payable on the capital enlarged by a one-for-two bonus issue. The effective higher distribution is covered 1.70 times by earnings as against 1.29 times previously. This improvement in the performance has occurred after taking into account the additional charge for wages arising from wage settlements and production-linked bonus agreement for annual bonus negotiated during the year. In the context of the general labour unrest throughout the country, the company can derive satisfaction in being able to maintain industrial relations on an even keel in almost all its units in the country. Barring minor disruptions, it did not encounter serious proplems in the area of industrial relations. The company's performance was adversely affected by two factors beyond the control of the management. First, the power shortage at the Howrah works was so crippling that it entailed loss of production ranging between 15 and 20 per cent. Secondly, operations at Howrah works were disrupted in September/October as a result of unprecedented floods which ravaged West Bengal. Power shortage remains a major constraint. K C Maitra, who had

The Week's Companies

(Rs Lakhs)

	Guest Keen		Coromandal Fertilisers		Atlas Copco		C I Spinning	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77
Paid-up Capital	1460	973	1583	958	242	80	178	178
Reserves	2348	3056	2281	2572	276	260	22	22
Borrowings	808	1097	335	976	—	89	805	817
of which Term borrowings	408	434	335	976	—	—	289	241
Gross fixed assets	4984	4715	5553	5597	180	174	797	788
Net fixed assets	3001	2918	1225	1303	70	71	253	266
Investments	49	58	1	1	—	—	1	1
Current liabilities	2225	1973	916	1147	252	240	403	383
Current assets	4192	4122	3839	4350	691	596	847	832
Stocks	2003	2123	1081	1232	300	271	690	613
Book debts	1981	1699	1974	2475	262	225	142	208
Net sales	9242	8295	5174	5791	1208	1136	1939	1997
Other income	168	130	110	81	40	38	22	20
New material costs	4052	3852	1883	2343	289	307	731	866
Wages	2017	1688	277	240	128	121	496	525
Interest	145	178	73	117	12	14	130	139
Gross profit(+)/loss(−)	940	724	1474	1488	183	181	44	8
Depreciation provision	226	206	144	256	11	12	21	22
Tax provision	367	271	740	690	112	112	—	—
Net profit(+)/loss(−)	347	247	590	542	60	57	23	—14
Development rebate provision	48	71	12	24	1	4	—	—
Transfer to reserves	124	40	271	326	42	40	—	—
Dividend								
Amount	P — E 175	— 136	P — E 307	— 192	P — E 17	— 13	P — E —	— —
Rate (per cent)	P — E 12	— 14	P — E 20	— 22	P — E 10	— 16	P — E —	— —
Cover (times)	1.70	1.29	1.88	2.69	3.47	4.07	—	—
***Ratios* (per cent)**								
Gross profit/sales	10.17	8.72	28.49	25.70	15.15	15.93	2.27	0.40
Net profit/capital employed	9.11	6.13	15.44	15.35	11.58	16.76	11.50	—
Inventories/sales	21.67	25.59	20.89	21.27	24.83	23.85	35.58	30.70
Wages/sales	21.80	20.35	5.35	4.16	10.60	10.65	25.58	26.29

been in the organisation for 35 years, resigned from the board as well as chairmanship of the company in August 1978. K B Lall, who retired from Indian Civil Service, was appointed as the new chairman.

COROMANDEL FERTILISERS has planned further growth by diversifying into manufacture of cement. It is seeking a 'letter of intent' for this purpose. It intends to set up a plant with an annual capacity of 9 lakh tonnes of cement in Cuddapah district of AP. A detailed geological study, for providing the limestone deposits, is under way and a report thereof is expected soon. The company's proposal has been approved under the MRTP Act. Last year, the company made substantial repayments on its long-term loans. With these payments, the debt-equity ratio stands vastly improved, indicative of the financial strength that could provide the base for substantial growth in the immediate future. Over the year, shareholders' equity has increased from Rs 35.30 crores to Rs 38.14 crores, while long-term debt has decreased from Rs 13.56 crores to a mere Rs 3.35 crores. During 1978, the company produced 2,30,000 tonnes of fertilisers equivalent to 1,28,000 tonnes in terms of nutrients 'N and P' compared to 1,32,000 tonnes of nutrients produced during the previous year. Production could have been more but for the intermittent breakdowns that occurred because of an ageing plant. Steps are being taken for a phased replacement of equipment. Net sales fell from Rs 57.91 crores to Rs 51.74 crores, but gross profit was only marginally lower, at Rs 14.74 crores against the previous year's Rs 14.88 crores, showing appreciable enhancement of margins. Net profit is higher at Rs 5.90 crores (Rs 5.42 crores) and unchanged dividend of 20 per cent on the capital enlarged by a bonus issue is still covered 1.88 times.

ATLAS COPCO (INDIA)'s 1978 results are unexciting with sales and profits only slightly higher than their respective levels the previous year. Dividend on substantially enlarged capital, reduced from 16 per cent to 10 per cent, requires a larger disbursement but is still covered 3.47 times by earnings. The company issued in August 1978 bonus shares on a one-for-one basis, but these shares are entitled to the full proposed dividend. The 8,11,216 equity shares, allotted to existing Indian shareholders on a 'rights' basis and Indian directors and employees, will be eligible for only about 9 paise per share on a *pro rata* basis. These shares, of Rs 10 each, have been issued at a premium of Rs 6.50 per share. With this issue, the non-resident interest in the equity capital of the company has been reduced to less than 40 per cent. The company is going ahead with its expansion and diversification programme. Orders have been placed for machine-tools required for the manufacture of aqua rigs and mechanised drilling equipment, and construction of new buildings will start soon. The company expects to introduce two new machines in the market in the middle of this year and another new machine early next year.

CENTRAL INDIA SPINNING has shown a significant improvement in its performance with a net profit of Rs 23 lakhs against a net loss of Rs 14 lakhs in the previous year, despite slightly lower sales. The performance would have been still better had the working not been interrupted by a labour strike lasting 47 days. The profit has been utilised to reduce the accumulated deficit to Rs 1.37 crores. Availability of cottton at reasonable prices helped to achieve better results. The company was also exempted from the obligation to manufacture controlled cloth during the last quarter of the year. The current year holds out promise of further improvement in view of the expected contribution from the paper project which started commercial production from the beginning of the year. The project is expected to prove profitable because of the good demand for paper. This diversification apart, the management has planned modernisation of the textile mills by availing a 'soft loan' of Rs 2.74 crores under the IDBI scheme. N H Tata, chairman, feels that if there are no further fiscal shocks for a while, the prospects are good enough to reward the shareholders for their "infinite patience and confidence in us". The company has not paid any dividend for the past four years.

USHA MARTIN BLACK earned a gross profit of Rs 115.10 lakhs in 1978 (Rs 126.82 lakhs). After charging Rs 24.81 lakhs (Rs 31.07 lakhs) for depreciation and providing Rs 32.95 lakhs (Rs 35 lakhs) for taxation and Rs 8.39 sakhs (Rs 5.49 lakhs) for investment allowance reserve, the disposable profit for the year is Rs 41.04 lakhs (Rs 64.01 lakhs). The recommended 10 per rent dividend on equity shares will absorb Rs 28.70 lakhs (Rs 28.81 lakhs) and the balance of Rs 2.84 lakhs (Rs 35.19 lakhs) is proposed to be transferred to general reserve. Production of the company's Ranchi factory went up from 24,305 mt in 1977 to 25,305 mt in 1978, despite serious and unprecedented power interruptions and failures. Sales rose by 11.5 per cent from Rs 23.3 crores in 1977 to Rs 25.0 crores in 1978. However, increase in manufacturing and marketing costs more than offset the gain from rise in production and sales, resulting in the lower gross profit for the year. The company's exports rose by 28 per cent in 1978 to Rs 5.6 crores (Rs 4.4 crores) and it continues to be the country's largest exporter of wire ropes. The company's wire rod mill set up at Adityapur near Jamshedpur at a capital cost of approximately Rs 5.70 crores for manufacture of 50,000 tonnes of wire rods annually went into production in March 1979.

CEAT TYRES OF INDIA showed a substantially better performance in 1978 by achieving record output of 1.1 million tyres It is now set for further progress. Its expansion programme is expected to be completed before the end of this year. Since part of the expansion would become operational by middle of this year, the company hopes to sell an additional 55,000 tyres and tubes in 1979 and another one lakh pieces in 1980 by operating expanded facility at full capacity. P A Narielwala, chairman, does not envisage much difficulty in marketing the additional output as he says that demand for the company's products continues at a satisfactory level.

JYOTI CONSULTANTS Baroda, has been established for rendering consultancy services in an integrated form in various fields of business and socio-economic activities. It provides comprehensive service right from generation and testing of new ideas, feasibility studies, financial and organisational planning to project engineering and procurement, supply, erection and commissioning of plant on a turnkey basis. It also offers special services to public institutions and government development agencies in formulation, and monitoring of programmes for sectoral and area development and in enhancing their organisational competence to manage such programmes satisfactorily.

NEW DELHI

Playing Politics with the Economy

B M

THE prolonged infighting in the Janata Party and the growing bitterness and militancy with which the various factions in the ruling front are contending against each other could not but have its repercussions on the functioning of the government. A facile idea has been cultivated in some quarters that factional quarrels may go on at the party-political level and that the normal work of government can be insulated from their impact. However, the position seems to be heading towards a crisis so fast that the decision-making process at all levels, including at the cabinet level, is now beginning to be directly effected by factional considerations. The fact indeed is that the principle of collective Cabinet responsibility is itself getting eroded. A remarkable feature of this development is that the Prime Minister is actively contributing to this process.

The position till recently was that it was all smooth-sailing in the Cabinet and all proposals presented by different ministries were adopted "unanimously" without much discussion. This style of functioning was obviously a concession to the federal composition of the ruling party and of the Cabinet itself. The position has, however, undergone a dramatic change in recent weeks, specially after the fall of the UP government headed by Ram Naresh Yadav and more particularly of the Karpoori Thakur government in Bihar. These developments have, it seems, precipitated a realignment of political groupings in the Janata party and exacerbated relations among different politcial factions to a marked degree. Those who can be identified as the Prime Minister's followers in the ruling party have taken active part in these developments and, though the Prime Minister has not come out in the open, he has not been above board in the eyes of the rival factions. The Congress(O)-Jana Sangh combination against Karpoori Thakur and BLD in Bihar has received wide publicity. It has been noted since then that the Prime Minister has tended to take an intractable position even on administrative and executive matters of a day-to-day nature under the influence of political factional considerations.

The most interesting illustration of this state of affairs was provided by the stage-managed discussions in the executive of the Janata Parliamentary Party on the work of the Steel Ministry. The Steel Minister, Biju Patnaik, was hauled over the coals in these discussions. But the noteworthy feature of this show, however, was the marked indulgence of the Prime Minister towards the detractors of the Minister and his delight over his discomfiture. The highlight of the proceedings was the readiness with which the Prime Minister offered to "review" a Cabinet decision on the import of limited quantities of coking coal because the critics smelled a rat in these imports and not only found no economic justification for them but also hinted at certain base motives on the part of the Steel Minister in arranging the imports.

It is not possible, nor is it necessary, to uphold or refute the imputations. But the fact remains that the question of coking coal imports went through the usual interministerial paper work and, after the Energy Ministry which is concerned with coking coal production in the country was somehow pursuaded to fall in line and withdraw its earlier objections to the proposal of the Steel Ministry, the Cabinet approved of it. For the Prime Minister to readily agree to "review" the decision of the Cabinet in the circumstances in which it was offered to be done was extraordinary, to say the least and, by implication, must be construed as a reflection on the Steel Minister and his conduct. An interesting sidelight on this episode is that the Energy Minister also did not think it amiss to suggest to the party executive that his concurrence with the Steel Ministry on this matter was not wholly without reservation.

Energy Minister Ramachandran's stand on the coking coal matter had a parallel with his role in the Cabinet when the formal proposal of the Industry Minister, George Fernandes, seeking approval of the Siemens-BHEL deal was stalled on the ground that a Janata MP, Subramaniam Swamy of the Jana Sangh, had written a private letter to the Prime Minister criticising the Industry Minister's proposal. On this occasion, again, he took the stand that he should have an opportunity to further study the proposal and this helped the Prime Minister to not only postpone a decision but even constitute a sub-committee of the Cabinet to make a scrutiny of the proposal. The point here is not that either the import of coking coal or the Siemens-BHEL deal is good or bad. The point is that, in the normal course, the Prime Minister would not have acted in the manner he did except for political-factional factors which are currently at play in the ruling party set up. While in the case of coking coal import, a formal Cabinet decision has been reopened, in the case of Siemens-BHEL, a decision has been stalled on a matter which was within the competence of the Industry Ministry to take on its own but which was presented for prior backing of the Cabinet because of the sharp controversy that has surrounded the proposal. On both counts, the two Cabinet Ministers have obviously been placed in a most awkward position, which is only just short of asking them to submit their resignations.

Another Minister in the Cabinet who has been placed in a similar awkward position is the Railway Minister, Madhu Dandavate, on the question of bonus to railwaymen. The question has been examined in full by a Cabinet sub-committee and presumably it decided in favour of giving the bonus. But when the issue came up before the Cabinet for decision, it was decided that the matter be further processed by the Finance Minister — obviously an extraordinary procedure. Meanwhile, the tussle between the Railway and Energy Ministeries on their respective share of responsibility for the movement of coal or lack of it has become an interesting part of the goings on in New Delhi.

These developments and the general style of functioning of the Prime Minister which came under considerable adverse comment when he took peremptory decisions on reorganising the Council of Scientific and Industrial Research and introducing the rolling plan system in Yojana Bhavan have made many of his Cabinet colleagues quite restive. It is probably as part of this scenario that some of them — George Fernandes being very prominent in this respect — are trying to

take militant postures on their side of the fence. Fernandes's public statement that in any agitation of railwaymen for bonus he would side with the workers was probably inspired by these considerations. His campaign on nationalisation of certain industries and other wordy duels with big business houses have the same motivation. He has opened a new front on the issue of nationalisation by his proposal to nationalise the artificial fibre industry as a punishment to Birlas for their alleged breach of licence regulations.

Interestingly enough, the Prime Minister is extra careful in dealing with the Finance Ministry now presided over by Charan Singh. Charan Singh, it would appear, will not brook any interference without immediately precipitating a break up of the fragile Janata combination and the Prime Minister will not risk that.

BOMBAY

Rickety Municipal Finances

Amrita Abraham

THE size of Bombay's Municipal Corporation budget could well be that of a small state. For the current year it is some Rs 210 crores. For a city that is popularly thought of as one of the better run in the country its finances show a surprising amount of flabbiness. Its relations with the state government have many of the ingredients of Centre-state relations: annual demand-making met by unfulfilled promises. Its resource-raising and expenditure pattern show where the city's heart lies.

The BMC budget consists of several constituent budgets, each of which is the concern of specific committees of councillors The first fact about BMC budgets is that councillors by and large limit their influence to a bit of window-dressing after the Municipal Commissioner has made his proposals and the standing committee has made a few judicious modifications to those proposals. This is because of ignorance and indifference. This year the education committee for instance had to delay its meetings for lack of a quorum A party-man said his party councillors don't contribute much to budget-making, they prefer 'social work' in their constituencies!

The main or 'municipal' Budget A is the keystone of corporate affairs not only because it is the largest (about two-thirds of the whole) but also because it must contribute statutorily to the others — Budget B (Improvements), Budget E (Education) and Budget G (Water Supply and Sewage Disposal). All these contributions as well as a special contribution to the Education Budget, which has been a regular feature for some years, take something like a sixth of Budget A's income. Also, Budget A has more scope for raising income than any of the others.

When the Commissioner presented revised estimates (RE) for Budget A for 1978-79 (a normal year by all accounts) they showed a 10 per cent drop in income matched fortuitously by an equivalent drop in expenditure. The villains of the piece on the income side were property taxes and octroi levies which together bring nearly nine in every ten rupees of Budget A's income The other defaulter was the state government — 'anticipated' grant-in-aid did not materialise.

Budget A pays for traffic operations, roads and bridges, street cleaning; general supervision and revenue collection and so on. But the fall in expenditure was explained in large part by decreases in health outlays including medicines and instruments and establishment; unspent provision for municipal staff activities, unspent provision for repairs and maintenance of things like storm water drains and buildings. Thus was a fall in income neutralised and a deficit budget converted into a surplus one. Both the Commissioner and the standing committee have made a special point of the strain on the city's municipal health services and the fact that they take 30 per cent of Budget A's resources without contributing much to income How then do they explain that half the 'savings' in expenditure could be extracted from the health budget? Perhaps because the public has long been resigned to overcrowded conditions and long delays and wouldn't feel the difference from several unspent crores anyway.

For the current year increases in estimated income rely almost solely on octroi. This is the only area where the standing committee flexes its muscles. First the commissioner estimated that levies would bring in Rs 5.5 crores more than the RE for 1978-79 and then the standing committee piled on another Rs 2 crores to this. Both of them have not been unduly shaken by the fact that last year octroi collections fell short by Rs 5 crores. The only consolation we are offered in this slap-happy budgeting is an assurance from the Commissioner that vigilance machinery has been streamlined and that malpractices will be dealt with severely.

There was a time when property taxes were the mainstay of the civic budget followed by octroi. Since 1973-74 the positions have been reversed with octroi forging far ahead This year octroi will bring in an estimated Rs 63 crores and property taxes Rs 33 crores, according to the Commissioner, and Rs 34 crores according to the standing committee's modifications. This is another instance of building castles in the air Last year collections fell short by Rs 2 crores and the astounding fact about property taxes is that arrears have been accumulating for several years and now amount to Rs 42 crores including some instances where court cases are pending The Commissioner has announced that a recent Supreme Court decision allows the corporation to collect property taxes even before disputes are settled He expects this to help BMC recover some Rs 9 crores in arrears. But this is not necessarily going to happen in the current year and no one has any answers about the rest of the arrears

As Boman Behram, independent councillor for several terms, has pointed out, one reason for this gross negligence about arrears is that the Corporation acts as tax collector to the state government. It hands over the revenue it collects on the state's behalf, (a repairs cess, unemployment and state education cess, etc) on the dot every year The reason is that the screws have been put on the Corporation for failure to collect government dues by a clause in the BMC Act which entitles the government to prior claim on the municipal Corporation's revenues. There is no such pressure on the Corporation to collect its own dues.

One of the reasons why property

taxes have remained fairly static — Rs 20 crores in 1973-74 to Rs 29 crores in 1977-78 — is a government ceiling fixed at 25 per cent of rateable value. And that point has been reached — it is 24 per cent in all parts of the city. However, it is within the purview of the Corporation to revise the rateable value of properties. But this kind of taxman's tool is blind in that it does not distinguish between the incomes f households in a locality. Thus, in most parts of the city rateable value is fixed on the basis of a series of comparative costs in the locality. An upward revision would mean that those with fixed and low incomes would be burdened far more heavily than others. This gives the Corporation the excuse it needs. The result is that those who can in fact afford to pay twice and three times what they are paying now as property taxes are not required to.

The Corporation, to give its due, has tried to amend the Rents Act to give itself more scope to revise rateable value but as the Commissioner says in his notes this has not been sanctioned by the government and "there is no likelihood of the amendment being put through in the near future". The Corporation also tried recently in a new housing area, where incomes were likely to be uniformly high, to use a new basis for fixing rateable value, that of the 'contractors test' taking into account current market price of land and construction, plus a percentage. This naturally worked out so much higher than the rateable value in older, fixed-rent localities and led to such opposition from flat-owners that the rate had to be substantially reduced. Unless the Corporation can find some way of relating additional property taxes to the income levels of households it is unlikely in the peculiar housing situation of Bombay, that property taxes will yield much more in future years.

There are no other new taxes in the latest budget. Most corporators seem to think that the city's capacity to pay for better services has been tapped to very nearly the maximum. The debates in the house show that they feel instead that the state and Central governments should bale them out (a) because of the income that the city generates for both of them and (b) because Bombay has constantly to expand its services to encompass migrants from all over the country. Meanwhile debt charges in Budget A have risen from Rs 9.3 crores (RE) 1978-79 to Rs 14.43 crores (BE) 79-80. A large part of the increased expenditure this year will go in establishment charges, chiefly on account of increased DA for staff.

The cumulative effect of flabby budgeting and poor resource raising and collections is most visible in the section of Budget B shown separately as Slum improvements. Budget A contributes Rs 2.41 crores to Budget B this year, all of which goes on general improvements schemes for the city and suburbs. For slum improvement there is a special allocation of Rs 1.50 crores to meet the deficit in the general account. But even this is far from adequate for the modest expenditure that is planned totalling Rs 7.31 crores in the general account which is essentially for maintenance. The slums themselves, on municipal, state and Central government and private lands bring receipts of nearly Rs 3.70 crores. The rest, some Rs 2.10 crores the Corporation hopes will come as a subsidy from the state government Since 1969-70 when the Corporation began its slum improvement schemes they have covered, according to the commissioners' notes some 13 lakh of slum dwellers This gives an idea of what the expenditure per head is Altogether there are some 26 lakhs slum dwellers (four in ten of the city's residents) and though this is alo the state government's responsibility, it is worth noting that the Municipal Corporation's efforts are incredibly marginal.

More than a third of this year's expenditure in the general account will go on establishment charges. What is even more illuminating is the fact that while BE for expenditure last year were Rs 6.36 crores, RE show only Rs 3.95 crores, more or less what was actually spent in 1977-78. Capital expenditure on slum improvement is even more pathetic: receipts Rs 2.40 crores, proposed expenditure Rs 3.80 crores for the current year.

There is little doubt that the Corporation suffers from the effects of the state government's niggardliness and the Education Budget is a good example of this. There is a deficit of Rs 11 crores this year in Budget E. The usual special contribution of Rs 9.73 crores from Budget A will help reduce that deficit. On the other hand, not only has the state government left the entire responsibility of expanding primary education to the Corporation, it does not pay its full contribution to primary education. After a long drawn out tussle the state government agreed to pay 20 per cent of 'admissible expenditure', then chose to interpret that term in such a way that the Corporation actually gets only 13 per cent, far less than other civic bodies in the state. The Corporation feels that the government should provide 50 per cent grant-in-aid to primary education.

INDUSTRY

Much to Hide

(By a Special Correspondent)

THE annual report of the Ministry of Industry for 1978-79 is a noteworthy document more for what it conceals than for what it reveals. Over the years, the Industry Ministry's annual reports had tended to grow in size, which was perhaps justified considering the ministry's expanding role in regulating and promoting industrial growth. As the latest report claims, "The Ministry of Industry, apart from being responsible for the development of certain specific industries, is also the nodal ministry for co-ordinating government's policy for development of the industrial sector (i e, steel, mines, petrochemicals, fertilisers, etc) as a whole". The ministry administers the Industrial (Development and Regulation) Act, 1951 and the entire system of industrial approvals pertaining to industrial licensing, foreign collaboration and import of capital goods. It has also a major role in the processing of FERA cases. It has under its control such important technical and advisory bodies as the Directorate General of Technical Development, the Bureau of Industrial Costs and Prices, and the Economic Adviser's office. The Ministry has under its charge the bulk of public sector undertakings, as many as 35, covering a wide range of industries — equipment for the power sector, industrial machinery and machine tools, automobiles, structural fabrication, cement, paper, textiles, leather and leather goods, newsprint, ophthalmic glass, salt and photofilms. A number of promotional organisations like the National Industrial Development Corporation, the Small Industries Development Organisation, Development Commissioner for Handlooms, Development Commissioner for Handicrafts, the Khadi and Village Industries Commission, Coir Board and Jute Commissioner are under the jurisdiction of the Ministry.

For this reason, as mentioned earlier, the ministry's annual reports had tended to become bulkier and bulkier over the years. The report for 1976-77 had 325 pages and that for 1977-78 500 pages. In sharp contrast, the latest report for 1978-79 runs to just 164 pages. Of course, one cannot be so naive as to judge the quality of the report on the basis of the number of pages. Thus, the gigantic size of the earlier reports did not mean much in terms of providing insights into the content of industrial growth or in terms of reflecting a wider perception of the government's industrial policies and their operation. Even so, the reports contained, unwittingly perhaps, many details about specific projects and programmes which could be the basis for further review and analysis by those who were interested. The report for 1978-79, on the contrary, skips all such details and, as a result, loses even that modicum of usefulness which the earlier reports had possessed.

It may appear that the abridgement of the report this year is just an attempt at cutting down unnecessary verbiage or details. This may even be partly true, but many omissions do not appear so innocent. The omissions may well be intended to hide either some unpalatable facts or certain subtle changes of policy which have been the subject of much controversy in recent months.

Some of the conspicuous omissions which may have been deliberate are those relating to the commission of enquiry on large industrial houses, the proposed collaboration agreement between Bharat Heavy Electricals (BHEL) and Siemens of West Germany, and the appointment of an industrialists' committee to advise the government on industrial licensing policies and procedures.

The functioning (or non-functioning) of the A K Sarkar Commission of Enquiry on large industrial houses (particularly the Birlas) used to be reported on every year since its institution in 1970. Last year's report had said that "so far the Commission has scrutinised over 9,000 files out of 12,000 required to be studied". The latest report, however, makes no reference to it at all. It may be that the government was unhappy about the slow pace of the Commission's working and had, therefore, already decided to wind it up. But even this is no reason to omit all mention of the Commission from the report. The ministry perhaps chose to omit mention of the subject because any reference to it would have perforce entailed some specific enunciation of the government's policy in regard to large industrial houses.

Similarly, though it had been widely reported that the Industry Ministry had appointed a committee consisting only of industrialists to advise it on licensing policy and operations and that the committee had even come out with a series of recommendations for further liberalising the regulatory mechanisms, the annual report of the ministry is totally silent on the subject. Interestingly, the report also does not make any reference to the Central Advisory Council of Industries constituted under the Industries (Development and Regulation) Act 1951 for the purpose of "advising government on matters concerning the development and regulation of industries coming under the purview of the Act". The report for 1977-78 after explaining the composition of the 30-member Council, had promised that "steps are being taken to reconstitute the Council".

The most conspicuous omission, however, is that about BHEL's activities. The report claims that BHEL has not only "maintained its position ... as the largest engineering unit in the country" but that it "now ranks as the seventh largest unit engaged in the manufacture of electrical equipment in the world". Its annual report should have been used as an opportunity by the ministry to spell out its own justification for the proposed collaboration with Siemens. Instead the report fails to make even a reference to this development or to BHEL's so-called attempt at upgrading its technological profile. In the past the annual reports generally gave some useful details about BHEL's activities, which cover ten manufacturing units, including two subsidiaries, and ten other divisions. Last year's report devoted about 12 pages to BHEL including two detailed tables (one containing unit-wise and product-wise data on installed capacity and output and the other giving information on BHEL's 31 existing foreign collaborations, six with UK, five with USA, five with the Eas European countries including USSR, three each with Sweden and Switzerland, two with France, one with Italy and six with West Germany, including three with Siemens). The latter list contained some details such as the products for which the collaborations had been entered into. On the other hand, the current year's report does not even

mention any of these subjects. The 1976-77 report had revealed that BHEL's Hyderabad unit had added high speed industrial turbines and centrifugal compressors to its product range and that these would be "manufactured in cllaboration with Siemens and Nuovo Pignone of West Germany and Italy, respectively". This fact was repeated in the report for 1977-78. The earlier reports had also contained a separate section on BHEL's "directional pattern of investment — major expansion schemes and diversification proposals". The latest report is silent on the subject except for references to two subjects, which probably represents an indirect defence of the Siemens collaboration. First, it is emphasised repeatedly that BHEL has advanced from being a supplier of hardware to being a supplier of total systems, from concept and erection to commissioning and after-sales service and that "taking into account its increasing responsibilities, BHEL's efforts are directed towards keeping pace with customers looking for more sophisticated and larger unit size equipment". Secondly, the report reveals that "with government emphasis on the importance of research, design and development as an essential back-up for a growing organisation and for quicker assimilation of imported technology, BHEL is setting up a corporate research, design and development centre at a cost of about Rs 17 crores at Hyderabad".

Besides these omissions of a specific nature, this year's report is conspicuous for the total absence of any useful reference to what earlier reports used to describe as "policy objectives". Under this head a specific reference used to be made to the subject of "self-reliance". For instance, the 1976-77 report had stated: "there is also an increased emphasis that the technology imported hitherto should be absorbed and then improved upon within the country so that the umbilical cord of foreign technology should be cut at the appropriate time. In accordance with this policy, the Department has been gradually disallowing the extension of the existing foreign collaboration agreements... The Department has been concerned with the repeated import of same technology with the multiplicity of units entering in the field of manufacture of the same items. Wherever possible, the policy of the Department has been to arrange for a horizontal transfer of technology". The whole subject of self-reliance has been discarded in the 1978-79 report (as also in the previous year's report).

Even the coverage of small-scale and village, khadi and handicrafts industries is very perfunctory. Last year, the chapter on "Small-scale Industries, Industrial Co-operatives, Appropriate Technology and Closed Units" had not only contained a description of the new policy stance in favour of such industries but also an evaluation of their performance in regard to the value of output, size of fixed investment and employment generated. The report had said: "It has been possible to indicate the number of units, value of production, investment, and employment because of the completion of the Census of Small Scale Units and implementation of the Scheme of Collection of Statistics". It presented the data for five years from 1972 to 1977 and also estimated the index of industrial production for all industries and in respect of 14 major industrial groupings (with 1970=100 as base). The report had contained an industry-wise profile of small-scale units. The report for 1978-79 does not show any awareness of these data. In fact, it seems that the entire statistical system has gone haywire, for there is a cursory reference to the number of registered units and output of registered as well as unregistered units, but only upto the year 1977 for which the data had already been presented in the previous year's report. The report for 1977-78 had cited the number of registered small-scale units as 2.47 lakhs in 1976 and 2.69 lakhs in 1977, whereas the latest report places the corresponding figures at 2.60 lakhs in 1976 and 2.87 lakhs in 1977. The report does not question as to how commercial banks could have granted advances to as many as 4,25,700 small-scale units as in March 1977 and to 4,99,794 small-scale units as in March 1978, when the registered units numbered only 2.87 lakhs even in the latter year.

One of the important programmes for the development of rural industries is the Rural Industries Project (RIP), which has been under implementation in 112 districts covering all the states and Union territories. The 1977-78 Report had reported the existence of 2,15,000 units under the RIP programme with an investment of Rs 431.98 crores, gross output of Rs 535.37 crores and employment of 7,08,200 persons at the end of 1977-78. This year's report does not show any awareness of the existence of the RIP scheme.

Likewise, last year's report had stated that there was a proposal, "now in the Planning Commission, to set up an Authority for Backward Areas Development (ABAD)" which was "to promote infrastructure facilities, identification and preparation of project reports of propulsive industries based on local resources...". The section on 'Backward Area Development' in the 1978-79 Report continues to talk of the subsidies and fiscal incentives for 246 backward districts and for 101 chronically backward ones, but does not say a word about the ABAD proposal.

These ommissions may to some extent show the scant respect the bureaucracy has for many of the government's promotional and regulatory objectives and roles. To a greater extent they represent an attempt to hide the subtle policy changes which the bureaucracy wants to achieve without publicity, and without attracting the attention of Parliament in particular. They also show utter disregard for factual accuracy, for the continuity of information and for some meaningful review of performance. A ministry which claims to be the nodal agency for industrial development in the country fails to make a systematic review of the performance of the overall industrial sector, except for a half-page ritualistic reference to the subject on the introductory page. The total absence of any analytical intent in the Report is also evident from the data on the growth of public sector undertakings under the Department of Heavy Industry. In respect of 16 units under this Department, the target of output fixed for the full year 1978-79 was 34 per cent higher than the actual output in 1977-78. As against this, the actual output during the first 10 months of 1978-79 (April 1978 to January 1979) was about 7.1 per cent lower than the full year's output of 1977-78 and to achieve the target of 34 per cent growth, the increase in output during the last two months would have had to be of the order of 44 per cent — plainly impossible of achievement. Yet there is not even a cursory reference in the annual report to the likelihood that the targets set for 1978-79 would not be achieved and to the reasons for this.

WEST BENGAL

All Darkness

A STATE with immense potentials forsaken by industrialists, a victim of top level administrative bungling, a land of "load-shedding" that goes on week after week, a place where nothing seems to get done — that more or less appears to be the image that West Bengal presents today to the rest of the world. The image has been built up over the years, inch by inch, newspaper headline by newspaper headline, and by now it has become confirmed. But, as the saying goes, even a dog has his days and things cannot remain the same for all times.

For the present, however, it is all darkness, both literally and figuratively. Load-shedding, an Indian-English coinage that bids fair to get a place soon in the dictionaries has become a part of life. It runs for anything between four and sixteen hours in instalments in Calcutta (longer spells are not unknown); in districts, it is only worse. The position is such that if tomorrow the people of Calcutta start getting power round-the-clock, they would just not know what to do with all of it!

Indeed, when one comes to think of it, it is a remarkable achievement. Surgical operations take place part in electric light, part in lantern light. Or climbing up ten-storeyed apartment buildings. Doing with a few "rationed" buckets of water. Walking out of cinema houses just when the hero is at his most somnolent (or is it romantic?). And passing torrid summer days with only a sheet of paper as a fan Didn't somebody praise the Britishers for the way they lived with five eggs a week, a fixed quota of bread during the war days? The people of Calcutta have proved they can do better.

And mind it, all this is without even a ripple of that notorious Calcutta spirit. There is not even a suggestion of an agitation. "It is difficult to believe that these are the same people who a couple of decades ago turned the city upside down over a one-paise rise in tram fare". The people, to be sure, are the same, but the Indian polity is not. Between that day and today, lies two decades of erosion of moral values, of spreading corruption, of disillusionment with politics and politicians, a creeping fatalism that nothing really changes, a corroding frustration. A herd of sheep cannot move mountains; rogue elephants can, and does not somebody up there talk of moving the mountains — of poverty, unemployment, social injustice?

It would indeed be a sort of monstrosity if such a crisis passes off without at least a few heads rolling, not in the street, but in the corridors of power and in the power plants. Chief Minister Jyoti Basu must be aware of it more than anybody else; he is known to be desperately looking around for people who can take charge of the crumbling situation and put the state back on its feet. His first attempt has failed him. He overhauled the administrative set-up in the power ministry soon after taking charge two years ago. Now he is preparing for the second attempt.

Jyoti Basu had been rather chary at the beginning to concede that the crisis had developed because of management failure. But lately he has been more forthright. He has spoken quite critically of the management of the West Bengal State Electricity Board and Durgapur Projects Ltd. And darts flying from a section of his own party cadre and a section of the pro-Left Bengali press at some of his close aides. In Writers Buildings, some of the secretaries hardly conceal their glee at the controversies that have now developed around some members of Basu's "power team".

Basu has complained, rightly, that the previous regimes had not cared much about the power front and that today's crisis is a legacy of those administrations. Santaldih was supposed to be completed by 1973, now its fourth unit is expected to start operation only around early next year. And so on. No one denies that no government can achieve much in getting a new project cleared or even in adding to the generating capacity in two years. But then such a period should be considered long enough for at least overhauling the existing power plants. In fact, Basu himself has been assuring the people that the plants should be working well — that is what he was presumably told by his men But when the crunch came, it all fell like a house of cards, draining along with it a lot of money and many valuable "expert man-hours".

The standard of management is a function of discipline, and the Left Front can say that the "irregularities" done by the previous regimes are again responsible for the lack of discipline now prevailing in some of the plants. A specific mention has been made of the recruitment of about 10,000 people by the SEB during the previous Siddhartha Ray ministry. The charge is that being the party in power, the Congress inducted its own sympathisers into the organisation without caring about their fitness for the jobs. But this, in today's India, is a routine phenomenon and it would only be the eighth wonder if the CPI(M) can rise above this practice. The chances are that we would be missing this wonder.

For the time being, there could not have been worse publicity for West Bengal than this power crisis. None of the big houses (all owned by people who had come from outside the state) — of which more than ten are said to be headquartered in Calcutta — is showing any interest in any new industrial venture. Only some of the multinational groups are being persuaded by their professional managers to keep their flags flying in the state. But how long this will be so is extremely uncertain. One of the managers said: "We induced our board to put up a new plan in the state. But with this power crisis — along with such problems as local youth asking for jobs in the new venture, not in tens but in hundreds — we do not know how long the board will remain sold on the idea". Construction work at a new industrial plant at Haldia has now to go on with a posse of policemen surrounding the site.

But even the darkest night, as they say, comes to an end. The ordeal of darkness through which the state is now passing should, hopefully, have a chastening effect on all sections of the people, except perhaps among the few who have a vested interest in keeping the pot boiling. It is true that these are also the people who call the shots But then, groundswells do sometimes appear. The course of events during the next few years will be interesting.

One of the fallouts of the current crisis is also likely to be a hardening of the Left Front's stand on getting what it calls a "fairer deal" for the state. The demands for economic justice in the form of more public sector investment, for equality of freights in a number of commodities, for more direct benefit out of its coal and steel — to name only a few points — are likely to become more strident. In the end all this may open up fresh opportunities.

Of Circuits and Networks

David Lehmann

THE term 'Conference Circuit' is a most suitable one, for conferences are occasions for the renewal of old networks and the creation of new ones. On this occasion I found a particularly varied combination: the Chilean Opposition (two activist-officials from Popular Unity days), Indian officialdom (two IAS land reform enthusiasts), four Latin American agrarianists (two Jews, two non-Jews), several present and former Cambridge graduate students dispersed through South and South-East Asia, and even an old disused Oxford/India network (whose tentacles reach into Cambridge, Sussex, the Ford Foundation and so on).

Other networks were new to me, but seemed very suspicious indeed. There are two or three ways of reacting when one comes upon a new network: one can be overawed, suspicious or relaxed. Overawed, because of the inner fears expressed by the term 'name-dropping', the sinking stomach provoked by even an innocent mention of powerful or prestigious persons unknown to us; suspicious because shadowy connections, either counterintuitive or indeed 'strongly suspected', arise in ways which evoke unspeakable deals and alliances, or the mutual attractions of the travelling salesmen of global rhetoric, relaxed reactions are the privilege of the few, but not necessarily of the powerful, perhaps rather of the ignorant or inexperienced, for it is of the essence of conference life that individuals remain alert to the unforeseen and the unknowable, to new slogans and fashions, and thus, in the end, to new individuals who embody and promote them. The world of 'development studies', unfortunately, is subject to a particular brand of terminological racketeering which turns the heart of the erudite to stone. Can it conceivably be the same in the natural sciences? I presume not. Can social sciences in development studies be taken seriously? Not very often.

What was this outfit called CEDEA from a West African capital, apparently run by an airborne Italian and a camp-follower of long-won African liberation wars? And this crowd of Indian narodniks riding high on a murderous blend of tobacco, whiskey and indignation?

The meeting was held in a South-East Asian country which, after a turbulent period of corrupt and violent 'democracy' had finally fallen to the inevitable military coup — and quite a bloody one at that. The country's development programmes were largely being run by the World Bank and sundry other agencies; ten years ago the World Bank was 'running' Brazil and Iran — now it is in control of a handful of banana republics and little more. In this case, the state confined its sketchy presence to jails and barracks and refereeing the struggle for the spoils to be gained from aid contracts. 'Development' was a fight between technocracy and the grass-roots idealism of famine relief and expatiate consciousness-raisers. At the conference itself, the local representatives were mostly from the marooned left-wing intelligentsia. Trained at both Cambridges they had exchanged Anglo-Saxon orthodoxies for the more relevant — though unfortunately also more thunderous — rhetoric of Marxism.

It would be easy to dismiss or belittle these people, for they seemed so isolated from the masses they invoked, and their politics more expressive than instrumental. But at least they were here, and not sitting in international bureaucracies as so many local radicals were now doing. Furthermore, they had seen many activists die in repression, and were no doubt themselves under close watch.

It is a curious feature of repressive third world regimes that they tolerate the intra-mural extremism of university-based intellectuals, but not the more moderate parties of the established left. The reason is simple: moderate or not, the established left is an organised left. But harmless though organised left still run risks. Their situation is unenviable, for they are at once prestigious and ignored: the homage paid to them on account of their doctorates from famous universities is matched only by the contempt shown for their opinions by those in power. Detached from the traditional intelligentsia of mullas and lawyers, they find a more ready hearing in London or California than in their own country.

The proceedings themselves lost no time in degenerating into slogans: too many papers, too many problems, too much despair, too little room for reason. The Latin Americans — once a lone radical voice in the capitalist countries of the third world — gasped at the calls for revolutionary change, for they had learnt harsh lessons in Chile, Peru, Argentina. And they knew too well how profoundly reactionary regimes can appropriate radical discourse for their own ends. Drained of faith, they no longer believed either in the magic of Revolution or in the populist merchandise of international development agencies: appropriate technology, self-reliance, full employment, land reform, integrated rural development, basic needs. comprehensive planning. In the end only the Indians presented confidence: the officials, because it never occurred to them, despite their radicalism, that 'fundamental change' might mean the overthrow of the bureaucracy, so they assumed that whatever happened they would be in the seats of power; and the populists, with their faith in free-wheeling agitation.

How did we all fit in? What were we doing here? Who, in God's name, was paying for this singularly distressing vaudeville? Apparently the Swiss government, or maybe "the Swedes", or "the Canadians". Did it matter? Yes, it did, but among the radicals no one seriously tried to find out. An excessively shrewd Brazilian thought this was perhaps part of a swedish tactic to sow dissension among international agencies they could not control. The conference organiser was using a short-term loan from a European bank while the head of CEDEA had gone to Geneva or New York to collect the funds, as if this was a bootlegging exercise using black money. Meanwhile, the camp-follower of liberation was to pay the bills with a charge card. Maybe this was a front for the opium trade — ideological opium at least.

Design Award for L & T

LARSEN AND TOUBRO has won an international award for the design of its fuse-switch unit FB 250 at the 1979 Hanover Fair. This is the first time that a "Good Industrial Design" award has been given to an industrial product from India. The award entitled L and Ts FB 250 to be exhibited separately at a special function which took place at the Fair and for inclusion in a prestigious catalogue released on the occasion. The award also entitles L and T to use the symbol of the competition sponsor, "if 79", in advertising and sales promotion of the product.

Earlier, in January 1979, L and T had been awarded four certificates of merit in the design competition held by the Society of Industrial Designers of India. The products winning these awards were L and T's pendant push button station, on-off push button station, square skirt enclosure (star delta starter) and thyristor converter.

Tough Stance at UNCTAD

Ramesh Jaura

THE West German government expects the forthcoming fifth UN conference on trade and development (UNCTAD V) at Manila to contribute towards further improvement in relations between industrial and underdeveloped countries. At the same time, Bonn is fully aware that the persistent North-South divide cannot be fully bridged. An official position paper states blandly: "It will be difficult to achieve substantial agreement on most of the issues."

Major issues to be negotiated in Manila are: structural changes in the world economy, growing protectionist tendencies, raw materials, the role of IMF, official development assistance (ODA), foreign private investments, indebtedness of under developed countries, code of conduct for transfer of technology, economic co-operation between the underdeveloped countries and the role of UNCTAD *vis-a-vis* GATT, World Bank and UN organisations like UNIDO.

On the controversial issue of raising West German contributions to the ODA to bring these at par with the UN target of 0.7 per cent of GNP, the official position paper maintains complete silence. This is not surprising in view of the fact that differences among cabinet members have led to a postponement of the decision on the extent to which Bonn would raise concessional aid in the coming years.

Both Economics Affairs Minister Lambsdorff and Minister for Economic Co-Operation Offergeld have assured that West Germany would raise its share of ODA contributions. But Lambsdorff, who will represent Bonn at UNCTAD, makes no bones about the fact that the UN target will not be fulfilled. The reason: continuous oil price rises. Bonn would, in fact, like the underdeveloped countries to persuade the oil producers not to go on periodically increasing prices.

West Germany has been facing strong criticism from within and outside for lagging behind the UN target with its meagre share of 0.27 per cent of GNP. The need to raise ODA and its importance for the North-South dialogue was stressed at the recent parliamentary hearings on the subject.

If the West German government did not decide on the doubling of the present concessional aid, this was as much due to the political difficulties involved in raising the taxes as to the fact that Bonn continues to give priority to trade. Besides, any additional funds available will be needed for "the rescue operation" in Turkey and "the flank support" to Egypt.

But Egypt and Turkey need not stand in the way of meeting the UN target of ODA if money going into arms build-up could be diverted to concessional aid. A suggestion to this effect has been made among others by the three-in-one chairman of the SPD, Socialist International and North-South Commission, Willy Brandt. But then what a former chancellor proposes, the compulsions of *realpolitik* imposed on the chancellor in office dispose. Besides, diversion of funds to developmental projects is not something on which Bonn alone can show the way.

Nevertheless, as at the Nairobi session three years ago, alongwith US and Japan, West Germany would have to face criticism at Manila, and not only on the issue of ODA. The underdeveloped countries have been demanding an increase in their share in respect of production, consumption and international trade. To achieve this, they favour a structural change in the existing international economic order. West Germany is not only sceptical about the structural changes, it also rejects exclusive responsibility for such changes. West Germany also rejects the underdeveloped countries' view that UNCTAD should be involved in the task of shifting the production capacities from the industrial to the underdeveloped countries. The idea of vesting more powers in the UNCTAD is opposed on the plea that this would intrude upon the role assigned to GATT. The demand for a greater say for the underdeveloped countries in the decisions concerning disposal of IMF funds is also turned down by West Germany and other industrial nations. Their plea is that new, long-term development-oriented IMF facilities are an issue on which the Fund alone can decide.

Another demand of the underdeveloped countries aimed at freer access to capital markets and provision of a multilateral system of guarantees is also rejected by the industrial nations. Bonn's view in this regard is that the West German market is in any case open for all those countries whose solvency is not in doubt. Those lacking a proven solvency must look elsewhere for credits.

Serious differences also exist in case of the controversial code of conduct relating to [illegible] ogy. West Germany and other developed countries insist that such a code has to be voluntary and not, as the underdeveloped countries demand, legally binding. Within the framework of existing institutions, industrial nations are prepared to accept a general scrutinising mechanism.

Another issue of friction is the growing protectionism against semi-finished and finished products from the under developed countries. West Germany is one of the few countries which has taken up a determined stand against protectionist tendencies in the EEC. Bonn aruges that there is no alternative to liberalised international trade.

In fact, West Germany is expected to counter the criticism for lagging far behind the UN target of ODA by stressing its commitment to liberalised trade. According to West Germany only if attempts are successful in opening the markets of industrial nations to products from poorer countries will the free market economy have proven its worth.

The significance of trade with the industrial nations for the economic growth of the underdeveloped countries cannot be minimised. But unless the industrial nations are prepared to give further concessions, with a view to fulfilling the poorer countries' demand for a new international economic order, the confrontation between the rich North and poor South cannot be avoided. This view was supported at the recent parliamentary hearings in Bonn on development aid policy.

World Trade in Cereals

WORLD trade in wheat and coarse grains will reach 151 million tons in the 1978-79 crop year, according to the latest forecast of the UN Food and Agriculture Organisation. This is only 0.5 million tons below the record level reached in the last crop year (July/June). Although imports of wheat and coarse grains by developed countries are expected to fall because of smaller requirements of the Soviet Union and the European Community as a result of record domestic crops, imports of grains by developing countries are forecast to jump by 9 million tons, about 14 per cent, mainly as a result of increased imports by China, which has now become the world's second largest grain importer. World trade in wheat should reach 71 million tons in the 1978-79 crop year, compared with 71.2 million tons in the 1977-78 season. Trade in coarse grains is forecast at 80 million tons, almost the same as the 1977-78 total of 80.3 million tons.

Account of Political Bargaining

Hitesranjan Sanyal

Non-Co-operation Movement in Indian Politics (1919-1924): A Historical Study by B M Taunk; Sundeep Prakashan, Delhi, 1978; pp 239, Rs 60.

IN this volume B M Taunk has given an elaborate account of the Non-Co-operation Movement, 1920-22. He has explored various sources of information (vide the impressive bibliography at the end of the volume). The data gathered from these sources have been arranged in a chronological order. At the beginning the author has traced the origin of the idea of Non-Co-operation as a technique of political action. Then he has given a detailed description of the incidents that had occurred during the Non-Co-operation Movement. In the course of the account of the movement the author has dealt with several important points, such as Hindu-Muslim relations in India with reference to the Non-Co-operation Movement, the different types of response that the call for non-co-operation with the government had evoked in the different strata of society, the different forms that the movement had assumed in the different parts of India and the participation of the masses in the movement on economic demands. With these features, Taunk's account of the Non-Co-operation Movement is more comprehensive than the account of the movement given in the standard works on the freedom movement in India namely, "History of the Indian National Congress, 1885-1935" by Pattabhi Sitaramayya and the "History of Freedom Movement in India", III by R C Majumdar or in the official publication entitled "Confidential Report on the Non-Co-operation and Khilafat Movements". It is for this reason that Taunk's book may be considered useful to students of modern Indian history.

In the last chapter the author has analysed the Non-Co-operation Movement in terms of its positive and negative aspects and has clarified his assessment of the character of the Movement. According to the author, the Non-Co-operation Movement "was purely a method of political protest and expression of indignation of a subject people against the wrongs that had been inflicted upon them by the foreign masters and Mahatma Gandhi attempted to conduct it on a high moral plane" (p 153). The author has not said much about the moral aspects of Gandhi's leadership. He has evaluated the Non-Co-operation Movement as a political phenomenon only.

There is a general tendency among the scholars of Gandhian studies to isolate one or the other feature of Gandhi's personality or of his activities and concentrate on it. This tendency has led to exercises in high philosophy (even metaphysics) or in detailed psycho-analysis or has resulted in conventional accounts of political bargaining between the British government and the leading Congressmen. Generally scholars have tended to overlook the fact that Gandhi wanted to effect a basic change in the social environment of the country. He had developed the idea of a non-violent society based on voluntary co-operation between self-relying villages which will constitute the primary units at the basic grass-roots level. The alternative social order envisaged by Gandhi involves a particular type of technology, new systems of production and distribution and a new power structure all of which will remain under the direct control of the people.

To this end, Gandhi had contemplated comprehensive mass movements emphasising the technology of khadi, national education for educating the people in khadi and the technique of co-operation, arbitration of disputes at the local level and the fight against social evils like untouchability and resistance to violence as represented by centralised authority at different levels. Gandhi believed that co-ordinated efforts on this line will lead the people to the achievement of swaraj by which he meant a non-violent society in which social, economic and political power will devolve on ordinary men who on their own will combine into panchayats for managing the available resources for the common interest of the different panchayats. This is why the constructive programme and the political programme are complementary to each other in the Gandhian concept of mass movement. Political programmes like Non-Co-operation or Civil Disobedience were conceived as the means of resisting the violent organisation of the state which under the control of the British had concentrated immense power in its hands or of any other authority which encroached upon the rights of the people. The constructive programme was meant for preparing the people for acquiring swaraj and retain independence through the organisation of panchayats.

One may not agree with what Gandhi wanted to do and discard his idea of swaraj in a non-violent society. But it is a mistake to dissociate the political movements led by Gandhi from the broader Gandhian movements for swaraj and treat the Non-Co-operation or the Civil Disobedience or the Quit India Movement as the Indians' struggle for acquiring sovereignty by ousting the British. Taunk has taken notice of the constructive programme which was launched along with the Non-Co-operation Movement. He has also shown that the movement had led to mass upsurge in several places throughout the country: there occurred unrest and strikes in industry and refusal to pay taxes and obey authority in the villages. But the author has not explained the significance of the constructive programme. Nor does he identify the particular features in Gandhi's programme that had inspired the ordinary people in the villages and cities. Non-Co-operation Movement which marks the beginning of the Gandhian movements on an all-Indian scale was begun with the call to the people to organise themselves for their swaraj. The Gandhian concept of swaraj had reached the ordinary people in course of the Non-Co-operation Movement. The mass

appeal of the Non-Co-operation Movement was accentuated by religious considerations which had come to be associated with the movement. But the religious question was relevant to a particular section of the participants. The majority of the participants were not concerned with it. Apparently Gandhi's idea of swaraj had appealed to the ordinary people who had found it relevant to their aspirations. Religious considerations did not constitute a factor of the Gandhian movement after the Non-Co-operation Movement was over. This may have been one of the reasons why a section of the participants had withdrawn from Gandhian mass movements. They may not have been convinced of the efficacy of the Gandhian idea of an alternative social system. But generally speaking, the appeal of the Gandhian programme of mass movement and his idea of swaraj had increased phenomenally between the Non-Co-operation Movement and Civil Disobedience Movement 1930-34. A comparison between these two movements in terms of the areas covered, number of participants and the initiative of the common people will bear out this point.

The study of the Non-Co-operation Movement therefore should have focused on the relevance of the Gandhian programmes and ideas for the condition in which the ordinary people of India were in and the process of mass mobilisation on the basis of these programmes. But instead of doing this the author has concentrated on the general political circumstances in which the Non-Co-operation Movement was launched and the immediate political consequences that followed from it. In other words, it is another account of political bargaining which may have been a part of the nationalist movements in India all through but certainly does not represent the spirit that had inspired the people to fight for their rights and the historical developments through which the freedom struggle of the people had progressed between 1920 and 1947.

Co-operative Farming

Kalyan Dutt

Some Problems of Co-operative Farming by S H Deshpande; Himalaya Publishing House, Bombay; pp vi + 196, Rs 26.

THE author tries to build a case against the "worker producer co-operative" of small farmers, which, according to D R Gadgil, is an "obvious and logical solution" to the basic problems of agriculture in this country. Citing various sources the author shows that the little success that co-operative farming has attained in India is due to large landowners pooling their lands and cultivating them with hired labour. This, however, is less of co-operative and more of joint stock capitalist farming. The author stands on solid ground when he castigates the government which disfavours capitalist farming on the one hand but fails to promote productivity through small farmers' co-operatives.

The main theoretical argument of the author is that owners of different sizes of land would refuse to pool their land and work together because this would involve a transfer of income from the rich to the poor. So far, so good. However, when the author comes to discussing the impracticability of small farmers' co-operative, each farmer owning *more or less the same size* of land, his arguments seem to be tenuous. His main argument in this connection is couched in the following words:

> One of the important conclusions of the Farm Management Studies is that if the services of family labour are priced at the market rates of wages for agricultural labour, the smaller families show a deficit in their agricultural business. ... Therefore, co-operatives of such farmers will not be in a position to afford for their members a fixed wage which is anywhere near the market wage. (p 46)

The reason why deficit appears in a small family labour based farm is that such farms, in order to maximise production, extend employment of labour almost to the point of zero net marginal labour product. But are there any reasons to believe that, when farms pool their lands and labour, the marginal productivity curve will not shift rightwards and be less inelastic? Pooling of land and labour is just not a horizontal adding up of marginal productivity curves. It leads to economies of scale, utilisation of indivisibilities, greater division of labour and opportunities for new technology. Not that the author is unaware of these factors but he seems to have belittled their significance without adducing sufficiently cogent reasons.

The author is, of course, perfectly right when he underlines the difficulties of management and of work incentives. A large farm may lure away labour from a small farmers' co-operative particularly in seasons when labour is short in supply. Co-existence of large capitalist farms with small farmers' co-operatives may not be a stable one. And this underscores the need for a radical land redistribution programme which the author has correctly noted.

This reviewer is in agreement with the author that by and large small producers' co-operatives will be impracticable in India if socio-economic conditions remain what they are. The problems of agriculture cannot be solved within agriculture. Hence the non-economic factors assume particular importance. The author could have made an important contribution if he had dealt with the non-economic factors that inhibit the growth of small farmers' co-operatives in India. The two chapters on non-economic incentives are indeed illuminating but they deal almost exclusively with the Israeli experience. The success of Israeli Kibbutzim is mainly due to aliens suddenly finding themselves confronted with a hostile nature. It is also due to the fervour of Zionism. The author quotes one of the pioneers of Kibbutdim as saying, "we knew that we needed one another's close and constant help because in the harsh conditions of the new country neither a person nor a family could stand alone" (p 154) Another pioneer says, "If I ask myself why at the time I selected Kvutza, then I must confess that it was not the desire to be a world reformer and also not because I was a socialist. But firstly and primarily because I was a Zionist and I desired to realise the Zionist aspiration in the Land of Israel." (p 154)

The progress of collective farming in the Soviet Union was likewise due to the hostility of kulaks against the toiling peasants and the Soviet government. No such hostility was evident in Poland after the Second World War and the country, socialist as it is, still retains a large extent of individual farming. In India, due to a variety of reasons, class struggles within the peasantry are still too dormant to provide an incentive for the small peasants to unite.

The book by Deshpande is excellent in style and rich in content and whether or not one agrees with him on all the points, one cannot but read it with interest.

Marx's Theory of Money

Amal Sanyal

Marx on Money by Suzanne De Brunhoff; Translated by Maurice J Goldbloom; Pluto Press; London; pp ix + 139, £ 2.70.

WRITTEN in the style of a monograph, this small volume looks, as is clear from its title, at Marx's theory of money. In the first part, the author discusses the way in which the question of money has been posed in volume I of "Capital" — the successive stages in the appearance of the general equivalent and its organic connection with the process of commodity circulation. The second part of the book discusses the role of money in simple and expanded reproduction, and also discusses the credit system as it appears in volume III of "Capital".

The thrust of the argument running through this monograph seems to suggest that the theory of money developed in the earlier parts of volume I is completely consistent with the schemes of (simple and) expanded reproduction as also with the phenomena of credit and its consequences for the capitalist economy. The author successfully demonstrates that there is no logical contradiction between the theory of money in volume I, and the discussion on credit as it appears in volume III. Regarding expanded reproduction, the author demonstrates that parallel to the value balances for the two departments, the monetary flow equations can be consistently written down, taking note of the role of money as an instrument of hoarding.

The author stresses that Marx's theory of money is not the theory of some money commodity or of gold money. Once this is grasped, the story of commodity circulation as represented to be interwoven with that of money circulation in volume I, can be consistently carried through in the analytical description of expanded reproduction as also of the phenomenon of credit. The author rightly stresses the identity between Marx's theories of value and of money, so that, she demands, the phenomena of credit, cycles and expanded reproduction be analysed not with reference to a commodity money but with reference to the *process* of circulation of commodities and money.

Accordingly one would have expected a discussion of the validity of the labour theory of value under conditions of capitalist production. Especially so, because the thrust of the author's arguments is to suggest that the theory of money developed in volume I valid for simple commodity production is logically consistent with circulation under a capitalist form of production. In fact, given the unity of Marx's theory of money and that of value, a discussion of the logical continuity of the theory of money between simple commodity production and capitalist form of production remains incomplete without a demonstration of the validity of the theory of value under the latter conditions. The author, however, has been silent on this very important question.

For one important reason, this omission seems to be rather serious. The author stresses the strict *logical* interconnection between the theory of money in simple commodity production and in commodity production under developed capitalist conditions. According to the author, simple commodity production is a useful abstraction basically used as a first *logical* approximation for the actual problem of analysing the laws of motion of a capitalist economy. The order in which the successive functions of money have been discussed in volume I of "Capital", the author claims, is an order necessitated by logic and the author explicitly denies any correspondence between this and the actual course of development in history. Similarly the journey through the volumes of "Capital", especially from simple commodity production to the capitalist form of production, is a logical exercise of moving from a higher to a lower level of abstraction, and thus has nothing to do with a simultaneous simulation of the essence of an actual historical process that started from simple commodity production. The author explicitly rejects, for example, Engels' views on the historical dimensions of the transformation problem.

Given this view, the importance of a discussion of the transformation problem assumes importance. If transformation does not have a historical dimension, then the labour theory of value itself becomes a piece of unnecessary wisdom, applicable only to simple commodity production, which, according to the author is but a logical category. As a result, neither does the labour theory hold, nor did it ever do so. It becomes almost a puzzle how on the other hand, the author could demonstrate that Marx's theory of money, which she herself admits is only the other side of his theory of value, is a valid tool for the analysis of the capitalist economy. The solution to the puzzle, of course, lies in the fact that the problems considered by the author — those of reproduction and crises — are generally aggregative, and the logical contradiction between the labour theory of value and an ahistorical view of competitive equilibrium under capitalist production conditions do not come out in such discussions.

If only the author had stepped out of these aggregative exercises, she would have discovered that there are only two consistent alternatives. One is to use categories of formal logic, define a competitive equilibrium accordingly, deny any historical dimensions to Marx's successive logical steps and to discover that the labour theory is an unnecessary construct, which has to be forgotten in discussions of an actual capitalist economy. The other is to use the Marxist method of defining categories from the very outset and use his dialectical logic. In particular, while discussing competitive equilibrium such method would prompt visualising an 'equilibrium' which is also *not* equilibrium in the sense that it contains endogenous reasons for its own change. This will completely justify the labour theory of value as a scientific tool of analysing an actual capitalist economy, but will also impart to the so-called transformation problem a historical dimension. As a consequence, the theory of money as well has to be viewed to have a historical dimension, consistent with Marx's general method.

Bayer

Bayer (India) Limited

Speech of the Chairman, Mr B M Ghia delivered on 2nd May, 1979 at the Twenty first Annual General Meeting of the Shareholders.

FRIENDS,

I have great pleasure in welcoming you to the 21st Annual General Meeting of the Company.

You have already received the Annual Report of your Company for the year ended 31st December, 1978 and with your permission, I shall take it as read.

Last year, I had expressed a hope that I would be able to give a still better account of the Company during the coming years. I am glad to inform you that the results of the year 1978 have come up to expectations. There has been an increase in the turnover of 24 per cent over that of the previous year. The profit of the Company for the year 1978 at Rs 55.36 million (Rs 39.07) showed a significant improvement. The provision for depreciation and for investment allowance reserve is marginally higher but the provision for tax is substantially higher at Rs 31.50 million (Rs 20.70 million). The overall result is a net profit of Rs 23.07 million for the year under report as against Rs 18.24 million in the previous year, which, I think, shows a satisfactory growth.

Your Board of Directors have recommended a dividend at the rate of 16 per cent (Rs 16 per share) subject to tax, for the year ended 31st December, 1978. You would have noticed a slight increase over the rate of 15 per cent paid for the year 1977.

As you are aware, the issued and paid up capital of the Company was increased during the year 1978 from Rs 78.45 million to Rs 81.10 million by issue of 17,500 new Equity Shares to the Unit Trust of India and 9,000 new Equity Shares to the employees of the Company. These shares are also eligible for dividend on a pro-rata basis. Your Directors considered it prudent to conserve the Company's resources for meeting the cost of investments envisaged during the current year. I am sure that you will appreciate that this decision is in the best interest of the Company.

You will be happy to note that all the three manufacturing plants and their respective marketing divisions have contributed towards the successful results achieved in the year 1978.

The Pesticides Division recorded a noteworthy growth of about 31 per cent over the sales of the previous year. In November, 1978 an Industrial Licence to manufacture 200 tons per annum of



Mr B M Ghia

Fenthion Technical (Baytex) within the existing licensed capacities was received. This product is expected to go on our production line during the current year. This production will be one more achievement in import substitution and will conserve foreign exchange for the country. The clearance for production of the new pesticide — TRIBUNIL — about which I had made a reference last year, has not yet been received from Government.

The growth of the Company's Rubber Division during the year 1978 was commendable. The implementation of the expansion project in 1978 made available a further increase in the installed capacity by 1,500 tons. In spite of the serious problems of inadequate availability and higher prices of natural rubber faced by the rubber industry, and despite increasing competition from other rubber chemicals manufacturers, this Division was able to achieve 19 per cent increase in its turnover.

The Pharmaceutical Division also increased its sales by 12 per cent over the level of 1977. All the capacities for manufacture of basic drugs, including Chloroquine Phosphate were fully utilised. According to the new Pharmaceutical policy declared in March 1978, the capacities will be regularised on the basis of the best of the last 3 years' production as on 31st March, 1977. We have made applications for Industrial Licences for certain new products which are under consideration of the Government. The future potential of the pharma market isquite bright.

I am also glad to inform you that your Company has maintained industrial harmony during the year under review. We have recently concluded agreements with the representatives of the Company's employees at the company's various offices which should go a long way in fostering the Company's progress during the coming years.

The results of thhe year 1978 would not have been possible but for co-ordinated efforts of the employees of the Company at all levels, the dedicated services of the distributors, dealers and other channels responsible for reaching the Company's products throughout the length and breadth of the country. We are specially grateful for the continued assistance from our Collaborators, Bayer AG, West Germany.

It has never been our policy to be complacent and I am hopeful that, we here at Bayer (India) Limited will continue to render a good report of our work during the years ahead and thus retain your confidence.

Thank you.

Fruits of Protectionism?

THE industrial countries' trade deficit in 1978 amounted to $ 25.4 billion or less than the $ 42.4 billion trade deficit recorded in 1977, according to the April issue of the IMF's *International Financial Statistics*. More than half of the improvement was attributable to the $ 8.7 billion increase in Japan's surplus, from $ 9.8 billion in 1977 to $ 18.5 billion in 1978. The Federal Republic of Germany's trade surplus rose from $ 16.6 billion in 1977 to $ 20.5 billion in 1978, while France's deficit was reduced from $ 5.5 billion in 1977 to $ 2.4 billion in 1978. Australia, New Zealand and South Africa raised their aggregate trade surplus by $ 886 million, to $ 4.1 billion during 1978. In January 1979, however, the industrial countries experienced a $ 10.1 billion trade deficit, largely because of deficits in France, Japan, the United Kingdom, and the United States. The deficit was the result of both increased imports and lower exports during the month.

The Marathwada Riots: A Report

Atyachar Virodh Samiti

The shocking experience of massacre, loot and rape of scheduled castes in Belchi, Agra, Pantnagar, Marathwada and Bajitpur, among other places, has demanded the attention of all humanist, progressive and Leftist forces.

It was as an attempt to understand the role of the caste system vis-a-vis *class struggle and class organisation that the Atyachar Virodhi Samiti was constituted.*

The Samiti sought, among other things, to highlight the nature and extent of repression of scheduled castes in Marathwada in Maharashtra and to draw lessons for future action which the scheduled caste masses, including poor peasants and agricultural labourers, may have to take when such attacks occur again.

With this objective in view, some representatives of the Samiti visited the riot-affected areas of Nanded, Parbhani and Aurangabad. What follows is a report of the visit.

I
Introduction

IN the last decade there have been brutal onslaughts on harijans (dalits)[1] on an increasing scale. The atrocities have occurred in all the states, irrespective of change of the ruling parties. Official estimates put the number of *recorded* cases of atrocities against dalits during Indira Gandhi's 'decade of development' (1966-1976) at 40,000. During the Janata Party's 19-month rule the figure has already exceeded 17,000.[2] The intensity of attacks, however, has been greater in Bihar, Haryana, Uttar Pradesh, Madhya Pradesh, Rajasthan, Maharashtra and Gujarat.

The shocking experience of mass-scale massacre, loot, and rape of dalits in Belchi, Agra, Pantnagar, Marathwada, Bajitpur, etc, has demanded the attention of all humanist, progressive and Leftist forces. It was to understand the role of the caste system *vis-a-vis* class struggle and class organisation that the Atyachar Virodh Samiti was constituted. Activists from trade unions and students' and teachers' organisations were part of the group, including five women activists. The Samiti was formed with a number of purposes in mind :

(1) To highlight the nature and extent of the repression in Marathwada and to draw lessons for future action which the dalit masses, including poor peasants and agricultural labourers, may have to take when such attacks occur again;

(2) To attempt to build links between the urban and rural workers, so that joint action and support on various issues could be extended;

(3) To draw the attention of the masses to the specific oppression and exploitation of women among the rural poor and to evolve a mechanism to combat jointly this continuous intimidation of women both sexually and as a class, particularly dalit women in this case; and

(4) To isolate and analyse the role of the reactionary forces and to explore the inability of the present political system to deal with these problems.

It was decided that these issues would be taken to the various sections the Samiti represented, and efforts would be made to mobilise and organise them.

Twenty representatives of the Samiti were to tour Nanded, Parbhani and Aurangabad. When the group reached Nanded station on October 1, 1978 it was threatened with arrest under Section 351 (relating to detention of "anti-social elements, professional goondas, and murderers"). After much discussion and argument, the police inspector allowed the Samiti to meet the Collector. It was finally settled that :

(a) all the members of the Samiti would be under "house arrest" at the Nanded rest-house for two days;
(b) a detailed list of the names and addresses of all the members, along with an itinerary, be submitted to the Police Inspector; and
(c) the Collector and the Superintendent of Police would have to be "convinced" of the motives of the group before permission could be granted to tour the area.

The Samiti was also informed that permission should have been sought from the Nanded Collectorate before leaving Bombay, and that the members should return to the district after one month. After wasting two days in long, fruitless discussions with the Collector and the Police, the Samiti decided to take the risk of going ahead with the original schedule without official permission. In almost all of the 48 villages visited, the police was already present and the tedious process of detailed interrogation of every individual member of the group was repeated time and again. We visited all the 48 villages dividing ourselves into teams of three with one local youth. In spite of police harassment, it was a very fruitful experience because we came away with a lot of information, insight and understanding. Here we give a report of our visit to the riot-affected areas of Nanded, Parbhani and Aurangabad.

II
Socio-Economic History of Marathwada

Geographically, Maharashtra can be divided into five regions — Vidarbha, Marathwada, Khandesh, Western Maharashtra, and Konkan. Marathwada has a total of 9,000 villages.

Marathwada, which is one of the most backward areas of Maharashtra with an area of 65,000 sq km, is divided into five districts — Aurangabad, Parbhani, Osmanabad, Nanded and Bhir. These districts are characterised by excessive dependence on agriculture, economic and industrial backwardness, absence of minerals, and low density of population. Marathwada was ruled for more than 200 years by the Nizam of Hyderabad and became free politically in 1948, after the Telengana movement.

Industrially these districts are very backward with only two major factories — sugar and cotton — which employ labour on a seasonal basis. While these districts depend excessively on agriculture, only about 4 per cent of the cultivable land is irrigated. Cotton, sugarcane, and jowar are the main crops.

TABLE: ATROCITIES ON HARIJANS, JANUARY 1-JULY 31 1978

State	Registered Cases of Murder	Registered Cases of Rapes
Uttar Pradesh	89	94
Madhya Pradesh	36	64
Bihar	41	58
Rajasthan	39	39
Maharashtra	7	14
Harayana	4	8
Gujarat	26	6
Others	21	23
Total	263	306

Source: National News Service.

There is a sharp differentiation among the rural population. On the one hand, there are the dalits who are usually landless labourers and poor peasants, owning about 1-2 acres of land, while on the other hand there are the Maratha zamindars owning 200-300 acres. Small holdings (less than 2 acres) constitute 24 per cent of all landholdings in the district.

Marathwada is not an industrial urban centre like Nagpur-Vidarbha and, therefore, the unemployment rate is very high. This is a severe problem for Marathwada. We see therefore, a growing phenomenon of educated youth going out of Marathwada to cities like Bombay where also there is little access to job opportunities. The severity of this problem can be seen in the increasing agitations by students in the cities of Aurangabad, Parbhani and Nanded, demanding speedy economic development of the region.

On March 23, 1974 nearly 2,000 youth came looking for jobs in Parbhani. When they arrived there, they were told that only 40 posts were to be filled. They then demonstrated peacefully to express their dissatisfaction and frustration. To suppress the agitated youth, police let loose repression and two unemployed youth were killed. In protest, in all the five districts of the region all political parties and students' organisations called for a bandh which was a total success. Students boycotted examinations in Parbhani district. This movement spread so rapidly that no examinations were held that year. The Naik government tried to create a split between the suvarna and dalit students, but the unity of the students was so strong that the government completely failed in this attempt.

The main demands of the Vikas Andolan ran along the following lines:

(1) The students felt that, as the ministers were generally chosen from districts other than Marathwada, the government of Maharashtra favoured other districts in terms of economic development. Because of this Marathwada was economically backward. Therefore, their demand was that a special minister should be selected from Marathwada so that the partiality of the state government to the other districts could be overcome.

(2) More loans and investments should be given by the state government to Marathwada for industrialisation, and new industries should be set up.

(3) The then ministry should be removed.

(4) Railway facilities should be expanded rapidly.

(5) Quick measures should be taken for economic development of the region.

Later, after the agitation, a minister from Marathwada was chosen, Shankarrao Chavan. But, despite this, Marathwada has remained as economically backward as ever.

DALITS IN MARATHWADA

In the total population of Marathwada, i e, 80 lakhs, 13 lakhs are dalits.[3] That means 16.25 per cent of Marathwada's population comprises scheduled caste people. Among them, 80 per cent are below poverty line.[4] The literacy rate of the scheduled castes is 19 per cent as against the general literacy rate of 35 per cent. Among dalits, the Mahar community is supposed to be relatively better-off and socially more conscious, and the percentage of literacy is also relatively higher. Mahars, Mangs, Chamars and Dhors constitute 35 per cent, 33 per cent, 22 per cent and 3 per cent, respectively, of the total scheduled caste population of Maharashtra.

As a result of the increasing influence of Ambedkar among dalits, especially among the Mahars, they enthusiastically made efforts to educate themselves. The Indian government also gave reservation facilities to the scheduled castes to compensate for their age-old oppression and exploitation. Yet, looking at the employment statistics, the picture seems very gloomy. In Maharashtra, the representation of scheduled castes in class I services is 1.5 per cent, in class II services it is 4.5 per cent, in class III services (clerk, typist, etc,) it is 7 per cent, and in class IV services (peon, sweepers, etc) it is 48 per cent.[5] Thus jobs of sweepers and scavengers are mainly reserved for dalits. Having a double impediment — of economic (poverty) and social oppression (discrimination and injustice) — the 20 per cent reservation in education and job opportunities does not make much dent in their problems.

Ambedkar's ideology greatly influenced the educated strata among the Mahars, and in Marathwada particularly the self-consciousness and self-assertion movement gained ground. Following Ambedkar, more than 50 per cent of Mahars accepted Buddhism. Ambedkar's People's Education Society attracted hundreds of dalit youth who later spread Buddhism and the 'Ambedkar movement' among the dalits of Marathwada. In villages also, this reform movement started spreading. They stopped begging from caste Hindus, started educating their children, and celebrated Ambedkar's and Buddha's birthdays (popularly known as Bhim-Jayanti and Buddha-Jayanti).

MARATHWADA RIOTS

Agitation, Atrocities and Its Aftermath.

The Marathwada riots were not at all spontaneous. They were well planned and organised by anti-dalits, mainly Marathas. On July 27, 1978 Sharad Pawar's government unanimously passed a resolution to rename 'Marthwada University' as 'Dr Babasaheb Ambedkar University'. The same day a bandh (closure) was declared against the renaming by the Students Action Committee in Nanded, Bhir and Aurangabad which was totally successful. There were demonstrations and attacks on public property in all the major towns such as Nanded, Aurangabad, Parbhani, etc. In the villages, the violence against dalits took many forms: "Killing of people, molestation and rape of Harijan women, burning of their houses and huts, pillaging their bustees, rendering them homeless, shunting them out of villages, polluting drinking water wells, killing of their cattle, refusal to give them work, etc".[6] This continued for 67 days. The Protection of Civil Rights Act did not come to the rescue of the victims.

The riots affected some 1,200[7] villages out of 9,000 villages of Marathwada. Nanded, Parbhani and Bhir were among the affected districts. The riots made 5,000 people of 1,000 villages homeless and shelterless.[8] It reduced 25,000 dalits into a totally demoralised, helpless condition;[9] 2,000 of them had to flee from their houses into jungles or cities. The terror created by the riots did not let the dalits go back to their villages in spite of starvation.

The well-planned offensive was led by caste Hindu capitalist landlords with their allies — police patils, sarpanches and goondas — who went on a rampage and took a toll of four lives.[10] All railway and state road transport was paralysed. A police sub-inspector was burnt alive. The violence, destruction and atrocities were not resisted by the police. Police and other government servants — "protectors of law and order" — were either passive spectators or actually participated in the attacks.

In Parbhani district alone, total loss of government and semi-government property was worth Rs 28 lakhs.[11] And the estimated loss of private property in Parbhani district is as follows :[12]

		(Rs)
(1)	On account of huts damaged	30,200
(2)	Household material and other property like bullock-carts, etc	2,19,475
(3)	Loss on account of damage to crops in encroached land	35,157
(4)	Damage to crops on allotted land	6,500
Total		2,91,332

We visited tension-gripped Nanded district. Nearly 50 villages were covered by our group of 25 persons. The Press had not considered it necessary to convey to the public even a fragment of the picture that confronted us there. Besides, as we stated earlier, we had to waste two days in futile argument with the police and the collector before we were able to reach the riot-torn villages.

In Sonkhed, Kandhar taluka, a landlord and his gang of hired men set fire on the dalit busti and raped two women agricultural labourers. In the resulting chaos, three dalit children lost their lives. In Sugaon, another village in the same taluka, Janardhan Mavde and his friend were murdered and twenty dalits were injured and hospitalised. A poisonous pesticide, Endrin, was poured into the well of the scheduled caste people. Janardhan was upa-sarpanch and had supported the Janata party during election, whereas the local rich peasant was a Congress member.

In Bolsa, Biloli taluka, a drunkard, Babu Potaji raped and tortured Janabai and Kistabai. The government had information as regards this incident, but no action was taken. In Pongu, a women who had given birth to a child just two days earlier, was raped by Ramanbabu of Bolsa. While all this was happening, the other dalits were fleeing to the jungle in terror. The inhabitants of Kushnoor were still too terrified to speak freely. The dalits had begun to run towards the forests as soon as the attack by the agents of the rural vested interests started. Four or five women were caught by goondas who raped them and burnt to death the small child of one of them. A scheduled caste Gram Sevak was assaulted and an attempt was made to burn him alive.

In village Yetala, two scheduled caste teachers, Zagde and Thatwad, were severely beaten up in the Gram Panchayat office. When they contacted the police sub-inspector, Dharmabad, they were told to behave like their forefathers. In village Temburni, one matang, Pochiram, was brutally murdered and some huts were burnt.

In Koklegaon, a dalit teacher had tried to raise social awareness among the Mahars. The Mahars also used to celebrate Bhim-Jayanti. The homes of all of them were burnt to the ground and the wife of the teacher was beaten up. Memories of brutal atrocities haunt the inhabitants of Izzatgaon. Four or five women who were running towards the forest were raped and the breasts of one of them were cut off. No case was filed against the criminals.

When we visited the Dalit colonies of Pangri, the police patil of the village came and spoke on behalf of the dalits. However, the fear on the faces of the silent dalits spoke more eloquently. After the meeting, we went out of the village with some of the dalits but even there we were followed by the agents of the police patil. Finally, we managed to speak to some dalit women working in the fields. Dautarbai Shatiba Lokhande said, "All the atrocities in Pangri were committed with the blessings of the police patil. There is only one well in the village. Most of the Harijans used to fetch water from a stream three or four miles away. But some of the enlightened dalits used to draw water from the well. Angered by this, the police patil egged on the caste Hindus, saying "What are you waiting for? Why don't you finish off the dalits? Throw their children also into the well."

A Gram Sevak named Vitthal Chaukoba of Samrala was not spared, even though he was a member of the village Panchayat. Fifty men, armed with lathis, acting on the orders of the village police patil, beat up both him and his wife and set fire to their house.

This is not the story of a few villages. The caste Hindu police patils and sarpanches of all the riot-affected villages teamed up with the rich caste Hindu landowners to attack the dalit poor-peasant and agricultural labourers.

In Korgaon, Kaulgaon, Nandgaon, Sodgaon, Halta, Cohgaon, Adgaon, Nandpur and a number of other villages of Parbhani district also, the same experience was repeated.

In Parbhani town, on July 27, 1978 Ambedkar's statue at Bhim Nagar was broken by caste Hindu students and youth. In Bhim Nagar, there are only 5 per cent Hindus; 80 per cent are Buddhist (Mahars) and 15 per cent are Muslims. Dalits were opposed to the name Kranti Nagar by which this area was originally known. So they burnt the board and replaced it with the board of Bhim Nagar. For this, five or six dalits were arrested. There was still police-patrolling when we visited the area, allegedly because there was 'tension' in the area.

In Nanded city, Etwara is a big dalit bustee surrounded by the dwellings of caste Hindus. Dalits have an Ambedkar library. During the riots, caste Hindus, with the help of the police, attacked the dalit bustee by throwing stones and attempts were made to burn the bustee. However, college students of the dalit bustee were prepared for such things. They, with the help of other bustee people, took action for self-defence and stood for hours together with buckets-full of water. Women also joined men in barricading the area.

After the riots, the rural Mahars who had left the villages were not ready to go back to their respective villages because of horror of atrocities resulting from caste frenzy. The educated, salaried strata looked cynical. Dalits in general had a feeling of helplessness while students and youth of the mass Movement and Dalit Panthers showed an urge to combat the casteist onslaught. Posters of the mass movement depicting atrocities on dalits in poetic and emotional language were seen in towns, sometimes also in villages. The dalit leaders also raised the demand for a separate Dalitsthan, which gathered momentum in the cities. In many villages, dalits were blaming student leaders of the cities. One villager in Kokalegaon told us, "They are giving fiery lectures, demonstrating in cities and here we have to suffer because the casteists retaliate by committing atrocities against us. At that time these dalit student leaders don't come to rescue us."

After the riots, when state help was being given for rehabilitation of the riot-affected dalits, there were many loopholes, like curruption by petty officials, (we ourselves saw an overseer at

a site thoroughly drunk) in Gaglegaon of Biloli taluka, dalit construction workers were not given their legitimate pay. One dalit of Hangergaon told us, "Sharad Pawar's government is talking much about rehabilitation. They will rebuild our shattered huts, we will work more and may be able to get back our corn, utensils. But our sisters and wives had to lose their dignity by being raped and sexually tortured. Are we going to get this back?"

In many villages, no landlord was ready to take Mahar agricultural labourers for work on their land. In the absence of corn or rice and money, the Mahars were merely surviving on custard apple (sitafal) collected from the jungle because even village Baniyas were not ready to lend them cereals or money. As a result of the reform movement, in many villages of Marathwada, the practice of untouchability was removed as far as the dalits' entry into hotels was concerned. In some villages, dalits and suvarnas were taking water from the same wells. But after the riots, dalits were not allowed to enter hotels, and even if they are allowed the cups and plates for the dalits are kept separate from those for the suvarnas.

In such a situation, what else can be there except cynicism and a sense of deprivation among the dalits? Babasaheb Ambedkar's and Lord Buddha's photographs were burnt, effigies of Babasaheb were burnt. For dalits, this act was the greatest insult to them.

There were instances of caste Hindus being attacked who supported the dalits in their villages. Mahajan patil from Kahala village, Taluka-Biloli was beaten and brutally attacked for supporting the dalits. There were many such incidents.

As *Voice* said in October 1978, "The situation as it appears, is full of dismay and sadness, yet the *Voice* has a feeling that this agitation has led to the hardening of attitudes and more militant positions."[13]

However, in the areas where Left organisations like CPI, CPM, CPI(ML) are active and were organising agricultural labourers and rural poor on a class perspective, violence did not take place. In Nanded district itself, in seven to eight villages, like Sujlegaon, Hangergaon, Borgaon, etc, where Kashtakari Sangathana (CPI-ML) was active for the past few years, dalits and suvarnas were jointly prepared to fight back the attack of caste-Hindu kulaks.

However, as a result of the ferocious attacks on the dalit population, the potential unity of the agricultural poor against the rural rich has been generally undermined. Wages in the countryside declined. Attempts were made to take back lands of dalits through more harassment. Moneylenders have benefited as a result of the requirements of the dalit population for rehabilitation. "In colleges, bitterness and caste hatred is likely to prevail for a long time to come between dalit and non-dalit students. Even on minor issues there is a great likelihood of physical clashes between students of different castes."[14]

Cause of Riots:

It is essential to understand why the attacks have occurred because the reasons are quite complex. It is very difficult to generalise because of the economic, social, cultural and ideological causes which all work simultaneously but in a different manner in different places. As patterns of atrocities were different in rural and urban areas they have to be analysed separately.

In the urban areas, the main cause was the high level of unemployment. Each year, thousands of degree holders come out of the university but find no place in the employment market. The 20 per cent reservation in jobs and education for the scheduled caste community was found to aggravate the problem of unemployment for the caste Hindu youth. In Marathwada, the Mahar youth are quite educated, and hence became a target. Renaming of Marathwada University as Dr. Babasaheb Ambedkar University was utilised to provoke the caste sentiments. "The Mahars are taking over... Today they have changed the name of the University, tomorrow Marathwada will be renamed as Maharwada". The Aurangabad Suvarna College students took out a protest morcha which was attacked by a large group of dalit students. It was mainly as a reaction to this incident that the division on caste lines took place. Certain politicians and traders, utilising the caste division carried the issue into other sections also.

However, renaming was only a pretext; the real issues were deeper. Most important was the reservation question. Suvarnas felt that dalits were getting preferential treatment as regards selection for jobs and seats in educational institutions; that dalits with 45 per cent marks were selected whereas suvarnas with even 75 per cent marks were rejected. However, surveys[15] show that though this may be true in a few cases, in general, reservation quotas are rarely filled and that suvarnas themselves make use of the quotas by getting false certificates. However, the resentment against reservations goes much deeper; the whole question of reservation must be seen in relation to the state of the economy today. In all sections the rate of unemployment is accelerating at an alarming rate. It is this situation in the employment market that is expressed as resentment against the reserved quotas for certain sections.

Another factor which determined the extent of atrocities was the policies and character of dalit movements itself and its leaders in particular. The dalit movement in Maharashtra during the late 1960s and early 1970s had sympathy of the government and Press. However, as the leadership did not politicise and guide the movement in any revolutionary long-term perspective, different groups of dalits emerged, led by different leaders owing allegience to various political parties. The behaviour of some Dalit Panther leaders themselves came under much criticism as did the use of crude and rude language by some sections of dalits. It was this old resentment, built up against the dalit organisations and leaders which found expression in some atrocities.

In towns such as Aurangabad there *is only a slight difference between* the urban and rural areas. There is close contact among urban and rural people through rural students who study in the towns, traders who trade and communicate regularly between the urban and rural regions, the rural rich and the politicians who have business and other close contacts in the urban centres etc. Also, the separation between the thinking rural and urban elites is not great at all. Thus at levels — political, economic, social, ideological and spiritual — fairly close and regular links are maintained between these two sections. These are the main reasons why the riots spread to the rural areas in such a short time.

In the rural areas, the causes of the riots were many and varied. It is difficult to pin down which are the most important causes. But the primary cause seems to be the feeling that the increasing unity among the dalits themselves and between dalits and suvarna agricultural labourers had to be broken — although this unity may have been only at an initial stage. Various dalit and other organisations had played a role, though admittedly a small one, in creating some awareness among dalits

about the necessity for organisation and unity. Also, during the Emergency there had been some unity among different castes and dalit agricultural labourers. In Nanded district, the Kashtakari Sangathana (Organisation of Exploited) had developed fairly rapidly and, within two years had built up a fairly strong organisation in 12 to 15 villages of Biloli taluka. Both dalit and suvarna agricultural labourers, poor peasants, and some rich peasants occupying land of 70-80 acres also belong to this organisation. In these areas, suvarnas actively helped the dalits during the riots. Thus, in some villages, self-defence committees were formed of both suvarnas and dalits and country-guns and bombs were made. Even where the Kashtakari Sangathana was not physically present, labourers had heard of its activities and militancy and had started becoming somewhat conscious It was partly to break this newly formed unity that the atrocities were committed in Biloli taluka Balwant Rao Chavan, one of the leading figures in the riots in Nanded declared in a public meeting: "I shall see that Raja Marathe and his Kashtakari Sangathana are thrown out of Nanded". Some individuals leading the atrocities told some members of this organisation that the aim was to break the growing unity and awareness of the dalits to demoralise them enough not to unite and also as a warning to the suvarna labourers and against unity in the future.

Various groups and organisations have led some struggles in the villages in recent years. Agitations and struggles on wage and land issues were organised. Some agitations on Baba Adhav's slogan "One village, one well" had also been carried out. Wherever such struggles and agitations had been organised, but where there was no strong organisation of dalits, the atrocities were greatest. In areas where some surplus land had been distributed to dalits, the attacks were of great intensity. Suvarna landlords and rich peasants also resented the fact that some dalits were getting educated. In fact, atrocities also took place where the dalits had somewhat improved their standards of living.

Another very important factor was the influence of Babasaheb Ambedkar and his role in increasing cultural and social awareness mainly among the Mahars As Ambedkar himself was a Mahar, his influence on the Mahar section of the dalits was much greater as compared to the Mangs and other sections. So we find differential educational levels among Mahars and other sections of the dalits. Mahars were giving up traditional jobs of sweepers, scavengers, etc, and were coming in to service sectors such as banks, LIC, government jobs, educational institutes. However, only a microscopic minority of dalits could avail of such opportunities.

As a result of the increasing awareness among the dalits, their supports to different political parties also underwent changes. Some dalit leaders came out openly against the Congress and Congress (I) and campaigned for and supported the Janata. Old political allegiances were somewhat changed, and some dalits did not now vote for whoever their landlords supported. These dalits were attacked in revenge and also as a warning to other poorer sections that they should not do the same.

Various other secondary factors were also present — old feuds, goondaism, personal enmity, etc

In Nanded district, there is flourishing cotton trade. As a result of the introduction of monoply cotton procurement scheme, by the Sharad Pawar government, cotton merchants and traders were very angry. They generously supplied money to the rioteers in the cities and small towns like Nanded, Muked, Degloor.

"As the economic and political crisis in the country deepens, a section of ruling classes are bound to report to more such issues (e g, language issue in Tamil Nadu, separate Telengana in AP, reservations in Bihar, communalism in Gujarat, Aligarh etc, caste issue in Marathwada, Bihar, Agra, ec)."[16]

Role of Political Parties, Organisations, Press, Intellectuals and State Machinery Such as Police, Law, Administration:

Happenings during the Marathwada caste riots exposed the real nature of all political parties, organisations of students, dalits, humanists and liberals, Press, intellectuals and elites, and the state machinery. We got ample opportunities to get first-hand information as regards these in our 12 days' stay from September 30 to October 11, 1978, in the riot-affected areas.

During 1977, when Dalit Panthers started the agitation to rename the Marathwada University as Dr Babasaheb Ambedkar University, student organisations with different political inclinations, such as ABVP, SFI, AISF, YKD, and the Students Action Committee wholeheartedly supported the agitation. Not only that, even the Executive Council of Marathwada University unanimously passed a resolution in favour of the renaming.

On July 27, 1978, Sharad Pawar's government moved a resolution renaming Marathwada University which was unanimously adopted by both Houses. The same day, the Students' Action committee dominated by Maratha youth started the agitation *against* renaming. Cotton merchants lavishly financed the agitation. In Nanded, Kurundkar, Principal of People's College gave the theoretical framework to support the agitation.

The atrocities were inflamed also by the Congress (I) which propagated that the cotton monopoly and the renaming were consequences of Janata rule.

Maharashtra Dalit Panthers' secretary, Gangadhar Gade, said: "to rename Marathwada University as 'Babasaheb Ambedkar University' is the question of Dalits self-consciousness and all the dalit brothers will unitedly fight for this struggle".

"Under the pretext of renaming, there was a collective and pre-planned attack on the dalits", said the Yukrand in a letter to the Governor.

B D Kobragade of the Republican Party demanded that, "like Banaras Hindu University and Aligarh Muslim University, the Central government should also make Marathwada University as Babasaheb Ambedkar Buddhist University".

"Growing unemployment among caste Hindus and resentment at the scheduled caste youth having a better standard of living than they had before probably irritated them", said S M Joshi.

When Vasantdada's Congress government was in Maharashtra they had theoretically supported the various dalit organisations' demand for renaming of Marathwada University. After the PDF government came to power, it too was quick to support the renaming demand. Noticing the strength of the Janata party in PDF government, it is easy to understand its stand on renaming. With an eve to the dalit votes its aim was to loosen Indira Congress's hold on the dalit population.

The Nanded city Janata unit, which is dominated by traders, passed a resolution supporting the agitation. The Janata party workers and lawyers in Degloor, Biloli, Mukhed gave statements in newspapers supporting the agitation and formed so-called vidyarthi kruti samitis in these small towns.

Prominent leaders of the Congress party, who are rich peasants with 150 to 200 acres of irrigated land, were

attacked the dalits in Nanded district. Balvantrao Chavan and Hanumantrao of Biloli taluka engineered the worst kind of atrocities with the help of hired goondas and their relatives. They organised the attacks with the help of scooters, tractors, jeeps, etc, and their goondas were armed with spears, axes, bamboos, cycle-chains, etc.

A peculiarity of this agitation was direct participation of landlords in the agitation; they took part in processions, organising meetings, etc. In village Kolheborgaon, the chairman of co-operative society physically took part in the procession to burn Ambedkar's effigy. In village Avrala, a kulak occupying 150 acres of land of Hanumantrao of Hangergaon stood by with his gun.

In Kandhar taluka, the Peasants and Workers Party MP Dhondge, supported the agitation. It was well known that a defeated candidate Sambhaji Patil Umrekar actively supported the agitation. Trucks of the Kalambar Co-operative Sugar Factory, of which he is chairman, were used to transport goondas from one village to the other. In Bhokar taluka and Nanded taluka, the zilla parishad president Sahebrao Baradkar was actively involved in intensifying the agitation. In many places while successfully committing atrocities, goondas were shouting slogans 'Vasantdada Patil zindabad'.

The RSS opposed the renaming[17] and many RSS members were part of SAC. *Voice* said: "An influential socialist in Marathwada chose to actively support the agitation and suggested that separate university be given to dalits." CPI's position was ambiguous. In their Manmad conference, they condemned atrocities, while at the regional level, V D Deshpande opposed renaming and supported the agitation. At the state level the CPI condemned inaction of the police and supported the demand for renaming; the Lal Nishan and CPM also supported renaming but could hardly do anything when the massive onslaught on the dalits was on. Peasants and Workers Party also showed the same inconsistency as that of CPI. At the state level, PWP took a stand favouring renaming, but at the regional level, large numbers of its members opposed renaming. Except CPM, CPI (ML), and Lal Nishan, all political parties took opportunist positions.

In Aurangabad, when a Marxist lecturer Dasarda openly condemned atrocities committed by the Students' Action Committee and supported the renaming of Marathwada University, he was beaten up by SAC's members. Nobody came to his rescue, not even the Mahars.

Marathwada Nagarik Samiti played a most dubious role. MNS is popularly known as a committee of "Shethaji, Bhatji and Latji" — meaning, thereby, committee of businessmen, 'big' people, Brahmins, etc. MNS perpetuated the ideology of hatred and viciousness towards dalits. It not only justified the agitation, it also actively mobilised higher-caste Hindus. During the riots the vengeance of the MN Samiti's caste chauvinists came to its fore. They focused on the "irresponsible, arrogant, crude" behaviour of the dalit leadership, the reservation issue, "misuse of Protection of Civil Rights (PCR) Act by dalits".[18]

On July 27, 1978, SFI gave a press statement welcoming the renaming of the University.

The dalit leadership whose existence depended on one or the other ruling-class parties were in a very difficult position: they were neither able to give dalit masses any kind of support nor could they help them to resist the attack. Dalit Panthers and mass movement put forward a demand of separate 'Dalitsthan'. On July 29, 1978, the Dalit Panther leader, Arun Kamble, gave a press statement appealing to Dalits to maintain peace.[19] Next day, Yukrand, SFI and Yuvak Republicans, also gave the same kind of press-note.[20] Then a Sarvodaya activist went on an indefinite fast for the establishment of peace.

Janata Youth Morcha, with pro-Jan Sangh inclinations, and the Peasant Youth Army, supported the agitation by SAC. On August 4, *Marathwada*, a Marathi daily, published: "Freedom fighters support agitation". In Aurangabad, medicos also went on strike to support the agitation.

When we asked P V Ranade, noted historian of Aurangabad University, about his views on the Marathwada riots, he told us, "The entire episode was government-sponsored. Whenever the ruling class wants to have a riot, they have it. But the period of riots was a very trying time. Everybody had to come out with their clear-cut stand".[21]

During the riots, teachers did not play the role of establishing peace. Many professors and academicians supported the agitation. Kurundakar, Govindbhai Shroff, etc, openly supported the agitation. When Desarda, a Marxist teacher, openly welcomed renaming, he was beaten up by Maratha students. Regarding teachers, *Voice* says: "The organised associations of teachers in the region failed to play any positive role."[22] After the riots were over, some college teachers and academicians such as Avinesh Dolas, Nagnath Kotapalle, M D Pandye, Balchandra Nemade, etc, formed Aapadgrasta Dalit Sahayyak Samiti[23] "with a view to helping the riot-affected dalits in their rehabilitation and cementing the gap between the dalits and the caste Hindus".

As for the part played by newspapers, Nanded city's newspapers, *Godatir Samachar* (pro-Congress) and *Parajacan* (pro-Janata) supported the agitation by giving wide publicity to riots in the cities and suppressing the news of atrocities in the rural areas. They refused to publish any statement by the Republican Party of India and Dalit Panthers. The Aurangabad daily, *Marathwada*, opposed the renaming on the grounds that it violates the cultural identity and entity of Marathwada. It supported the agitation in its editorial of July 29, 1978.[24] Editorial of August 1, 1978 said: "The agitation has been spreading in the villages. Nowhere should the agitation become violent or communal ... we urge citizens of all districts and areas to stop to remain onlookers and actively support the agitation and help maintain peace and order."[25] Said *Voice*: "The press of the regional language had chosen to side with the agitators and projected it as a 'people's' movement with all spontaneity attributed to it."[26] Even Maharashtra's Chief Minister had to admit that the Press has given only one-sided picture meaning thereby that there have been villages in which dalits have been protected.[27] In our personal talk with Balchandra Nemade, on the role of Press propaganda, he told us, "All Marathi newspapers are communal and they thrive on the so-called 'freedom of Press' to serve their own aims".[28]

Our investigation revealed that the state machinery was totally unable to protect the dalits. In all these villages, where atrocities took place, the Sarpanch and the village police patil have been either involved actively in organising the attacks or have blessed the goondas to commit atrocities. Desarda, a Marxist lecturer of Milind College told us: "The government connived with the agitation and supported it".[29] They not only watched, as a silent spectator, the destruction of public property, burning of railway wagons and railway stations, damage to roads and state transport systems, but also made statements to the Press that the situation was quickly regaining normalcy — while in Bombay a demonstration of dalits was teargassed and in the Nagpur firing (on a morcha of

actively involved in the agitation and dalits against casteist riots) five dalits were killed. Dalits were the victims of caste Hindu chauvinists and of the police at the same time.

"In Nanded city sons of Resident Deputy Collector, Home Inspector, and Circle Inspector were involved in the agitation. At a time of curfew in the city, they were stopped by some home-guards belonging to scheduled castes and they retaliated by filing a police complaint against the homeguards."[30]

III
How Do We Look at the Marathwada Riots?

For the purpose of understanding and analysing the objective situation realistically and basing future action and organisation on this understanding and analysis we have to define, identify and isolate the role of caste and the extent of class-consciousness involved. The first step would be to define caste. The caste system is generally understood to be a system of division of labour according to the different functions to be performed. Actually, it is something more. The caste system functions both as a relation of production and as an ideology.

Caste as a Relation of Production:

The caste system functions as an extremely effective method of economic exploitation. The class which has economic power also acquires political power and social prestige which help it to perpetuate, consolidate and justify its position in the hierarchy. Caste hierarchies also reflect ownership of land.[31] Economic hierarchy is closely linked with social hierarchy.[32]

Thus caste determines a definite relation to the means of production and subsistence especially in rural areas. As bourgeois relations develop the institution of caste starts disintegrating, but the process is not so smooth. In between, many caste riots reflecting conflict of class-interest took place. The anti-Brahmin movement of Maharashtra in the 19th Century being one such example. As a result of the policies of the British government, and later Indian government, the rise of the Marathas as the dominant caste took place.

Caste must be understood as a hierarchy rooted in the relations of production.[33] Caste controls the access of groups and individuals to the conditions of production and to resources[34] and provides the social framework for politico-ritual activity. It is a system of relations of production regulating the rights of groups and individuals with respect to the means of production and access to the surplus.

Caste as an Ideology:

"The caste system is not merely division of labour. It is also a division of labourers."[35] Capitalist relations make agricultural and industrial labourers into a distinct class in itself, but the caste system prevents them from being a class-for-itself.

The ruling ideas of an epoch are the ideas of the ruling classes who, by the fact of their control over the production of means of subsistence, also control the production of ideas which of course serve the creator. The relations of production are maintained in a way that capitalist exploitation continues with feudal oppressive means of extracting highest possible surplus from the exploited masses by feudal modes of servitude, perpetuating caste-division etc. The system reproduces itself and the ideology provides the rationale for maintaining the *status quo*. One of the worst things with the caste system is endogamous relations. Moreover, 'untouchability' being institutionalised for ages, has been the most inhuman and savage reality.

The legitimacy of class/caste structures is provided by the Brahminical world-view, i e, dharma and karma of the four varnas (Brahmin, Kshatriya, Vaishya and Sudra) — i e, do the duty assigned to you and do it well or else God (or "his representatives the Brahmins") will punish you. Therefore, caste and religion are used to perpetuate a particular class-structure.

We now have to understand why the caste system persists till today. In India, capitalist relations and bourgeois ideology, to a considerable extent implanted by the British broke up stagnating and self-sufficient village communities and the process of destruction of the traditional mode of production and division of labour started. But, in the villages, this process was taking place extremely slowly. In a "mixed capitalist economy", rural-urban disparity in economic, social, and cultural spheres always remains. Caste thus persists as a part of feudal ideology. Even though the relations of production may be undergoing changes the ideological superstructure acquires certain rigidity and takes a longer time to change. The ruling class tries its utmost to see that no ideological change takes place because the stagnation helps them to maintain their control. The stability of the State depends to a great extent upon the "perfection of institutional structures that protect the ruling classes from confrontation with coalitions of alienated commoners"[36] (a) institutional structure that controls the content of ideology, e g, caste, religion, communal sentiments, education etc, and (b) institutions that physically suppress, e g, police, law, etc.

One of the latent functions of the caste system clearly has been to prevent formation of consciousness and struggles on class lines with any commonality of interest or unity of function. This function is one of the main reasons for its persistence.[37]

Thus, in the superstructure there is an alliance of the caste (feudal) ideology and bourgeois ideology — both coming to a 'compromise'. 'Divide and Rule', one of the most effective tools in the hands of the bourgeoisie, is seen

in casteism, communalism, regionalism, and the language issue. Caste is then used as a mechanism of oppression, particularly for keeping labourers from uniting on the basis of common class interests (as also racism and ethnocentrism).[38] The various conflicts and tensions in society are "conflicts between the different social classes which stem ultimately from the social relations of production".[39] The cross-cutting of caste by socio-economic class in one of the important factors used by the upper classes to obstruct the development of class consciousness and class-based movements.[40] Caste has thus been made to serve new functions, but the new function so closely resemble the old that it is sometimes difficult to distinguish between them.

"Richer upper castes behave in such a manner that poorer members of their own castes believe that the benefits of upper caste status are greater than they really are, i e, the rich prevent their own poor from believing that any benefits might be achieved by aligning with poors (of their class, other caste) Harijans on a class basis."[41]

Then, in such a complex situation what role have Left parties and groups played? Here, Gail Omvedt rightly points out, "if caste remains the main barrier to class-unity the failure of the Left to build democratic anti-caste movements or relate constructively to such movements when they arise among the low castes themselves"[42] is responsible — as a result of which, "the attacks on Orthodox Brahminic Hinduism and the efforts to build an alternative democratic and usually more secular culture have been ignored".[43]

Now, having the experience of caste-riots of Marathwada, Bajitpur, and Bihar, all Left and progressive forces will be forced to take clear-cut stands on crucial issues such as those of (a) Dalitsthan (b) Reservation. On what basis — caste or class?

IV

Conclusion

Caste is one of the most important aspects of the Indian society. It represents a specific form of oppression at the level of relations of production. To say that there are only class issues, nothing like questions pertaining to caste, is totally absurd, because of the material reality that "caste divisions beyond purely 'economic' classes"[44] yet persist. So, issues around specific caste questions must be taken by all progressives and Leftists, dalits and non-dalits and organisations. Autonomous dalit movement with democratic demands and struggles against caste discrimination and caste oppression are totally justified and should be supported unconditionally. To establish a link between fights against caste-oppression and class exploitation is a need of the hour.

Notes

[The Atyachar Virodh Samiti thanks all those who contributed generously to make our visit a possibility and a success.]

1 We use the term 'dalit' and not 'harijan' as it is a more effective expression of economic exploitation and political, social and cultural oppression of the weakest section of our society.
2 *India Today*, October 15, 1978; 'Harijans Wretched of the Earth'.
3 Census, 1971.
4 Census, 1971, quoted by D N Sandanshiv in his booklet "Reflections on the Counter Revolution in Marathwada", copy of which was submitted to the Parliamentary Commission to enquire into the nature of the riots.
5 Census, 1971.
6 *Voice*, Aurangabad, "A Note on the Recent Agitation in Marathwada", submitted to Ram Dhan, Chairman of Parliamentary Committee on September 23, 1978.
7 D N Sandanshiv, "Reflections on Counter Revolution in Marathwada".
8 *Ibid.*
9 *Ibid.*
10 *Ibid.*
11 "Information Regarding Damages of Properties During Agitation of the Issue of Renaming Marathwada University, District Parbhani" (cyclostyled documents with detailed information, statistics).
12 *Ibid.*
13 *Voice*, Aurangabad Forum for Socialist Study, Secretary H M Desarda, Khadkeshwar, Aurangabad, MS.
14 Raja Marathe, "Landlord Terror in Nanded District on Dalit"; (Cyclostyled paper).
15 Data in *India Today*, October 15, 1978.
16 Raja Marathe, *Ibid.*
17 *Organiser* (weekly journal of RSS), August 27, 1979.
18 *Marathwada*, July 27, 1978.
19 *Marathwada*, July 29, 1978.
20 *Marathwada*, July 30, 1978.
21 Our interview at his residence.
22 *Voice*, Aurangabad, "A Note on the Recent Agitation in Marathwada", Submitted to Ram Dhan, Chairman of Parliamentary Committee on September 23, 1978.
23 "Nalanda", Adalat Road, Aurangabad, 431 001, Cyclostyled write-up with its constitution.
24 *Marathwada*, July 29, 1978 (Editorial).
25 *Marathwada*, August 1, 1978 (Editorial).
26 *Voice*, 'A Note on Recent Agitation in Marathwada'.
27 *Ibid.*
28 Our interview with Nemade.
29 Our interview with Dasarda.
30 Raja Marathe, "Landlord Terror in Nanded District on Dalit...." (cyclostyled paper)
31 Bailey, "Caste of Economic Frontier" 1957.
32 Ramkrishna Mukharjee, "Six Villages of Bengal", 1971.
33 "Behind Poverty" Djurer Feldt and S Lindeberg (1976).
34 M Godelier.
35 Ambedkar, "The Untouchables", 1948.
36 Marwin Hauries "Culture, Man and Nature", 1971.
37 Joan P Mencher 'Group and Self Identification of the View from the Bottom', in *ICSSR Quarterly Abstract*, Nos 2 and 3, Volume III, 1974.
38 Joan Mencher "Agriculture and Social Structure in Tamil Nadu", pp 173-174.
39 *Ibid*, page 4.
40 Joan Mencher *op cit*, page 39.
41 Joan Mencher "Group and Self Identification...".
42 Gail Omvedt, 'Class Struggle or Caste War', *Frontier*, Autumn No, Volume II, September 30, 1978.
43 *Ibid.*

FAO's Report on World Agriculture in 1978

CROP and livestock production as a whole rose by almost 3 per cent and cereal output by almost 5 per cent to a new record level. Carryover stocks of cereals — excluding China and the Soviet Union for which data are not available — continued to increase during 1978 and are expected to reach 205 million tons by the close of the 1978-79 crop season, representing 21 per cent of annual consumption in the countries concerned. Official commitments of external assistance for agriculture in the underdeveloped countries, which in 1977 exceeded the 1975 peak by 12 per cent in real terms, appeared likely to go still higher.

In other respects, however, 1978 was a disappointing year. The largest expansion in food production was in Oceania, Europe and the Soviet Union. In many of the underdeveloped countries not much progress was achieved in boosting production.

...s the World Bank Serve?

Joseph Collins

Frances Moore Lappe

The World Bank is not simply a provider of development loans. Over the past few years it has become a major force shaping the economic policies of various countries.

The Bank has been establishing permanent missions in underdeveloped countries, often located right within planning ministries. In an increasing number of countries, the Bank puts together and chairs a consortium of the principal bilateral and multilateral lenders that co-ordinates donor contributions and policies. One trump card of the Bank is that it determines governments' international credit ratings.

Loans go increasingly to the world's most repressive regimes, those willing to implement fiscal measures dictated by the Bank — measures that penalise workers and peasants. Four countries which have experienced military take-overs and martial law since the early 1970s — Argentina, Chile, the Philippines and Uruguay — will receive a seven-fold increase in World Bank lending by 1979. Loans to all other borrowers will increase only three times.

Perhaps more than any other institution in the world, the World Bank is helping large numbers of people move out of absolute poverty toward a more decent life

— World Bank President
Robert S McNamara, April 2, 1978.

THE World Bank has rapidly emerged as the lending institution for development financing, with lending commitments for 1979 projected at $9.8 billion, US President Carter has asked American tax-payers to virtually double their contribution to the Bank. The United States's $2.2 billion in fiscal 1979, we are told, would help the Bank further its 'assault on poverty'.

World Bank's Assault on Poverty

Important insights into the World Bank's battle-plan can come from reading any of its confidential rural project planning documents ('gray covers'). Here the Bank staff seem to follow a ritual formula—one apparently unaffected by the Bank's 'basic needs' rhetoric of the past five years.

Technical and statistical data are paraded. Poverty is quantified. The poor are spoken of in para-military terms, such as 'the target population'. Despite the stress on 'participation' in publicly-touted policy papers (for example, "The rural poor must participate in designing and operating a programme which involves so many of them"), poor people, project documents imply, can be reached from the top down. The poor are never seen as the participants, much less the instigators, of their own development.

Project proposals, nominally written by the local government, are in most cases ghost-written by Bank 'missions' that fly in — at no small expense — from Washington for a few days. The presumption throughout the project design is that development can be achieved only by bringing in external resources. Foreign investment is thought of as essential. Everything should be done, therefore, to develop a favourable climate for foreign banks and corporations. That a project design includes ongoing reliance on imports is not seen as a problem.

The project implementation section amounts to a series of best-of-all-worlds projections. Statement of goals plus money equals success. Poverty is simply *there*, with no hint that forces are at work creating and sustaining it. A project plan is an exercise in economics, divorced from political, sociological and cultural factors. The possibility of conflicting interests on any level is apparently unthinkable. Government and other actors are all presumed to be working together to eliminate poverty. Results of projects are measured only in statistics, not in the experience of real people.

'Going to the Big Boys'

With the Bank's project designs opting to ignore the social roots of poverty, is it surprising that they seem time and time again to achieve the reverse of the stated goals?

Take the Bank's credit to the government of Bangladesh to fund 3,000 deep tubewells. Each tubewell can irrigate 60 acres, making possible an extra crop of rice in north-western Bangladesh. According to a Bank press release, each well would serve from 25 to 50 in a co-operative irrigation group. But independent researchers, Betsy Hartmann and James Boyce, who lived for nine months in one of the villages covered by the project, found what was no secret to anyone in the village: the tubewell ended up as the property of one man, the richest landlord in the village. The World Bank (in reality the Bangladesh government) paid $12,000 for each well; this landowner paid less than $300 for his, and that mostly in bribes to local officials. And the vaunted irrigation co-operative is but a few signatures he collected on a scrap of paper.

Was the Hartmann and Boyce experience atypical? Apparently not at all. Expressing their dismay to a foreign expert working on the project, they were told:

> I no longer ask who is getting the well. I know what the answer will be and I don't want to hear it. One hundred per cent of these wells are going to the 'big boys'.

The project should not be thought of as simply failing to help the 'target group'. Such a project actually *undercuts* the supposed beneficiaries by enriching their enemies. Thanks to their increased income due to the World Bank tubewells, larger landowners will be better positioned to buy out the small farmers, thus driving them into the growing ranks of the landless. The same foreign expert commented:

> On paper it all sounds quite nice.... When the officials fly in from Washington for a three-day visit to Dacca, they look at these papers. They don't know what is happening out here in the field, and no one is going to tell them.

World Bank officials who find themselves forced to admit the failure of such a project invariably do not question its premises. 'More managers', they say, are what is needed.

Not Neighbours, but Rivals

We ourselves investigated another Bank rural development programme in Bangladesh, a major 'pilot' programme called RD-1 (Rural Development Phase One) The stated goal of the $16 million RD-1 is "to reduce the domination of rural institutions by the more prosperous and politically influential farmers and to make farm credits and

agricultural inputs... available to the small farmers through the co-operative system."

The Bank, you will note, presupposes there could be a co-operative system not dominated by the elite landowners.

People in each village we visited, however, told us that the so-called co-operatives were for the well-off — generally the top 10 per cent, owning six acres or more — who controlled the records and determined who could join and get credit. For the rest, especially the half, owning one acre or less, the payment terms are too stringent and the membership fees too high. Moreover, without land, coming up with collateral is virtually impossible. "Even if I did come up with a scheme to pay back a loan", one landless villager complained, "the co-operative would still not give me credit".

The case in Bangladesh confirms a pattern we have found throughout the world: village co-operatives will inevitably be co-opted by the elite groups as long as land remains grossly unevenly distributed.

Projects dreamed up in a social vacuum must play themselves out in real world of injustice and conflict. As one Food and Agriculture Organisation agronomist with 15 years' experience in Bangladesh told us, "The thing to remember about the villages is that the people are not neighbours but rivals". Similarly, we were repeatedly told that the fundamental social reality is a struggle over land: the well-off scheme to get their smaller neighbours in debt to them in order to foreclose on their land: the poor farmers desperately manoeuvre to hold on to the little land they have.

Thus the rural elite who usurp the tubewell — or the new machines or the extension worker's guidance or whatever the Bank projects supposedly earmark for the small farmer — make sure the poor will not benefit. This is true even if it means vastly under-utilising the new input.

"Don't Rock the Boat"

A recent Bank policy paper on rural development explains how projects should deal with "the existing social system". The paper states: "In many countries, avoiding opposition from powerful and influential sections of the rural community is essential if the Bank's programme is not to be subverted from within".

The Bank's commitment to not rocking the boat is clear when we discover that many of its rural programmes do not even make the pretence of aiding the poor smallholders. In "Assault on World Poverty" the Bank states that it is allocating almost half of its rural credit to small farmers. But this means then that more than half of the Bank's rural credit will still be going to medium and large farmers who, at most, constitute only 20 per cent of all landholders in the underdeveloped countries.

Moreover, closer examination of project appraisals has taught us to be on the alert about even the 'almost half' supposedly going to 'small farmers'. For, whether or not World Bank credit is getting to the rural poor depends, in part, on how the Bank defines 'small'. In Guatemala, a joint FAO/World Bank farm credit programme would allocate one-half of the credit to the top three per cent of the landholders, those owning 112 acres or more. The other half would go to what the Bank calls 'small farmers', those owning less than 112 acres. To an American, 112 acres might sound small. But this cut-off point hardly separates out the rural poor in Guatemala where a full 97 per cent of all farmers have less than 112 acres. With such a guideline, the Bank's project could by-pass totally the real poor majority in Guatemala, farmers with less than even one acre and, of course, the many with no land at all.

Even where the stated purpose is to benefit the truly smallholders, the Bank itself acknowledges that the credit go through national agricultural and development banks, primarily winding up in the hands of largeholders. In the Philippines, for example, the World Bank made two loans to rural banks that were partially government-owned. Smallholders with less than seven acres (who comprise 73 per cent of all farmers in the area) actually received less than one per cent of the credit extended.

The Landless

And, if the Bank is serious about attacking rural poverty, what does it offer the many landless in countries where a few monopolise the land? (Even in the Bank's own conservative estimate, the landless make up 40 to 60 per cent of the population.) To deal with the landless, the Bank unabashedly revives the 'trickle down' theory. We were told, for example, that millions of dollars for an irrigation dam will generate more farm employment, a boon to the landless. But, as Hartmann and Boyce ask, "Is giving aid to the rich, so they can hire more poor at subsistence wages, really the way to best help the poor?".

As an utterly rare exception, the Bank did design a sub-project in Bangladesh to benefit landless villagers directly. The $ 16 million RD-1 project includes a meagre $ 4,000 loan for a single landless co-operative to purchase from the government a pond and three acres of land. (There is much more government land in the village but the well-off have usurped it.) Since the workers' income is still such that they must also work for the village landowners to survive, this programme amounts to a wage subsidy for the rich landowners.

Furthermore, the programme includes only a-third of this single village's landless and does nothing to confront the structures which generate their landlessness. In visiting this project, we could not avoid feeling that it was nothing more than a showcase. In signing the co-op's visitors' book, we noticed signatures of visitors from several European countries and Canada. Were the poor people we met there being underpaid for their unwitting service to the Bank's image?

The Bank goes out of its way not to rock the boat even in cases of outright corruption by elites. In Bangladesh, the price-tag on pumpsets for the Bank's deep tubewell project jumped from $9 to $12 million, simply to meet the demand for super profits by the pumpset importer, Bangladesh's richest citizen.

'A Bank Is A Bank'

While 'feeding the hungry' might warm the heart of World Bank officials, there is no column on their ledger sheets headed 'full stomachs'. Poor people growing food for themselves do not produce much money and foreign exchange. For, only if they sell their production, that is, generate 'marketable surplus', will loans get repaid. That is what the Bank is concerned about.

The World Bank, like any other bank, seeks to minimise risk. The Bank itself notes. "Lending only to those with investment opportunities sufficient to produce a significant marketable surplus is perhaps the best way to reduce the level of default." 'Those with investment opportunities' is a euphemism for the larger landholders. It is hard to be at once a bank and saviour of the poor!

Besides betting on the large holder, the Bank often carries its risk minimisation one step further: farmers are 'encouraged' to produce non-food crops. This will ensure a marketable surplus. Cotton and rubber, after all, cannot possibly be eaten by the producers. Furthermore, as the Bank notes, "De-

linquencies in loan repayments) have also been reduced when repayment has been co-ordinated with the marketing of crops that are centrally processed, for example, tobacco, cotton, cocoa, tea, and coffee." Thus, to minimise its own risks, the World Bank prefers *not* to lend for the basic food crops of the people. Actual agricultural loans overwhelmingly demonstrate this preference.

Livestock is the Bank's most favoured 'cash crop', comprising one-third of all agricultural loans. The portion is even higher in Latin America, where over 70 per cent goes to livestock projects. In 1971, the Bank provided a $4 million loan to Guatemala to cover 52 per cent of the costs of a beef project and promised a $15 million follow-up loan for expansion. The benefiting ranchers were dubbed 'medium-sized'. In fact, the sub-loans went to the country's 300 richest export ranchers.

A Bank-financed livestock project in Kenya is allocating 87 per cent of all credit to a few large corporate and other commercial ranches. Bank economist Uma Lele gives a classic Bank rationalisation for so much money going to so few. "The tax revenues generated from these ranches are expected to help the government provide rural services to other needy areas." (Yet another indication that 'trickle-down' theory has not been buried at the World Bank.)

The Bank also favours sugarcane. Visiting Indonesia, we learned that it is bankrolling (so far, $ 50 million) the rebuilding of the sugar mills built by Dutch colonisers. And, according to the *Wall Street Journal*, sugar mill officials are "forcing the unhappy farmers to grow cane at gunpoint".

Besides focusing on the large landholders and cash crops, yet another way to insure that the marketable surplus does not get eaten is to send out 'supervisors'. But the Bank still frets: "...supervision can never completely eliminate increases in consumption following the receipt of loans, even when credit is provided in kind."

Pushing Money

Bank loan officers target loan quotas for each country. They prod project officers to come up with more and bigger outlets to meet those quotas. Focusing on scaring up outlets for huge sums of money is not exactly conducive to Bank officers reflecting on the social consequences of their projects. "Anyone who stops to raise questions", we were told by one Bank consultant who has worked with every department in the Bank, "is considered an obstructionist — not a good team man".

This 'excess funds syndrome' lends itself to the perpetuation of extreme corruption in government. The *Wall Street Journal* reports that, in Indonesia, it is "authoritatively estimated" that 10 to 15 per cent of the total cost of Bank-financed projects (now running at over $ 500 million a year) is dissipated through "leakage". Moreover, as the largest single lender in most countries, the Bank can undermine the efforts of smaller official and voluntary agencies that put tight conditions on aid to circumvent corrupt and exploitative structures. Since the Bank is ready to lend large sums with no effective strings attached, why would a government bother with such agencies? The Bank, development workers have repeatedly told us, tends to be a 'reckless donor'.

In Tanzania, a major part of the funds in a World Bank urban garden project went to an outside contractor for building a storage unit. It cost four times as much per square foot (we were told by a community worker close to the project) as a comparable structure built by the participants themselves in a similar project nearby. The community worker also told us that the Bank this year has channelled into the project twice the amount of money needed. "The excess" she stressed, "leads to waste and inefficiency."

The Bank is pushing money, yes, but not giving it away. Loans must eventually be repaid — and with foreign exchange, earned, as we have seen, largely by the labour of rural people producing for export. At best the Bank, through its IDA operation, gives loans on concessional terms. Much of these loans, however, merely serve to create the cash flow that makes it possible to make payments on previous regular Bank loans as well as private US and European bank loans.

Moreover, Bank projects invariably require the local government to put up 'counterpart funds' to lubricate the local operations of the projects. Thus scarce financial resources — and human ones, too — are tied up by Bank projects.

Repayment of the mounting debts puts a country under ever-greater pressure to orient every aspect of its economy toward exports. The 'debt trap' pushes countries away from building a basis of self-reliance, the only foundation for a new international economic order.

Financing Exports

The World Bank was chartered at the close of World War II to stimulate and finance capital goods exports from countries such as the United States. The Bank inevitably defines 'development' as things that cost lots of money and need to be imported — buildings, foreign high-salary technicians, the vehicles they need, dams, roads, laboratories, audio-visual equipment, and so forth. In Indonesia, at least 50 per cent of a Bank nutrition project goes to 'bricks and mortar' and fancy equipment for fancy buildings, as one American working for the United Nations in Indonesia told us. Even under the heading of agriculture and rural development, World Bank loans go overwhelmingly to build infrastructure — from roads to dams — that enrich local and foreign contractors and consultants. (Not surprisingly, according to a recent State Department estimate, for every dollar the United States has paid into the Bank, $ 2 have been spent in the US economy — which should lead us to ask who is aiding whom.)

Sophisticate audio-visual equipment and other electronic hardware make up over $1,000,000 of the budget of the 1977 agricultural extension project in Thailand. It sounds more like a Stanford graduate programme in mass media than a rural development project in Asia. Moreover, some of the 'bargains' to be purchased for the project by 'international competitive bidding' include: 420 and calculators at $ 50 each; 30 desk calculators at $ 160 each; 30 16 mm movie projectors at $ 1200 each; twelve 21-inch colour television receivers at $1050 each; and on and on. (Business readers might wish to check into selling to the Bank.)

More Than A Bank

The World Bank is not simply a provider of development loans. Over the past few years it has become a major force shaping the economic policies of various countries. In the Bank's own words:

> IDA's borrowers, in particular, would be unlikely to obtain finance on terms as satisfactory as IDA's from any other source; they are therefore unlikely to disregard the kind of advice they may be given by Bank IDA missions whose periodic surveys of their economies include assessments of the soundness of their economic policies.

The Bank has thus begun establishing permanent missions in underdeveloped countries, often located right within planning ministries. In an increasing number of countries, the Bank puts to-

gether and chairs a consortium of the principal bilateral and multilateral lenders that co-ordinate donor contributions and policies. In many countries, such as Bangladesh, the Bank is quietly placing advisers in key ministries of the government. One trump-card of the Bank is that it determines governments' international credit ratings.

Loans go increasingly to the world's most repressive regimes, those willing to implement fiscal measures dictated by the Bank — measures that penalise workers and peasants. Four countries experiencing military takeovers and martial law since the early 1970s — Argentina, Chile, the Philippines, and Uruguay — will receive a sevenfold increase in World Bank lending by 1979. Loans to all other borrowers will increase only three times.

No Accountability

The Bank is in no sense a democratic, or even broadly representative, institution. It is accountable to no one but itself. And it would be naive to expect that such a powerful institution can or will effectively monitor itself. Bank documents are secret. The Bank is virtually unstudied even by social scientists. There are fewer than a dozen articles and books analysing this powerful institution. No staff member will testify befor any congressional or parliamentary hearings. Only recently has the Bank begun to go through the motions of secret evaluations of all the projects it funds. Those who have seen some reports of the Bank's Operations Evaluations Department tell us that they were greatly 'sanitised' when they were later summarised for a Bank public relations publication.

Evaluations are sometimes commissioned to outside consultants; but how independent are they, given that their next contract might come from the Bank? One such major evaluation we heard of was critical. It has been suppressed and the author was ordered to do a 're-write'. Public reports, we are told, must be upbeat in order to gain support in the congresses and parliaments of donor countries.

While in Bangladesh informed foreign sources told us that, recently a mission had flown in from Washington and pronounced the RD-1 programme we discussed earlier a success — "because it is based on sound principles" — and that it should be expanded. Yet, only the day before a Bangladesh government official had shown us an internal Bank memorandum indicting every aspect of the implementation of the project and concluding that the co-op system operates "excessively in favour of the more wealthy farmers".

Moreover, many local government negotiators of Bank loans often aspire to a position with the Bank in Washington. Are they about to question a Bank project? As we were told in Sri Lanka — a country now taking on massive Bank loans for a dam irrigation project — government elites in the capital are already expectant about "having a whiskey" with all the foreign experts who come with such a project. In all, a fairly closed circuit.

Accountable to no one, the Bank is free to make whatever grandiose claims it wishes about the number of people who benefit from its projects. McNamara, for instance, would have us believe the Bank's agricultural and rural development programme will 'reach' 60 million in the 'poverty target group' by lending during 1975-1979. The Bank, you see, likes to count beneficiaries by totalling up the number of people living in the area where a Bank project is to take place. This is equivalent to arguing that a dam in Paluba, California, benefits the population of California which is 20 million, 4 million of whom live below the poverty line. Soon the total of poor beneficiaries is likely to be more than the total number of poor people in the world.

Some at the Bank might reason that meeting the basic needs of the poor would pacify those working to alter present social structures. But, even if this be the goal, their programmes are ultimately self-defeating. Intervening with funds for profit-generating investments, while opting to keep intact the social structures that generate poverty, only strengthens the grip of elites. The result is that the poor are even further impoverished.

On Class Relations in Indian Agriculture

A Comment

Pranab Bardhan

IN 'Class Relations in Indian Agriculture' (June 3, 10, and 17, 1978), Ashok Rudra provided a characteristically provocative piece of analysis and yet this was clearly one of the most systematic, well-reasoned and empirically-based contributions to the literature on the subject. I find myself in agreement with most of his major conclusions, but on some important points I have serious disagreements. In this note I dwell on the latter in the hope of inducing further discussion.

Let me first start by summarising the major points on which I agree with Rudra:

(a) Classes are best defined by contradictions of interests arising from the way they are related to the means of production and in Indian agriculture the most important contradiction is the one between what Rudra calls the hybrid 'class of big landowners' (including rich peasants) and the 'class of agricultural labourers' (including landed labourers).

(b) The Leftist peasant movements have often blurred this contradiction and by attempting to form an alliance of rich and poor peasants against a phantom feudal class have often betrayed (or at least neglected) the interests of the class of agricultural labourers.

(c) Quite often, in the literature tenancy, usury and attached labour have been rather mechanically equated with feudalism. There is a lot of evidence (see, for example, the results of a survey of 276 randomly chosen villages in East India, as reported in my joint article with Rudra in this journal, Annual Number, February 1978) that, whatever may have been true in the past, these institutions have now been largely adapted to the needs of increasing production and profit by enterprising farmers who may hardly be described as feudal.

d) Lenin's oft-quoted alternative 'American' and 'Prussian' paths are both merged in the growth of the Indian class of big landowners: some of them have risen from the ranks of the peasantry while some others were feudal landlords now converted — 'junker'-style — into capitalist farmers as, with the development of forces of production and pliant government policies, agriculture has become more profitable.

(e) Most of the Left parties habitually deplore the sinister alliance between feudal landed interests and those of international imperialism. Rudra briefly exorcises this particular ghost for present-day India and pointedly notes how the interests of international imperialism may very well be in supporting those of the emerging agrarian capitalists (including rich peasants).

My major disagreements with Rudra are on: (i) the relative importance of capitalist and feudal elements in the class of big landowners and (ii) the significance of middle peasants as a separate class. Let us take up (ii) first.

Rudra departs from the Lenin-Mao schema of class differentiation of the peasantry and, in particular, denies the importance of middle peasants as a class category. His argument is that, in the Indian farm hierarchy, it is difficult to discover a group of peasants *who neither hire in nor hire out* labour to any considerable extent and, if there are a handful of such peasants in any particular case, usually they do not have clear-cut contradictions with members of the other two major agricultural classes. I think both parts of this argument are not, in general, valid in Indian agriculture.

Let me cite some evidence. The best source of data on agricultural labour hiring in India is that of the Farm Management Surveys. Take, for example, the farm management data for Hooghly district in West Bengal in 1970-71 (collected under the guidance of Rudra himself). Thirty-eight out of 149 farms (about 25 per cent) in the sample hire less than 9.6 labour days[1] per acre in the year (while the sample mean is about 55 days per acre) and the proportion of hired labour in their total labour use is less than 3 per cent. In terms of absolute volume of labour hiring, 50 out of 149 farms (about one-third hire less than 30 labour days in year.[2,3] One may argue that, any hiring of labour involves exploitation and as such all hirers of labour should be subsumed under the capitalist class. This, I think, is too mechanical a view of class relations. There are many exigencies (eg, family emergency, distant location of land fragments, sharp peaks in short-run seasonal labour requirements demographic imbalance in the household, the need for hiring bullocks which often come with ploughmen, etc) when some middle peasants may hire a small amount of labour without their being involved in the system of surplus extraction through wage labour in any significant sense.

Take another district, Muzaffarnagar in Western Uttar Pradesh. The farm management data for this district for 1968-69 indicate that 41 out of 150 farms (about 27 per cent) in the sample hire less than 11.2 labour days[4] per hectare in the year. In terms of absolute volume of labour hiring, 32 out of 150 farms (about 21 per cent) hire less than 30 labour days in the year.

In the Table we have cross-classified percentages of farms in terms of relative farm size and hired proportion of farm labour for five districts scattered in different parts of the country for a recent year for which we had access to householdwise farm management data. It is clear from the Table that in Ferozepur (Punjab), Muzaffarnagar (West UP) and Hooghly (West Bengal) quite a large fraction of the farms depend on hired hands for less than a quarter of their total labour use (i e, more than three quarters of labour on farm is supplied by family workers). On the other hand, in Tanjore and Coimbatore (both in Tamil Nadu) a very small fraction of farms depend mostly on family labour. The numerical strength of middle peasants (not participating significantly in the labour market) obviously varies from one part of the country to another and there is no question that Chayanov's judgment that such farms constituted over 90 per cent of farms in Russian agriculture in the beginning of the century does not apply to India today; but it will be improper to deny their importance altogether.[5] A more extensive investigation of this phenomenon for different parts of the country is obviously called for.

If the middle peasant category is not empty, the next question is to explore the nature of contradiction of their interests with those of the other two classes. Since they do not participate significantly in the labour market, they do not obviously play a prominent role in the wage-exploitation nexus between the class of big landowners and the class of agricultural labourers. But to the extent the class of big landowners appropriate the lion's share in the government distribution of subsidised credit, water, fertilisers and other inputs, their interests directly clash with those of the middle peasants.[6] The conflict in economic interests of the

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TABLE : PERCENTAGE OF FARMS BY RELATIVE FARM SIZE AND HIRED PROPORTION OF FARM LABOUR IN FIVE DISTRICTS

Relative Farm Size	Proportion of All Farms	Hired Proportion Categories (Per Cent) 25	25-50	50-75	75
		[Ferozepur 1969-70]			
Small	20	7	5	3	5
Medium	41	15	11	9	6
Large	21	4	3	7	7
Very large	18	1	5	5	7
All sizes	100	27	24	24	25
		[Muzaffarnagar 1968-69]			
Small	25	28	1	1	1
Medium	31	18	7	5	1
Large	25	10	9	4	1
Very large	20	2	11	5	2
All sizes	100	58	28	15	5
		[Hooghly 1970-71]			
Small	15	10	1	1	3
Medium	51	22	10	7	12
Large	14	4	3	4	3
Very large	19	3	3	7	6
All sizes	100	39	18	19	24
		[Coimbatore 1971-72]			
Small	20	3	5	7	5
Medium	43	4	10	11	18
Large	19	1	3	4	11
Very large	19	0	0	3	16
All sizes	100	8	18	25	50
		[Tanjore 1967-68]			
Small	15	1	4	9	1
Medium	53	0	14	21	18
Large	16	0	1	4	11
Very large	17	1	0	7	9
All sizes	100	2	18	41	39

Notes: This table is derived from estimates made, on the basis of Farm Management Survey data, by Kalpana Bardhan in 'Rural Employment and Wages with Agricultural Growth in India: Some Intertemporal and Cross-Sectional Analysis', March 1977 (unpublished). Relative farm size groups are defined with reference to the specific size distribution of the sample for a district in a year. The "medium" size group contains those lying between mean and mean minus 75 per cent of standard deviation. Those below this limit are grouped as 'small'. Those between mean and mean plus 75 per cent of standard deviation are 'large'; and those above this limit are 'very large'.
All cell figures indicate percentage of sample total of farms.

middle peasants and the class of agricultural labourers is less open[7] primarily because socialisation of land or co-operative farming is not an active issue in Indian agrarian politics now. If the landless were organised on the issue of socialisation of land, middle (and, of course, rich) peasants will clearly be in vehement opposition to them. It is no accident that, in spite of occasions of ritual lip-service paid to it, the major Leftist peasant organisations in the country effectively side-track this issue.

Let me now come to the question of the relative importance of feudal and capitalist elements in the class of big landowners, my other major point of disagreement with Rudra. Rudra claims that in his hybrid class of big landowners the feudal elements "do not have any contradictions" with the capitalist elements and, more important, it cannot be said that the emerging capitalist relations are "at the expense of feudal relations".

If the feudal elements in the ruling class in agriculture were strong, I see no difficulty in visualising important contradictions between their interests and those of the emerging capitalists. For example, if a significant part of the labour force were tied in serf-like relations with their feudal masters, the capitalist farmers would face more difficulties in hiring wage labour particularly in periods of peak operations. If a large part of investible funds were locked in unproductive investments or usury, to that extent capitalist development would be hampered by inadequacy of credit or capital mobilisation. If a large part of land were left unutilised (and used only as status value for the landed aristocracy) or undeveloped or leased out only for rack-renting, capital accumulation in agriculture would have surely suffered.

There is no doubt that, in rural India, there is a considerable amount of unproductive investment. For that matter, even in advanced capitalist countries investment in real estate, various speculative activities, etc are quite rampant. The important thing is that a definite trend towards more productive investments and profit-making enterprises in agriculture seems to be setting in, of course, more rapidly in some areas than in others.

All evidence also seems to point to an increase in the use of hired labour in agriculture. On the basis of farm management data, for all the five districts in India which have been resurveyed[8] the hired proportion of total farm labour days went up from 32 to 55 per cent in Ferozepur (Punjab) between 1956-57 and 1969-70, from 28 to 36 per cent in Muzaffarnagar (West UP) between 1956-57 and 1968-69, from 44 to 50 per cent in Hooghly (West Bengal) between 1956-57 and 1970-71, from 25 to 82 per cent in Coimbatore (Tamil Nadu) between 1956-57 and 1971-72, and from 30 to 32 per cent in Ahmadnagar (Maharashtra) between 1956-57 and 1967-68. For India as a whole the recent Rural Labour Enquiry Reports indicate that between 1964-65 and 1974-75 agricultural labour households as a proportion of total rural households went up from 21.8 per cent to 25.3 per cent.

To the extent the rise in the number of agricultural labour households is due to eviction of erstwhile tenants and occupational shifts by artisans and other non-agricultural rural labourers, this may just be a change in the *composition* of the rural proletariat (or semi-proletariat), rather than increased proletarianisation as such. But to the extent some of the erstwhile middle peasants and family farmers have been forced by economic circumstances (rise in the cost and credit-intensity of cultivation, in particular) to join the ranks of agricultural labourers, there has indeed been increased proletarianisation. Evidence of the relative importance of the latter is somewhat fragmentary. The recent Rural Labour Enquiry Report indicates that, in the rise in the number of agricultural labour households between 1964-65 and 1974-75, the largest increase has been in the agricultural labour households *with land*. According to NSS Land Holdings Survey data, in 1970-71 in Punjab (including Haryana), even though only 9

per cent of the rural households did not *own* any land, as many as 54 per cent did not *operate* any land. The corresponding percentages in 1960-61 were 12 and 39, respectively. An analysis of the farm management data for Ferozepur suggests that, while in 1956-57 62 per cent of farms were predominately family farms (i e, depending on family labour for more than three-quarters of their annual labour use), in 1969-70 only 27 per cent were predominantly family farms (it is also to be noted that the majority of the family farms in 1956-57 belonged not to small semi-proletarianised peasants but to the medium size-group of farms).

As labour power increasingly takes on the characteristics of a commodity, as extra-economic coercion in labour relations declines, as surplus extracted from wage labour gets increasingly invested in productive investment, it is hard to agree with Rudra that the emerging capitalist or semi-capitalist relations are not replacing feudal relations. No doubt the transitional process is slower in some areas than in others, but considering that a similar process took two to three centuries in the classic instance of Western Europe, the pace in India has been quite remarkable.

Notes

1 The figure of 9.6 labour days was reached arbitrarily as the sample mean *minus* 75 per cent of standard deviation.

2 In the Hooghly sample there are some farms who are marginal cultivators and some whose primary occupation is trade, service or business. Even if one excludes these households as a possible distortionary influence, I find that 27 out of 115 farms (about 24 per cent) hire less than 30 labour days in the year. One may also like to exclude small tenants who, for all practical purposes, are semi-proletarianised workers and may rightfully belong to Rudra's class of agricultural labourers. If one thus also excludes primarily tenant farms (with more than 50 per cent of the cultivated area leased in) below 2.51 acres in size, I find that 21 per cent of the remaining farms hire less than 30 labour days in the year.

3 For those who are interested in knowing the position about *net* hiring of labour (hiring *in* minus hiring *out*), out of 149 sample households 24 (about one-sixth households in Hooghly 1970-71 hire between *plus* 29 to *minus* 25 labour days in the year. Rudra is, in principle, opposed to the idea of netting relations of exploitation. This, in my judgment, is probably too purist an approach. In any case, for my present argument netting is not necessary.

4 Again, the figure of 11.2 labour days was reached arbitrarily as the sample mean *minus* 75 per cent of standard deviation.

5 Table 1 also indicates that another group which falls outside Rudra's class categorisation, those small land-holders who mostly depend on hired labour, is numerically unimportant in all the five districts considered.

6 In the Hooghly sample referred to above, out of 50 farms that hire less than 30 labour days in the year, not a single one is a net seller of paddy (the main crop) in the market, while 18 purchase paddy. To the extent middle peasants are net buyers of grains, their interests conflict with those of rich farmers who pressurise the government to raise support prices of grains.

7 It is, of course, arguable that in view of the considerable social distance that often exists between the middle peasants and the landless, the cleavage in terms of class consciousness may be wider here than between middle and rich peasants.

8 On account of a change in sample stratification the two period data in the Farm Management Surveys have some problems of comparability.

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ECONOMIC AND POLITICAL WEEKLY

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GUNNING FOR THE PUBLIC SECTOR

UNEMPLOYMENT OF PROFESSIONAL MANPOWER

UNLOADING THE WHITE REVOLUTION

FRESH PERSPECTIVE ON INDUSTRIAL WORKERS

AGRARIAN RELATIONS IN KHASI HILLS

RIOTS AS COVER FOR LAND-GRABBING

Even her mother forgets how she has changed



Those who are nearest are often the last to notice the change—because they see her every day. But she minds it when they do not treat her as a different person. So sometimes she has to tell them how she has changed.

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Next time you see her, please remember she has grown and is changing.

HINDUSTAN LEVER LIMITED
A changing organisation

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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THE more vitally connected a particular subject to the well-[illegible] people, the more cavalier, it seems, is the government's manner of [illegible] gets in relation to it. An outstanding example is, of course, the [illegible] liquidating unemployment in the country within ten years. Another is that of achieving universal literacy, again within a period of ten years. The latest annual report of the Ministry of Education, accordingly, claims that "the programme of universalising elementary education constitutes one of the two topmost priority programmes in the field of education, the other being the national adult education programme".

The Draft Five-Year Plan, 1978-83, has set the target of enrolling 90 per cent of the children in the age-group of 6 to 14 years in classes I to VIII by 1982-83. According to the Plan, this calls for an additional enrolment of 320 lakh children during the five-year period. However, even before the Plan has been given final shape, these calculations appear to have been upturned. The Ministry of Education's recent "Review of the Present Position on the Implementation of the Programme of Universal Elementary Education" now estimates that to achieve the target set for 1982-83, the additional enrolment during the Plan period will have to be not 320 lakhs but actually 407 lakhs. Accordingly, one finds, the Ministry of Education has, in its annual report, quietly lowered the target of enrolment for 1982-83 from 90 per cent to 86 per cent.

This is not, however, the most significant aspect of the matter. The question is what likelihood is there that school enrolment will be expanded by 407 lakhs or even by 320 lakhs by 1982-83? According to figures mentioned in the Draft Plan, total enrolment in classes I to VIII was 794 lakhs in 1973-74, 641 lakhs in classes I to V and 153 lakhs in classes VI to VIII. Four years later, in 1977-78, total enrolment had gone up by just about 85 lakhs, 60 lakhs in classes I to V and 25 lakhs in classes VI to VIII. What is even more striking is that enrolment as a proportion of the total number of children in the *age-group 6 to 14 years had not gone up at all during this period*, but had remained stationary at 67 per cent. Enrolment in classes I to V as a proportion of the number of children in the 6 to 11 age-group had in fact declined from 84 per cent to 83 per cent and that in classes VI to VIII as a proportion of children in the age-group 11 to 14 had gone up very slightly from 36 to 38 per cent. One has only to contrast these 'achievements' of the recent past to judge how utterly unrealistic are the targets set under the current Plan.

What is even more shocking is the government's attempt to fob off "universalisation of elementary education" as essentially a matter of pushing up enrolment figures, sweeping under the carpet the well established fact that very large numbers of those who are shown as having enrolled themselves in schools do not complete the relevant period of schooling or even acquire basic literacy. This has been admitted once again recently by the Education Ministry's own Working Group on Universalisation of Elementary Education which says quite explicitly in its interim report: "Existing data on enrolments suffer from over-reporting; a certain proportion of the total enrolment is bogus in the sense that it includes children whose names are shown as enrolled but who, in fact, do not attend schools so that the daily average attendance is often too small in relation to the overall enrolment." Over-reporting of enrolment, according to the Working Group, is large, varying from 8 per cent to 47 per cent, and it is particularly conspicuous in those states which are relatively backward in elementary education. What is even more damning is the Working Group's assessment of the overall situation with regard to drop-outs from schools. It says: "The high proportion of drop-outs has remained almost unchanged during the post-independence period and the problem has become quite intractable." How deceptive the government's enrolment figures are can be seen from the fact that enrolment of children in the age group 6-14 was already 32.4 per cent as far back as in 1950-51 and this figure had touched 60 per cent by 1969-70; on the other hand, according to the Census, the proportion of literates in the age-group 5-14 in 1971 was no more than 34.9 per cent.

And yet the government continues with its dishonest exercise of depicting so-called "universalisation of elementary education" as being a matter of school enrolment. Though the latest annual report of the Education Ministry refers to the report of the Working Group mentioned above, it does not refer

at all to what the Group has to say on the question of drop-outs and the discrepancy between enrolment figures and the actual attendance in schools. Equally significant are the Ministry's proposals to cope with the problem of drop-outs. These consist of, to quote from the Ministr'y annual report. "upgraded school system at the primary stage, policy of 'no detention' till class VIII . . . introduction of play-way methods in classes I-II with adoption of dynamic teaching, teacher improvement and, above all, reform of primary curriculum . . .".

There is no recognition at all that the problem of low enrolment and high drop-outs has most of all to do with the poverty and the occupational pattern of the people. If at all the government considers any section of people as requiring special attention, it is only the scheduled castes and scheduled tribes who, according to the Ministry, "constitute the hard core of the non-enrolled children". While there can be no doubt that scheduled castes and tribes constitute a specially deprived section of the population in regard to education, as in every other respect, the figures of non-enrolment and drop-outs are so large that they cannot be adequately accounted for by reference only to scheduled castes and tribes, who after all together constitute only 22 per cent of the country's total population. It is the poor, including even the relatively poor, especially in the rural areas, who constitute, to borrow the Ministry's phrase, the "hard core" of the problem. It is sheer deception to pretend that technical 'educational' solutions, of the type listed in the Education Ministry's report, are the answer to the problem of low enrolment and high drop-outs among the children of, for instance, agricultural labour families whose numbers have been rising so rapidly both in absolute terms and as a proportion of the total rural population.

Perhaps the most useful purpose served by exercises like those of the Working Group referred to above is that occasionally some of their findings — such as that the proportion of drop-outs from elementary schools has remained almost unchanged during the entire period of so-called planned development and that after 30 years "the problem has become quite intractable" — confirm the findings of other enquiries like those of the Rural Labour Enquiry, 1973-74, that the poverty of the poor has been deepening and that the problem of bringing about any improvement in their economic conditions is equally "intractable".

Aligarh

Paying the Price

WHETHER the incidents at Dadri railway station on May 9 were just a routine case of student hooliganism on the Indian railways, in this case only distinguished by the fact that some of those involved were students of Aligarh Muslim University, and whether the violent incidents including firing, stabbing and arson that duly followed two days later in Aligarh were part of a spontaneous response of students to provocation, will probably be never known with absolute certainty. There are always two seemingly equally authentic versions of any communal clashes in India. Apparently the AMU students were proceeding to Delhi to take part in a protest against the passage of the Aligarh Muslim University Amendment Bill in its present form which, they felt, did not go sufficiently far in restoring the minority character of the AMU. The amendment bill was passed on May 3, despite the almost universal Muslim demand that the quite disingenous and patently unhistorical formulation that the AMU, since it was set up by the Central government by virtue of the AMU Act of 1920, cannot be considered to be set up by the Muslim community of India, be rejected and that the proposed amendment specifically and formally acknowledge the fact that AMU was indeed set up by the Muslim community of India. The amended Act only acknowledges that the 'University' in question means the educational institution which originated as the Muhammadan Anglo-Oriental College, Aligarh, estabished by the Muslims of India, and which was incorporated into the University by this Act of 1920 In other words, the amendment, even while it ostensibly seeks to undo the wrongs done to the AMU by the former government, still places the institution outside the purview of the constitutional guarantees available to all minorities, whether based on religion or language, to have the right to establish and administer educational institutions of their choice.

There are however some aspects to the present outbreak of violence in Aligarh which distinguish it from similar outbreaks elsewhere in the country and even in Aligarh itself last year. In th present instance, the curfew has be most strictly and for longer periods e forced in the civil lines area (whe the AMU is situated) while the tow itself has been relatively calm — a com plete reversal of the situation last ye when the AMU offered sanctuary to t affected victims even when the city w burning. The deaths too have been and around the university campus two AMU students one of whom di in the firing and another by being stal bed, and three university employe rom nearby villages — while life in t city continued to be normal.

Clearly, the present outbreak violence has to be related to the di satisfaction in the University comm nity about the decision of the Cent to wriggle out of its commitment undo the mischief done to the Unive sity by the previous regime. The issu put simply, boils down to this. Th former regime sought to do away wi the historic character of AMU plain with a view to be able to interfere every aspect of the University's lif More importantly, given the inescapab fact that the University continues t reflect and shape Muslim opinion, go ernment expected to control an generally keep track of Muslim loya ties, plainly with a view to using the for partisan advantages.

That can be the only reason wh the AMU has consistently attracte the closest surveillance of successiv administrations at the Centre Th Janata government is as reluctant a the previous regime to unequivocall and in fact and law restore the histo ric 'minority character' of the instit tion instead of maintaining that th 'minority character' was possesse only by the mother institution, th Mohammadan Anglo-Oriental Colleg and that though the present AMU ha to be acknowledged as the legitimat successor of the MAO college, th technical fact of its being establishe by an Act of the Central governmer makes it impossible for the historic fact of its being an institution est blished by the Muslims of India to b formally and legally incorporated int the new Act. Plainly the Janata gov ernment too wants to continue th same dishonest policy towards th AMU, and by extension, towards th Muslims, as the previous regime shows how deeply entrenched are th auspicious cherished by the goverr ment towards Aligarh Muslim Unive sity and its inescapable historic pa — its having been the fountainhe

of Muslim separatism and the nurturing ground to a very large section of the Muslim elite many of whom contributed in theory and practice to the idea and reality of Pakistan — which it wants to erase.

Neither the Janata nor the Congress is equipped to dispassionately understand the historical reasons for the emergence of Pakistan. Nothing illustrates this common understanding of Indian history shared by politicians of the Janata and the Congress than the view that it was the Muslim League and Muslim communalism that was responsible for the creation of Pakistan — which is as neat a way as any of separating the sheep and the goats in India's struggle for freedom. Not surprisingly, the chief minister of UP, who has vowed to have no truck with the RSS and communal forces, has also been a most outspoken exponent of this startling view of recent Indian history. Aligarh, apparently, has to continue to pay the price for nurturing a Muslim bourgeoisie.

Banks

In Unflattering Light

THE nationalisation of the 14 major banks was undertaken a decade ago with many objectives in view. It is time *that a detailed review of the performance* of the banking system was undertaken by the government and the Reserve Bank. This is all the more necessary because studies based on published data have given rise to serious misgivings regarding the performance of commercial banks since nationalisation.

The National Council of Applied Economic Research has just published the results of a study undertaken at the instance of the planning Commission on "Operation of Credit Policies of Nationalised Banks since 1969". The study covered "a sample of 80 branches, chosen purposively". The primary data was assembled through field visits to the sample branches and discussions with branch officials and with selected borrowers. As the sample size was small and purposively chosen, there was no question of blowing up the results for the system as a whole. Even so, the results of the field survey are revealing.

The main features of credit planning at the bank and branch levels, according to the study, were: (1) greater concern for fixing and fulfilling targets of deposit mobilisation, "on which the branch manager's performance was generally evaluated"; and (2) target fixation on an ad hoc basis rather than on the basis of scientific assessment of the potential for development of a particular area or its needs. The Lead Bank and the Village Adoption Schemes, which were intended to conduct a resource audit of each area with a view to identifying worthwhile development schemes that could be financed by banking institutions, "do not seem to have had the desired impact". Often the villages declared to have been adopted by the banks were merely those where the branches had extended a large number of loans.

The study's finding on the rising trend of agricultural loans, is interesting: "While the number of accounts, credit limits and levels of outstanding credit have increased between December 1972 and June 1975, the entire rise in outstanding credit was not due to fresh advances. Part of this was mere escalation of arrears of old advances with accumulation of interest and penal levies". Of overdues in agricultural credit, about one-third *in* short-term loans and two-thirds in medium-term loans were more than three years old. "With rates of interest in this sector ranging from 12 per cent to 15 per cent and a penal rate of 2 per cent, the escalat on in dues *in* case of *non-repayment* can be gauged." The study quotes in this connection a typical example of a dairy loan of Rs 3,500 granted in March 1973 at 15 per cent interest repayable in 10 months. Between March 1973 and December 1975, the borrower had repaid Rs 800, but the credit outstanding against the account in December 1975 was Rs 3651.30! Such cases were not confined to agricultural credit alone: they were found among other priority sector advances also.

The report's finding regarding the regressive nature of interest burden on loans of different sizes and in different sectors is relevant in this context. "The incidence of interest on some of the borrowers in the priority sector was as large as on those in the so-called non-priority sector. If the incidence of interest in different loan sizes is considered, the priority-sector appeared to have *fared* worse in a few catagories .. In sectors like agriculture, there is also the incidence of stamp duties, registration charges and documentation, which work out in many cases to roughly 2 per cent to 3 per cent of the amount of borrowing."

The final finding of importance relates to appraisal and follow-up measures, particularly in regard to bank credit extended to the large industry. The Tandon Study Group's recommendations were communicated to the banks for implementation in August 1975. However, "even as late as November 1976 several banks were still in the initial stage of data gathering from the concerned borrowers for implementing these recommendations". There was also a feeling among bank managers that larger accounts "have to be handled with what they termed as 'velvet gloves' and too much pressure on them for supply of data may result in the loss of such accounts, reflecting poorly on the branch managers". Though the Dehejia Committee had long ago criticised the tendency among the large borrowers to divert short-term bank borrowings for acquiring long-term assets, according to the study, this tendency "appears to be still prevalent". The study has presented concrete evidence in this respect.

On inventory norms, to which the Tandon Study Group gave considerable importance, the study finds that "inventory holding appears excessive in several cases relative to the norms prescribed". The inventory norms prescribed are neither restrictive nor are they firmly adhered to. And yet "the fact that some of the units fall within the norms prescribed would suggest that it should not be difficult to adhere to the norms without hampering production seriously".

Finally, the study has a few pertinent things to say on the inadequacy of the follow-up measures adopted by bank branches to ensure that bank credit is used for the purpose for which it is intended. "Most branch managers felt that these are inadequate, but the apprehension of losing important clients appears to have often led to d luted follow-up measures". Two major follow-up measures in this respect are regular, generally monthly, submission of stock statements and physical verification of stocks. "Several managers observed that in practice stock statements are not received regularly in many cases". Also, in regard to valuation of stocks, "while some branches were checking these values independently, many merely accepted the values submitted by their clients". Several bank managers confessed that "though physical verification was to be undertaken once a month, this was rarely followed in practice ... There

were cases where branches had more than 100 godowns under their control, but without a godown inspector to undertake physical verification".

In sum, every aspect of the apparent achievements of commercial banks appears to be questionable. The institutional arrangements such as the Lead Bank Scheme and the Village Adoption Schemes, intended to bring about major changes in the regional and sectoral distribution of bank credit, have not got off the ground. The increase in bank credit to priority sectors is partly statistical. The interest burden continues to be regressive and inequitous. The larger borrowers continue to divert short-term funds for creation of long-term assets and excessive inventories remain unchecked. Finally, the end use of bank credit by the large parties is not checked by obtaining regular stock statements, by scrutinising the valuation of stocks or by physical verification of stocks.

Politics

Lose One, Lose All

EVEN the most enthusiastic supporters of Indira Gandhi cannot maintain that the Congress (I) rally at Delhi on Wednesday was exactly the huge affair that its organisers had expected it to be. Leaving aside the question of the number of people who actually attended the rally, the estimates of which made by the Press, the police and the Congress (I) naturally differ, what should have been of greater concern to Indira Gandhi was the relatively poor representation of the Congress (I) leadership at the rally, particularly the absence of the chief ministers of the only two states where the Congress (I) is in power.

The disciplining of the Karnataka Chief Minister which was to be one of the main tasks of the post-rally session of the Congress (I) Working Committee too does not seem to have made any headway. During her recent visit to Karnataka, Indira Gandhi had announced that the general practice of not having the same person hold the office of both the head of the government and the head of the party would also be applied to Karnataka. Since the Karnataka PCC was yet an 'ad hoc' body and since Devaraj Urs had occupied the office of the president of the state unit by virtue of his election to the position in 1972 when the party was united, his replacement would be by way of a nomination and not by any election. But Devraj Urs himself left no doubt during the KPCC (I) meeting attended by Indira Gandhi that his replacement would have to follow a decision, by the executive committee of the KPCC on the venue and date of a meeting of the general body which in turn would elect the new president. Indira Gandhi was thus faced with the choice of either appointing, in her capacity of the president of the Congress (I), a new ad hoc KPCC (I) without Devaraj Urs as the president, or waiting for the procedural formalities of the election of new president to be gone through with the almost certain prospect of Devaraj Urs once again being elected as the president of the state Congress (I). Wanting to avoid the latter possibility but unwilling to exercise her authority directly, she expected the CWC (I) to take the decision to replace Devaraj Urs. But the CWC (I) meeting that followed the rally, and which Devaraj Urs did not even attend (the scarcely credible excuse being the same as was offered for his absence from the rally as also for the poor representation of the state MLAs — that they were all busy with the assembly session) has had to put off the question of finding a successor to Devaraj Urs as the party chief in Karnataka, as also the method by which that successor should be chosen.

With such friends as Devaraj Urs, Indira Gandhi must be wishing that she certainly needs no enemies; but of these too, there has been no dearth, and they too are thriving. The confusion and dissension that she tried to sow amongst them has not borne any fruit. The Congress which she thought would be so demoralised at her exit that it would come running to her has shown surprising resilience, and has neither been broken or bought. Moreover, Thursday's elections to the Congress Parliamentary Party clearly marked a setback to Indira Gandhi's Trojan horses in the party. In the Janata, the consolidation of the Jana Sangh elements who have continued to solidly support the Prime Minister has meant that a possible alliance with sections of the Janata opposed to the Jana Sangh is now more on the

cards. It should be particularly mortifying to her to see that she has even ceased to be part of Janata calculations; the Janata party has no doubt many grave problems, but Indira Gandhi is no more one of them. The gravest setback must be the obviously forced decision to seek election to Lok Sabha from Tamil Nadu from a constituency and against a possible opponent where the chances of success are distinctly less than they were in her previous effort from Karnataka.

The decline and fall of Indira Gandhi shows how flimsy her vaunted 'mass base' was; and how relentless and irreversible the loss of 'popular' support has been after the loss of her official position. In the kind of politics that she practised, as in the kind of economic structure that the various ruling factions are trying to build, it is not merely that the winner takes all; equally, it is lose one, lose all.

LETTER TO EDITOR

Citizens' Initiative Movement

MY article "The Citizens' Initiative Movement in West Germany" (April 14) was not only a report on the movement, but it also tried to highlight the movement's special political significance, which was mostly edited away by you. In the following lines I would try to draw the readers' attention to this special significance.

(1) For the first time after the Second World War, capitalism is being questioned again in West Germany (in other developed industrialised countries also) by a section of the population (previously only a small insignificant number of communists have been doing it). This questioning is based not on the classical Marxist argument that capitalism fetters the forces of production and hence it should be overthrown and replaced by new relations of production more conducive to the development of the latter. On the contrary, it is based on the argument that capitalism has already developed the forces of production so much that any further development of the latter, which capitalism is very much capable of and will do — unless prevented — because of its inner dynamics (even if it is at a retarded rate), will destroy nature and the social environment.

Not that all participants are aware that the movement is questioning and opposing the very capitalist system. Most of them think that they are just advocating a "rational" economic system, protection of environment, etc. But their movement is *in fact* opposing capitalist accumulation. They are not only protesting against and preventing the construction of atomic power plants, they are opposing further industrialisation itself. For example, in Bergkamen, West Germany, the CIs opposed the construction of even a coal-based thermal power plant (argument: we have enough energy, no more pollution); in Markolsheim, France, the CIs opposed the construction of a lead-chemical factory (argument: health); in Norway the CIs prevented the utilisation of a waterfall for production of hydel power; in Kaiserstuhl, West Germany, they opposed the APP not only because of the radiation hazards, but also because they were afraid of the plan to create a second Ruhr area around the APP.

(2) With this approach to a critique of capitalism not only is capitalism being questioned, but also the very belief that progress and development, even today, are based mainly on the development of the forces of production. With this is being questioned a fundamental element of classical socialist thought, *viz*, that communist distribution would be achieved through an enormous development of production, which would create *abundance* of material goods and services making possible distribution according to the principle "... to each according to his need".

The CI movement is opposing the quantitative approach to progress and development. The main question, according to them, is not "how much is being produced", but "*what* is being produced". The main point is not quantity of consumption, but quality of life.

(3) The CI movement is also questioning the present-day parliamentary democratic system, but again not from the classical communist standpoint. They are not for the replacement of parliamentary democracy by dictatorship of the proletariat, which, according to them, is just another name for the dictatorship of the communist party bosses. They want to replace parliamentary democracy by what they call "basis democracy" or "participatory democracy": democracy at every level, in every sphere of life, beginning right on the shop-floor. This political system would work from below upwards and not from above downwards as is the case in both capitalist democracies and present-day "dictatorships of the proletariat".

There is a definite correlation between their opposition to further industrialisation and their advocacy of basic democracy. Basis democracy cannot thrive in a centralised system, it needs more and more decentralisation. But further industrial growth on present lines would inexorably lead to further centralisation.

This correlation is much greater in the case of their opposition to atomic power plants. In an "Atom State", where the whole economy is based on power supply from a chain of APPs, freedom would vanish. The APPs are vulnerable to sabotage and the consequences of an act of sabotage might be catastrophic. In an "Atom State", in order to guard against any possibility of such sabotage, the state would have to watch and control almost every act of every citizen. 1984 would then become a necessity.

(4) This kind of questioning of capitalism and parliamentary democracy is being done not by the organised working class, which is "organised" in hierarchical, authoritarian trade unions working on similar lines as a capitalist enterprise, but by small peasants, students, teachers, doctors, scientists, small shop-keepers, etc. In fact, the great majority of the organised workers are, on this question, on the side of the capitalists and the ruling politicians. But the spirit of the CI movement is spreading among them, albeit slowly.

The Citizens' Initiative Movement has not yet spoken out unambiguously for a socialist society, only leftist participants have done that in their own capacity. It could not be otherwise, given the fact that everybody who supports the particular purpose in view can join a Citizens' Initiative and especially because the CI movement has no central organisation. But they cannot but realise sooner or later that their broader and long-term goals can be achieved only in a socialist society, although such a socialist society would look much different from what is today called a socialist society.

SARAL SARKAR

The Hague
May 5

Tactics of Doing Nothing

Romesh Thapar

HAS anyone calculated at this moment of crisis the vast sums of money which we are expending internally, holding seminars, workshops, seed conferences, and what have you. Hundreds of experts are travelling all the time to share thoughts, experiences and research with their colleagues, a delightful scholarly tourism at the expense of university and corporate budgets. We are believed to be among the most sophisticated participants in this kind of activity. And, whatever the cynics might say, the claim is that even in normal times it keeps the continent together and balances regional aberrations.

I am sure it does, but I am questioning the themes which are now under endless discussion. Actually, they have been debated threadbare. There is very little new to say. What is forgotten in the process is that we have become experts in doing nothing. Our dialoguing, if you can call it that, is a precise tactic for this end result. What we need urgently are exercises on the priority areas for action. Then we would realise in a flash what happened to us. Yes, we have built up an apparatus to ensure probity, equality and self-reliance; but all that it has succeeded in doing is to suffocate initiative, create a class of influence peddlars and crack the moral fibre that our society once possessed.

Sacrosanct Notions

Clearly, the investigation of the Indian condition — economic, political and social — cannot even begin to make sense unless we confront so many supposedly sacrosanct notions which make a mockery of everything we do. Take a sampling. Whether it is on the question of non-performance in critical areas of the public sector, or on the rampant corruption in the vast and sprawling empire of the Finance Ministry, or on the absurdity of trying to fix rigid compartments for growing business groups, or on the crazy non-implementable urban ceiling legislation, or on the vast system of harassment built up in the name of socialism, and now threatening to make criminals of all of us, the remedial measures demand the brutal puncturing of many fond beliefs. Interestingly, not a muscle flexes for this effort.

Attend any seminar, conference, workshop, or seed conference, and there is a deluge of cliches, some better phrased than others, a few even parading in the costumery of the academic world — and that inevitably means the statistics which we all know are horribly suspect. Indeed, it is becoming known that the Planning Commission itself is sorely perturbed by many of the equations it has rooted itself in. But the gatherings of experts do not reduce in number as the country grinds to a halt. They increase, if only to repeat the familiar *mantrams*. We are suffocating ourselves — Rightists, Leftists, Centrists, the whole bally lot.

Internal of External Monopolies?

When will someone in the political pyramid develop the courage to say that a really excellent indigenous car will not result from foreign collaborations (now promised by the dozen!), but by giving an opportunity to the finest automobile establishment in the country — TELCO? You cannot separate the intention to produce a quality Indian car from the expertise that exists at a certain point. Yes, it would violate the monopoly *mantram*, but would that not be better than what is planned to get over the blocks we have ourselves created against our interest? In any case, shouldn't there be a debate about such an issue instead of the current inspired lobbying over the Siemens deal?

Then again, when will someone in the Finance Ministry (in the interests of economic efficiency!) decide that the time has come to pull down a vast infrastructure of phoney surveillance and form-filling which only benefits the larger operators who can afford to employ regiments of experts to cope with the demoralising task? Could this exercise be extended to the area of taxation so that the systems can be simplified to the extreme, cutting out the endless harassment? We talk of bureaucratic gambits, but the Finance Ministry has been flourishing for years under the benign guidance of academics — and with plenty of 'phoren' expertise.

At every level of our society, someone is digging his dirty claws into someone. This is our new culture of development, the specialisation in over-and-above earning. If our MPs were given to study, they would realise that fifty years ago some of the most advanced societies of the West were vitiated by such corruption. Only an improvement in wages, and a proper system of reward and punishment, changed the picture. The trouble in India is that moralistic blah blah is used to wish away corrosive corruption — and by politicians who set the worst possible example from the day they start fudging their election expenses. As for reward and punishment, never heard of them.

Crisis Operations

And, again, why not a few intense debates on industrial relations, the disciplines of work, hire and fire, the accountability of management, and participation in decision-making by the men on the work-bench? In other words, when will we take a good solid look at ourselves? Simple discussions with down-to-earth result. Perhaps, we may succeed in seeing ourselves as the world does — a talented, scruffy, unprincipled, cowardly, rude and unorganised bunch of talkers unable to produce, or even to maintain what has been assembled. This only happens these days in flashes, when the power supply fails, followed by the water, and after the telephones have gone to sleep.

This is not an attempt to be melodramatic. It is an imperfect way of saying that the country has entered dangerous days. We are merely talking among ourselves, as brilliantly as ever, but doing nothing. Yes, nothing that gets us moving. This cannot go on for long. Too much reliance is placed on traditional patience. Now, no one in Delhi can even tell us whether we have passed the point of no return. Talk to Prime Minister Desai, and you'd think India was taking off. Maybe, India-watching should be given over to the astrologers in these summer months . . . .

May 12

Diversifying with Strength

Hansavivek

DHARAMSI MORARJI CHEMICAL is setting up a plant for manufacture of 850 tonnes per annum of sodium silico fluoride and/or aluminium fluoride and 250 tonnes per annum of silica compounds/activated silica at its Kumhari works. The company already holds an industrial licence for production of these items at its Ambernath works. Meanwhile, the sulfamic acid, ammonium sulfamate and di-ethyle sulphate plants at the Roha unit have stabilised. This unit, however, has yet to start making a profitable contribution to the company's working results. Work on construction of two other plants — *viz,* benzene sulphonyl chloride and thiophenol — is in progress. The company has achieved good success in its research and development efforts. Indian Chemical Manufacturers' Association has conferred on it an award for designing a plant for the manufacture of synthetic cryolite from waste off-gases from phosphoric acid and superphosphate plants and also for the good work done in the field of process design and engineering of DCDA sulphuric acid plants. The company has well maintained during 1978 the tempo of progress and broken earlier records in production, turnover, and profits. It has once again emerged as the largest single producer of single superphosphate in the country. Between Ambernath and Kumhari plants, single superphosphate capacity utilisation exceeded 100 per cent, compared to 97 per cent achieved in the previous year. Against a total production of 10.94 lakh tonnes in the country, the company's contribution was 2.42 lakh tonnes. Its capacity utilisation in the case of sulphuric acid was 91.9 per cent. Performance might have been better still, had the company not been forced to take a premature closure of its sulphuric acid plant at Ambernath for about four weeks in November-December last due to shortage of sulphur. Net sales increased from Rs 21.80 crores to Rs 24.62 crores, and gross profit was up from Rs 4.57 crores to Rs 5.43 crores. Net profit was Rs 1.97 crores (Rs 1.78 crores) and covered unchanged 16 per cent distribution 2.24 times. A portion of the dividend is expected to be exempt from tax. During the first four months of the current year, the company increased its production of all items further and sales turnover amounted to Rs 8.50 crores against Rs 7.36 crores in the corresponding period last year. The new chairman, R M Goculdas, however, does not envisage the picture for 1979 as promising because of uncertain availability of imported raw materials, specially elemental sulphur. Because of the political situation in Iran, a short supply situation in sulphur has gradually arisen and the government authorised MMTC to ration supplies to the user industries since January last. DMC was permitted to arrange a direct import of 25,000 tonnes of sulphur, which has enabled it to maintain the same level of production. Efforts are being made to ensure continued availability of sulphur after present stocks are exhausted. Meanwhile, prices in the international market have hardened. Secondly, the Central government has decided to get a study of this single superphosphate units made by the Fertiliser Industry Co-ordination Committee in the context of the scheme of subsidy on phosphatic fertilisers.

SVADESHI MILLS has fared well during 1978 with the gross profit rising by a half, from Rs 103 lakhs to Rs 153 lakhs, even though sales stayed at the previous year's level of Rs 23.45 crores. Net profit is also substantially better at Rs 62 lakhs (Rs 44 lakhs) and equity distribution mainatined at 20 per cent on the capital as enlarged by issue of bonus shares in the proportion 1:4 is covered 1.90 times as against 1.17 times previously. To raise additional finance, the company has issued further debentures worth Rs 45 lakhs and privately placed them with financial institutions. The 7 per cent (taxable) debentures of the value of Rs one crore are due for redemption in January 1980. The management is considering a proposal for extending

The Week's Companies (Rs in Lakhs)

	Dharamsi Chemi		Svadeshi Mills	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77
Paid-up capital	459	459	166	136
Reserves	515	383	313	312
Borrowings	119	110	682	693
of which Term borrowings	38	38	125	100
Gross fixed assets	1225	1052	1061	1044
Net fixed assets	530	452	471	469
Investments	88	80	21	20
Current liabilities	518	512	444	384
Current assets	994	932	1113	1037
Stocks	383	502	756	792
Book debts	530	402	352	242
Net sales	2462	2180	2345	2345
Other income	103	100	42	29
Raw material costs	1156	1080	704	824
Wages	304	249	506	444
Interest	18	24	108	113
Gross profit (+)/loss(—)	543	457	153	103
Depreciation provision	111	95	40	41
Tax provision	235	184	51	28
Net profit (+)/loss(—)	197	178	62	44
Development rebate provision	34	30	4	15
Transfer to reserves	90	75	27	4
Dividend				
Amount	P —	—	P 1	1
	E 73	73	E 30	24
Rate (per cent)	P —	—	P 7.14	7.14
	E 16	16	E 20	20
Cover (times)	2.24	2.03	1.90	1.17
Ratios (per cent)				
Gross profit/sales	22.05	20.96	6.52	4.39
Net profit/capital employed	20.22	21.14	12.92	9.82
Inventories/sales	15.55	23.03	32.24	33.77
Wages/sales	12.74	11.42	21.57	18.51

the date of maturity upto 15 years with increase in the rate of interest to 11 per cent per annum with effect from January 1, 1980. The improvement in the company's profit is attributable to reasonable prices of raw materials and multi-fibre policy of the government, which have benefited the cotton textile industry as a whole. The company has been pursuing the process of modernisation. It installed a number of items of machinery during the year. These would enable it to achieve further sophistication in the varieties of cloth.

CADBURY INDIA has been directed by the Central government to restrict its production of 'Bournvita' malted food to 1,260 tonnes per annum against the installed capacity of 5,430 tonnes. The company's actual production during 1978 was 5,110 tonnes, including 1,100 tonnes for exports. If the government's decision were to be strictly implemented, the company would become "economically unviable". According to the chairman, Prem Pandhi, the industrial undertaking was established prior to the date when the Industries (Development and Regulation) Act, 1951, became applicable to it. The higher level of production has been achieved by improvements in processes and techniques and the addition of balancing equipment. The company has sought legal advice from eminent counsellors and has replied to government reiterating its case for fixing of the capacity at the installed level of 5,430 tonnes. At the time of its public issue in June 1977, the company had stated in the prospectus that application had been made to government for endorsement of "current capacities" on the "registration certificate". In March 1978, the government fixed capacities for chocolate products and endorsed these on the registration certificate but for 'Bournvita' the problem has been persisting and the company claims that the government's decision has come as a complete surprise. Pandhi has observed that the company has received full support from the government in the process of its Indianisation and diversification in the last 2/3 years. In the next few weeks, the company will be an Indian company with only 40 per cent non-resident interest.

FROM OUR CORRESPONDENTS

NEW DELHI

Gunning for the Public Sector

B M

THE recommendation for closing or handing over to the private sector 28 public sector undertakings which were dubbed in a study made in the Bureau of Public Enterprises as "perennial losers" has naturally raised many eyebrows. Among the units which figure in the study are such prestigious ones as the Heavy Engineering Corporation and Mining and Allied Machinery Corporation. Interestingly enough, the list also contains Richardson and Cruddas which was taken over by government some years ago because it had become a sick unit in private hands and it was considered of some value to the national economy to restore it to health.

The report, when it leaked out to the press, was naturally embarrassing to the government. The Minister of Industry, George Fernandes, has denied any intention of closing down loss-making units or handing them over to private hands. But it is interesting that when the report was received by the Minister of Finance, Charan Singh, he thought it to be important enough to mark it for the attention of the Prime Minister. The Prime Minister, on his part, saw it and marked it back to the Finance Ministry which holds administrative charges of the Bureau of Public Enterprises. Such high level attention to the report, it seems, encouraged the authors — senior officers of the Bureau — to leak it out to the press. But the responsibility of the Bureau as such for the report is now being hotly denied and it is held to be the work of only two individuals in the Bureau. However, the point has not been missed that the despatch of the report to the Finance Ministry itself was inspired by the strong speeches made both by the Prime Minister and the Finance Minister at the conference of public sector enterprises held some time ago where public sector undertakings and their managers were berated for making losses. The Prime Minister went on to threaten that heads would roll if the undertakings did not make profits and the Finance Minister deprecated diversion of public funds into investment in public sector enterprises instead of in small industry and agriculture.

How far the authors of the report represent a trend of opinion within the political leadership and government must, of course, remain a moot point. It may also be argued that the substantive recommendations in the report go too far and, therefore, have no relevance to any action that the government might take to improve the profitability of the public sector. But the report does underline the attempts, deliberate or innocent, that are being made on a wide and varied front to run down the public sector and sap the morale of the men who manage the public sector undertakings. The exact role and the functioning of the Bureau of Public Enterprises under the Union Finance Ministry has begun to attract considerable attention in this context. This is of some importance in the prevailing climate in which the public sector undertakings are operating. With Charan Singh at the head of the Finance Ministry, the Bureau is increasingly being called upon to provide alibis for more and more interference in the working of the public sector undertakings above the heads of the administrative ministries concerned. This is one side of the picture. The other is that the civil bureaucracy seems to be bent upon regaining its supremacy and close control over the management of the public sector undertakings which had somewhat loosened with the introduction of the rule that a civil bureaucrat had to opt either for a management post in a public sector undertaking or retain his substantive ranking in the secretariat and administrative hierarchy. This rule was made in the early seventies in order to strengthen the autonomy of public sector management and ended the system of deputation of IAS men and other ranks in the administrative services on postings in public sector undertakings with special allowances and other benefits. The administrative services were not happy with all this and have been working hard to restore the earlier position. They find the present environment favourable for their purpose and moves have been initiated and even carried out in some cases to revive the system of postings in public sector

undertakings on deputation. In addition, the administrative set-up with the all-powerful secretary in the administrative ministry concerned at its head has begun systematically to interfere in the day-to-day functioning of public sector undertakings.

Oddly enough, these designs on the part of the Finance Ministry, on the one hand, and the administrative bureaucracy as a whole, on other, have received immense help from some unexpected quarters. The hard hitting reports of the Committee on Public Undertakings of Parliament headed by the intrepid CPI (M) MP, Jyotirmoy Bosu, have naturally received wide publicity. These reports have exposed the extravagant life style of public sector managers and wasteful expenditure by public sector units on wining and dining, maintenance of five-star guest houses and foreign jaunts. The substantiv part of COPU's recommendations, however, has its own logic. In almost all cases, the COPU has demanded that the government, which in effect means the departmental head in the administrative ministry who is the secretary, should strengthen its supervisory functions in relation to the executive heads and boards of management of the public sector undertakings. It has called for fixation by the government of the money that they may spend on entertainment, advertisement and foreign tours and for the laying down of similar other rules about use of transport or guest house facilities and, finally, for reporting on all these matters to the department concerned. In case the Chairman or the Managing Director of a public sector unit wants to go abroad, the clearance of his board would not be good enough. He would have to seek the prior permission of the secretary of the administrative department concerned. There are a whole host of similar recommendations which would mean in effect that public sector undertakings function not as autonomous commercial entities but as departmental undertakings directly controlled by the administrative ministries. However, unlike the existing departmental undertakings like the railways or post and telegraphs they will be run without accountability on the part of the administrative bureaucracy.

In this scheme of things, the Bureau of Public Enterprises seems to be a handy instrument at hand and it is being used with all the ingenuity and fanfare that the concerned interests can command. The Bureau was started with the idea of setting up a small information centre within the Finance Ministry and a data bank for the Ministry to draw upon. But over the years, as happens with such ventures in the government, it has bloated into a big organisation and it has begun to behave as if it were a super controlling body for all public sector undertakings. It is sometimes suggested that the Bureau could be a body of experts providing consultancy services to public sector undertakings. But in fact the Bureau has little expertise nor has anything worthwhile been done to build up the right kind of expertise which will enable it to provide such a service. It is this in any case an unworkable idea for the public sector as a whole. In most cases, the technical and management capability within the undertakings is unquestionably far superior to what the Bureau has and can hope to assemble within its essentially bureaucratic set-up. The result has been that the administrative ministries, in particular the Finance Ministry and the bureaucratic hierarchy in the government generally, have used the the Bureau to set all pervasive norms and standards concerning management practices which may be relevant and may work in the case of government departments but are wholly out of place in the running of public sector undertakings. The extent to which such use of the Bureau has queered the pitch for labour relations in the public sector is shown by the uniform wage norms and standards that have been sought to be imposed on public sector undertakings, and the sharp protests of the trade unions on that account. The same applies to many rules and so-called guidelines which are issued from time to time through the Bureau.

As a public sector manager recently put it, the Bureau has become an extremely unwanted and obstructive fifth wheel in the coach and it is time it is wound up as a first step towards a meaningful effort towards promoting autonomy and efficiency of the public sector industrial and commercial management. One of the tasks assigned to the Bureau is public relations and publicity for the public sector enterprises, but it is in fact messing up publicity for the undertakings. After all, its report about losses incurred by the public sector undertakings has been pounced upon by the detractors of public sector enterprises, both in the government and outside, to run down the public sector. According to some public sector managers, the report itself was a poor accountant's job and would not stand rigorous utiny. It was indeed out of their sense of frustration over the working of the Bureau of Public Enterprises that some public sector managers took the initiative to set up a body of their own called the Standing Conference of Public Sector Undertakings (Scope). But so far Scope does not seem to have got off the ground and made its impact in lessening the deadening bureaucratic weight under which public sector managers have to function.

JAMSHEDPUR

Riots as Cover for Land-Grabbing

A S

THE most disturbing feature of the Jamshedpur riots was the organised gangsterism of the RSS. This was manifest from the mohalla to the greater city area. Though the local sponsors of the Ramnavami procession who were arrested as a precaution prior to April 11 were RSS men, Hindu frenzy had been already whipped up and successfully engineered against Muslims. The master brains are indeed still to be found out.

It is interesting that, even as the steel city was aflame, the Jana Sangh constituent quit the Bihar ministry and forced a trial of strength to throw out the Karpoori Thakur ministry. Since June 1977, the Jana Sangh had expressed unqualified solidarity with the BLD within the Janata ministry. Only a few days before the Jamshedpur riots, Kailashpati Mishra, the leading JS figure and finance minister, had voiced support to Karpoori Thakur — setting at rest doubt about the Thakur ministry's survival. However, four days after the stunning violence began in the steel city, JS calculations of loyalties changed. Karpoori Thakur's announcement of the institution of a judicial enquiry may have precipitated the JS withdrawal from the ministry. Indeed, one of the very first decisions announced by the new ministry was a 'review' of the judicial enquiry.

Assessment of the riots themselves indicates joint involvement of the RSS, the Bihar Military Police (BMP) and the state police forces. Evidence of this could be found also in the leaflets issued by the Hindu fanatics for congregation of the Ramnavami procession at Mango. The leaflet, titled "An Appeal of Religion", exhorted the Hindus to join the procession, adding that the men of the state police forces and the home-guards are "with us".

On April 11 and 12, the first two, and the worst, days of rioting, the BMP and state police forces had a field day. "It looked as if the Bihar Military Police were commanded by some RSS officer", said some Muslims at a refugee camp. Surprisingly, the BMP forces went into action just a few hours after the outbreak of violence, driving into Muslim bustees in a deliberate, pick-and-hit style. The BMP had the largest number of companies (10) among all the forces drafted for Jamshedpur. The Border Security Force had 6, the CRPF 3, and the Army 3.

In the first two days of violence, the forces put to action were mainly the BMP and the state armed police. The Army, the BSF, and the CRPF started intensive operations after that. In the raids on the Muslim bustees, the BMP and RSS men were seen to act in collaboration. The criminality of the BMP can be gauged from the facts given by officials: In the week-long violence, a total of 700 rounds were fired by the various armed and police forces: out of this, the BMP fired 560, or 80 per cent of the total rounds.

The adivasis joining the Hindu hysteria was another striking feature of the Jamshedpur riots. Significantly, the intensity of the violence was very high in the adivasi villages which enclose the township. The Jharkhand colony in Mango, whose Ramnavami procession touched off the internecine bloodshed, *has 85 per cent adivasi population*. The adivasis now living in the rural-urban fringe are the poor and landless peasants who over the years have been pushed out by an expanding township. The majority of contract labourers of the city are adivasis. Their anger would naturally be directed against the urban land grabbers and contractors belonging to both communities. It has to be credited to the Hindu land grabbers and contractors that they were able to use the adivasis against their Muslim rivals. Moreover, such systematic use is not possible without a well organised force.

Mango is comparatively a new settlement in Jamshedpur. Jamshedpur city comprises three concentric circles of settlement. The central district, or the nucleus, is entirely company area — exclusively for upper-class employees and commercial concerns. This area includes Bistupur, the Sakchi boulevard, Monument Road, Director's Bungalow, etc. The second circle is of the new suburbs such as Adityapur the TELCO colony, and Baridih, and also includes the quarters built for their employees by the Tata industries and the government. The greatest circle is the bustee comprising the rural-urban fringe. Needless to say, the flood of people from the hinterland — from several areas such as Sonari, Burma Mines, and JKLMN towns which lay within the central district — was directed here.

Jamshedpur in the past has received a huge number of settlers, both workers and businessmen. They came with the expansion of the various Tata industries, the second world war, the influx of refugees after partition, the emergence of several small and medium industries, and so on. The immigration generally took place into the outlying areas — once the province of adivasis. The population of the city, which was merely 5,000 in 1911, rose to 200,000 in 1951, 300,000 in 1961 and 600,000 in 1971. The present estimate of the population is 800,000.

This has led to a phenomenal pressure on land, especially in the fringe areas. Mango is a fringe area. It registered the highest increase, of 500 per cent in 1951-61 and 1,000 per cent in 1971-79. This was partly due to the shifting of the bustees from the heart of the city and the influx of refugees, small traders, and businessmen. Moreover, Mango is nearer the courts and the government offices. Having suffered for having lived in scattered areas at the time of the 1964 riots, the Muslims of Jamshedpur had also chosen to live here concentrated in big bustees. In this way, the big Muslim bustees, such as Azadnagar and Ulidih, grew at Mango

Land speculation seems to have been highest at Mango. Many Muslims and Hindus were involved in land disputes Mango has only 10 per cent Muslim businessmen. It is interesting that, at Mango, some cases of killings have been of persons involved in land disputes Once the elders of the family are finished, takeover of the land becomes a simple matter of *ex-parte* decree.

In such a communal atmosphere, the trauma that the refugees from Pakistan carry can be employed to violent effect. Even in normal times Mango's sizeable refugee population acts against Muslims with a vengeance: The refugees are mostly in business and so are the majority of Muslims.

A feature of the riots is their concentration in the fringe areas such as Mango. The central district, the elite zone, has remained entirely free and the suburbs have been only superficially affected. After the 1964 riots, 4,000

Muslims fled to Pakistan and a still larger number to the towns considered safe from communal riots. The aftermath this time is going to be more serious. Communal frenzy has thus had the effect of driving out the weaker immigrants from their land as well as from company quarters. The various companies had in any case been under pressure to give housing to their employees. TISCO, for instance, has allotted quarters to only 15,000 of its 34,000 workers. Of the 20,000 workers of TELCO only 8,000 have got company housing.

JANATA PARTY

Jana Sangh Rides Strong

M H J

THE Janata party parliamentary board meeting on May 6 dispersed, after a three-hour sitting, without having taken a formal decision on the demand, vociferously made by Charan Singh and his supporters in the BLD and the Socialist Party, that members belonging to the former Jana Sangh within the Janata party should terminate their connection with the RSS. Significantly, Jagjivan Ram, George Fernandes, and Janata party president, Chandrashekhar took a neutral stand in the discussion. The Prime Minister, Morarji Desai, aligned himself with the Jana Sangh. As in the earlier meetings to discuss the permissibility of holding membership of the RSS by the Jana Sangh members within the Janata party, the Jana Sangh once again emerged as strong as ever.

The External Affairs Minister, Atal Behari Vajpayee — with the open support of Morarji Desai — forcefully pointed out on behalf of the Jana Sangh that, at the time of the 1977 elections, it had been very clear that the RSS members would be able to be members of Parliament and leaders of the Janata party. Now, Vajpayee told the meeting, the Board was of course free to decide whatever it liked given the Jana Sangh's unbreakable relationship with the RSS, but he made it clear thereby that the former Jana Sangh members would not compromise their connection with the RSS which to them 'is sacred'.

The Board decided to reassemble on May 15 to discuss the same issue. Obviously, this will give it time to help arrive at a compromise. One proposal is that Charan Singh should give up his stand that Jana Sangh members should sever their RSS connection, and that as *quid pro quo* the Jana Sangh leadership would accept Charan Singh's nominations from among his BLD and Socialist friends to the various organisational posts in the party both in and outside Parliament. It is also understood that, Raj Narain, former Health Minister, who is making all the anti-RSS noises on Charan Singh's behalf, should be given some post in government. This latter suggestion came from George Fernandes — a one-time socialist friend of Raj Narain.

To Charan Singh it has been sharply brought home that his anti-Jana Sangh-RSS tirade will not pay political dividends. Charan Singh has also realised that the Jana Sangh-Morarji Desai alliance is a firm one. Given the Jana Sangh's inherent strength, moreover, it will not be possible to ease it out from the Janata party. He also clearly sees the futility of breaking the BLD away from the Janata; he has already lost a major political support in Bihar in the defeat of one of his staunchest allies, Karpoori Thakur, as chief minister of that state. His two major supporters in Haryana — chief minister Devi Lal and state party president and MP Chandravati — are facing the charge of breach of party discipline for their alleged anti-party activity in the recent Assembly by-election at which the Janata nominee lost the seat. In his home state of Uttar Pradesh, the Chief Minister, Banarsi Das, may prove too independent and the support of the Union Minister for Petroleum and Chemicals, H N Bahuguna, is transient. Bahuguna is in fact utilising the anti-Jana Sangh-RSS campaign to refurbish his own image among the Muslims in UP following the Aligarh riots. Bahuguna the vaunted champion of the Muslims failed to visit Aligarh either during or after the communal riots and had thus courted disaffection among the Muslims.

Charan Singh also knows that a showdown with the Jana Sangh and Morarji Desai cannot lead to the fall of the government at the Centre since, apart from not having more than 25-30 Lok Sabha MPs with him, there is also Y B Chavan's reserve army of the Congress just waiting in the wings to align itself with Morarji Desai and the Jana Sangh. Charan Singh has also disowned Raj Narain, no doubt after having balanced all these considerations. Indications are that the Jana Sangh leadership would accept the compromise with Charan Singh. The proposed compromise will therefore suit the Jan Sangh leadership very well, on the one hand, and on the other, will concede to BLD elements posts in the organisation without elections. Without Charan Singh's support, Raj Narain's anti-RSS campaign will be a cry in the wilderness which will soon fade out. Besides, the present hardliness against the RSS have never been known for consistency on various issues.

The Jana Sangh leadership is thus committed to Morarji Desai's continuance as Prime Minister. The Jana Sangh is not at all the loser in such a contract. With its present strength *vis-a-vis* the other constituents in the Janata party, it cannot hope to lead the cabinet. With the long-term aims in view, it has never been in a hurry. It has to capture the organisation from below. The Jana Sangh's emergence as powerful force in the party's organisational elections in the states has cut the ground from under the feet of Charan Singh, Madhu Limaye, and such others in the Janata party. Using its position in the government at the Centre and in some states, the Jana Sangh has struck roots more widely. Knowing that Charan Singh is not really keen to participate in the ideological campaign against the RSS, Madhu Limaye has had to seek support of — barring his few Socialist friends, mostly former Lohiaites — the two communist parties and the Congress of Chavan. But while the CPI considers the campaign against the RSS grist for its mill and supports Limaye (especially in consideration of Limaye's pro-Soviet Union campaign of recent months), the CPI(M) will oppose the RSS without seeming to oppose the Janata party. Chavan as usual is expected to sit on the fence: In the 1977 election campaigns he used to warn: "Jana Sangh is RSS and RSS is Jana Sangh". Now he has not spoken a word against either the RSS or the Jana Sangh.

EDUCATION

Reducing Policy to Arithmetic

J V Deshpande

THE problems of the educational system in India have been reported time and again, even by specially appointed commissions such as the Kothari Commission and the Sargent Commission. The shortcomings of the present system have been mercilessly highlighted, and both short-term and long-term remedies have been listed several times.

Yet the only major change brought about in the past 30-odd years has been the introduction of the 10+2+3 pattern for school and college education. Even in respect of this change, its most essential ingredient, of vocationalising the +2 or the higher secondary stage, was quietly ignored by the state governments. The net result has been a new, mechanical, division within higher education, and the serious dislocation in the running of both high schools and colleges. A new category of 'Junior College Teachers', ineligible for the regular higher pay-scales, has also resulted.

The disruption has been worsened by the hamhanded way in which the state governments pushed through these changes in the mid-seventies. The enforcement of the Emergency in the country made it possible for the state governments to ignore the serious objections of the teaching community towards the new system. For, by then it was clear to the teaching community that, by not vocationalising the higher secondary stage, the main thrust of making the HSC examinations terminal in formal education was lost, and that quite contrary to stated goals the change had made it possible for the authorities to divide and exploit the teachers further.

With the Janata party coming to power and the ending of the Emergency, the need for fundamental reform of the educational system has again been talked about. Yet the debate has merely centred around the possible modifications to the 10+2+3 scheme, and half-hearted reformulations have merely meant alternative break-ups of the 15 years — such as 7 + 5 + 3 or 10+2+2+1, or 7+3+2+3, and so on.

The draft of the new National Policy on Education has been finally published and it was presented to the Lok Sabha. From the summary in the Press, it is clear that any serious reform of the educational system has been yet again set a side. The draft policy lists a whole range of laudable goals for the proposed New Educational System. No one can disagree with government's ostensible wish to vocationalise school education (particularly in later years), increase the facilities for non-formal education (probably meaning non-school education), emphasise adult education, modify the medical education to suit the real needs of the country, and improve the quality of post-graduate education (though, does it mean that government is happy with the quality of under-graduate education?) However, within the framework of the policies being pursued by the government, these objectives will remain mere platitudes.

For instance how is vocationalisation of education — the lynchpin of all reforms — to be brought about without a clear idea about the nature of the job market in the next decade or two? Moreover, the future job market can not be predicted unless the quantum and direction of public and private investments over the next few years are known. In a stagnant economy, with dwindling opportunities for employment in most technical and semi-technical fields over the past decade or more, it was no surprise that vocationalisation has proved a non-starter. A few schools in Bombay which started technical courses have therefore terminated them.

Nor are there any any reasons for expecting a difference in the near future. A young man entering the job market today knows too well that his best chances are in the public or semi-public bureaucracies, including in banks and other public organisations or in the offices of private companies. Not only are these jobs comparatively cushy and less demanding, they are generally the only jobs available No wonder most popular courses today prepare aspirants to scramble for the few such jobs.

If education were to be planned according to developmental priorities, priorities in vocational training seem clear enough. For example, with the constitutional requirement of porviding free and compulsory education to all children till the age of 14, it is obvious that the country would need all the colleges of education that it has — and more. The same thing can be said about courses in nursing, paharmacy, and various other medical auxiliaries, not to mention courses in medicine itself. In fact, however, Maharashtra government has recently ordered the closure of some colleges of education and of pharmacy in the state.

It is commonplace, too, that a large majority of the country's population is going to depend upon agriculture as its main source of livelihood for many years to come. It would be necessary, therefore, to train a large proportion of the potential jobseekers in agricultural techniques and in the artisanship associated with agriculture. However, without land reforms, increased facilities for training in agriculture and in allied vocations are unlikely to be used or to be effective. Even the introduction of an agricultural bias in school curricula will be a fruitless endeavour by and large.

In case of medical education too, though we have been hearing for a long time of the need to start short-term medical courses, to have barefoot doctors, etc, no government has at all attempted to put down the well-entrenched opposition to such proposals Even within the conventional framework, there have been no serious efforts to increase the facilities for vocational and technical training. In fact for about 20 years now, there has been no expansion in the facilities for medical or engineering education — though the student population in that period has more or less doubled. Paucity of funds has been the standard alibi and will likely continue to be one in the future.

Basic reforms in education can be introduced not in isolation but only when the government is willing to introduce significant changes on a wide front of the social and economic life of the people. Without this, there are strict limits to what a government can achieve in the educational field. In the mean time the same sterile debates about the merits and demerits of 10+2+3 as against 7+5+2+1 or some other scheme, will continue, so will debates about the two-language formula as against the three-language formula and so on. It is this kind of arithmetical jugglery that has come to be regarded as Educational Policy.

'Occupation' of a Tea Estate

Udayon Misra

SOCKLATING TEA ESTATE, situated about twenty kilometres from Jorhat, was the scene of some violent incidents on April 9 in which 11 persons died. The clash between the workers of the tea garden and an occupation force of about 150 men led by an Assamese businessman has led to much understandable outrage and calls for 'severe action' against the culprits. The common version of the clash is that the workers had been instigated by the former owner to prevent the local businessman from occupying the garden. Certain local chauvinist forces go one step further and argue that it is part of an organised assault by 'foreign' capitalists against rising Assamese capitalism. That the workers had been intolerably provoked — no pay for months, job insecurity, organised attempt to assault them on the part of the new owner and his family and hired hoodlums who had gone there fully armed — is conveniently overlooked and satisfaction is being expressed at the arrest of over a hundred workers who are now suffering the utmost repression in Jorhat jail.

Socklating, once a flourishing tea garden in Upper Assam has been plagued by severe financial troubles over the past few years with its debts and liabilities running to over Rs 75 lakhs in the form of unpaid agricultural income-tax, provident fund dues, loans from the Assam Co-operative Apex Bank and the Industrial Finance Corporation as well as heavy dues with the state electricity board. The sick tea garden was taken over in January last by the Assam Tea Corporation which has been managing it ever since. The takeover was generally welcomed by the workers, who had not received their wages and bonus for several months, because the ATC arranged for part-payment of workers' dues. Meanwhile, a part of the garden was auctioned by the state government for non-payment of revenue dues by the management. The highest bid was clinched by an Assamese businessman of Jorhat, Dharmeswar Kalita. The ATC appealed against the auction in vain, and possession rights were given to the new owner.

The new owner visited the garden twice, on March 28 and April 5, with the intention of actually taking possession but this was resisted by the workers who feared that under the new owner they might be deprived of their arrear dues. In fact, the new owner and his representatives had made it clear that since the garden had been bought in an auction, the question of paying arrear dues did not arise. This created a lot of tension among the workers who had already for some time been living under uncertain conditions. The new owner finally sought police help to occupy the garden but before this could be arranged, his sons collected a force of about 150 persons, mostly villagers and day-labourers carrying their implements, who were falsely promised work in the garden, and proceeded on April 9 to occupy the manager's bungalow. The sons were armed with more lethal weapons — three loaded guns.

The occupying force led by the brothers proceeded straight to the manager's bungalow which was locked. They had already met with resistance from the gateman who initially refused to allow them to enter without due permission. As they proceeded to break open the locked gates, the chowkidar present put up a resistance and the resulting altercation drew the attention of the workers who by now had gathered at the scene. Tensions began to rise and, apparently scared at being surrounded by the workers, someone from amongst the occupation force fired a few rounds from the gun. The guns were probably being carried by the occupants of the three cars that had followed the lorry carrying the invading party. In the ensuing clash, directed mainly against the new owner's family and its close friends, eleven persons including four sons and a grandson of the new owner were killed. Two guns were snatched by the workers who later handed them over to the officiating manager of the tea garden while one gun was recovered by the police from the spot of occurrence.

The attack seemed to have been concentrated on the occupants of the cars where the guns were being carried. Although other members of occupation party were also attacked, most of them received only minor injuries. The use of guns has now been denied, and some of those who accompanied the Kalita brothers say that guns were only fired into the air. This, however, is not borne out by facts. The two injured workers who were admitted to hospital tell a different story. Budhu Bawry, the gateman who rushed to the scene of altercation after hearing gunshots, was hit on the knees with a rifle-butt as a result of which he lost consciousness. Babul Mal heard the garden siren and ran to the scene to be hit on his forehead by a bullet splinter.

The state government has ordered a magisterial enquiry into the incident. Meanwhile, the Secretary of the Assam Tea Garden Tribes Students Union has accused the Assam Chah Mazdur Sangh, the INTUC-led workers union in the garden, of having betrayed the workers and has called for safeguarding of the rights of the workers. While the enquiry might reveal some of the facts behind the incident, certain questions persist. Did the new owner who had bought only a part of the garden attempt to occupy the entire garden including the factory? And why was an attempt made to take possession without the presence of the police although such police help was asked for?

EEC

Unloading the White Revolution

Narendra Singh

FOR the Third World, the 1960s was the decade of the highly publicised 'green revolution', while the turn of the decade into the seventies saw the focus turn to the 'white revolution'. The 'surplus' PL-480 wheat of the US was behind the promotion of the so-called green revolution; whereas Europe's 'surplus' of milk and dairy products has led to the promotion of the so-called white revolution. The diversion of these 'surpluses' to the Third World has been justified on the grounds that production is promoted by stimulating market-oriented capital-intensive ventures.

Historical experience, however, points to the adverse implications of such ventures for the life and the economy of Third World countries. Nevertheless, such ventures continue to be promoted under diverse liberal phraseology. Through such promotions, the ruling economic interests of the 'surplus' producing industrial world seek to mitigate the crises in their economies and to gain control over the markets and cheap resources of material and manpower in the Third World.

India, the most populous non-socialist country of the Third World, has received special attention for both the 'green' and the 'white' revolutions. We know that the green revolution has accentuated poverty and malnutrition, by promoting commodity agriculture and widening the disparity between the rural masses and the few rural rich. A white revolution, implying a flood of milk and dairy products, was publicised as the aim of 'Operation Flood' which was launched towards the end of the sixties. The reported failures in targets and progress notwithstanding, the project has received further support and has now entered what is called Phase II.

The most obvious consequence of the milk collection-based project has been decreasing consumption within the traditional milk-producing communities. Even more serious for the national and regional economies of the Third World is the growing infiltration by foreign capital and the increasing technological dependence of the Third World countries. To understand this phenomenon, we are primarily concerned, in what follows, with the situation of dairy production within the European Community.

European CAP and Dairy

The Common Agricultural Policy (CAP) of the European Economic Community (EEC) is evidently suffering from strains over the issue of production and price policy for milk and dairy products. It is argued that high CAP prices are pushing up dairy production and that dairy farmers are getting a bigger price rise than are the other farmers. The comparatively low price of foodgrains and other inputs thus encourages expanding production and creation of 'surplus'.

The surplus is augmented by the local consumption being discouraged by the high prices — which are twice the world market price for milk and three times for butter. The unwanted surplus for 1978 was estimated to be about 800,000 tonnes for skim milk powder and over 450,000 tonnes for butter. There is also the additional burden, on the EEC budget, of disposing of the surplus in export markets and in promotional aid to Third World countries. About £2 billion per year, or some £90 per EEC cow, are spent on such subsidies. This burden has to be borne by the common taxpayer of the European community. Since the EEC has member nations with uneven levels of development, the people of the poorer member countries feel the pinch of the high CAP prices and the high subsidies for exports.

Britain and Italy are reportedly two members striving for reforms in the CAP. Holland, Germany, France and Belgium are reportedly not in favour of the proposed milk price cuts and the income aids to small farmers in compensation. Both Britain and Italy are deficient producers and hence importers of dairy products, whereas the others are surplus producers. Britain produces only 11 per cent of its national consumption of butter and Italy 58 per cent, whereas Holland, Germany and France produce 393 per cent, 125 per cent and 112 per cent respectively, of their consumption.

It is alleged in the CAP reports, that the farm lobbies of the surplus countries are opposing the price reform proposals. But the farmers and their lobbies in such countries can never be politically strong enough by themselves, being only a small section. In fact, there is progressive displacement of the small farmers everywhere under pressure of capital-intensive and large-scale production. The real beneficiaries are the economic interests very much bigger and more powerful than the dairy farmers of the rich countries of the EEC.

Commercial farm production, including dairy, is very much subordinate to industry. One one hand, it is dependent on the farm-inputs industry and, on the other, on the produce-disposal industry. The most profitable and dynamic sectors in farm production are the industries which provide the vital inputs of materials, machinery and other requisites of increasing production, and the industries, which process and market the produce and the final products. The farmers are mere agents — a labour force for using the production inputs but having no control over their supplies. Nor have they any say in the disposal of their produce. The price-policy, for the farm produce as well as for the products sold to consumers, is thus determined not by the farmers but by the monopoly of economic interests who control the provision of inputs and the disposal of the produce/products.

Let us illustrate. Germany and Holland are two of the largest importers of animal feed. Between them, they account for more than a-quarter of the world feed market, their shares being 15 per cent and 11 per cent, respectively. Among the countries exporting dairy products, the two largest are France and Holland, with shares of 18 per cent and 19 per cent respectively, accounting for more than one-third of the world dairy export market. The Dutch dairy farmers, therefore, may be somewhat better off than the other farmers in Holland, and probably better off than the dairy farmers in, say, Britain and Italy. But the Dutch dairy farmers cannot be the main beneficiaries of the dairy 'business', comprising mainly the feed import and dairy export business. This includes the monopolies in manufacture and trade of materials, machinery, and equipment for production inputs (including feeds), and in subsequent handling of the produce in transport, storage, processing, and final disposal of products in local and export markets.

Feed from, and Dairy Exports to, Third World

There is extensive promotion of food production in the Third World, through foreign capital investment and assistance programmes, and through support to indigenous research and development. Special attention is given to the potential feed crops in the sunny-wet and semi-arid tropics where there are cheap resources of labour and land. There is no substantial increase, however, in the local use of food or feed materials. Instead, the supplies of quality feed materials to the industrial world have been increasing.

A recent example is the several-fold increase in the imports of cassava from Thailand into the high-cost countries of Europe during the last four years. Import of feed cassava into low-cost Britain has not increased. In Britain, it is no cheaper than the local feed grains. However, Britain's imports of high-starch compound feeds, allegedly based on cassava, are reported to have gone up within a year to 40,000 tonnes a month from nothing in the winter of 1977-78. The fact is that cassava in Thailand, palm plantations in Indonesia and Malaysia, and various feed crops in other Third World countries, together with associated research, have been promoted through international, multilateral and bilateral programmes. Overt and covert control over such feed resources, as well as over the whole gambit of related activities including compound feed manufacture, is indeed one of the most profitable business in European dairy production.

At the other end, export of surplus dairy products into world markets is heavily subsidised. The economic and political characteristics of food as aid are also well known. The US economic interests have fashioned the PL-480 Food for Peace programmes. Their significance in the recent times has markedly increased — as is evident in the East-West trade deals and the heavily subsidised export of butter, etc, to the USSR. The implications of the dairy products assistance to Third World countries are clear in the proliferation of milk processing and milk products manufacturing plants in India. This has happened through local manufacture under import of machinery and equipment mainly by foreign collaboration or foreign subsidiaries. These plants have operated at 50-60 per cent capacities, and milk production has remained low. Nevertheless, the number of the milk processing and milk products manufacturing plants has gone on increasing under promotional campaigns. This, after all, serves the business interests dominating the manufacture of dairy plants and equipment in the industrial world. Expanding the market for technology and for products consumed by only the small affluent section in the Third World, is nevertheless highly profitable business.

Similarly, we may refer to a recent donation of an abattoir by Denmark to an internationally famous premier research institute in India. Even before the equipment was unpacked at the institute, the Danish industry had sold several abattoirs in South and South-East Asia, simply by advertising the acceptance of the abbatoir by the Indian institute.

As for the subsidy for export or the aid promotion under the EEC budget, this of course comes from the taxes paid by the common man. In essence, then, it is public funds for expenses and private profit for return. The common taxpayer bears the cost of the subsidy or aid, while the corporate business interests derive the benefits in profits.

Thus, though high consumer prices and high EEC budget expenditure are alleged to protect European agriculture, such protection benefits not so much the farming population of Europe. As revealed in the distribution of the European Agricultural Guidance and Guarantee Fund (FEOGA), the expenses for 1974 were as follows: Italy with 41 per cent of the EEC farm population received only 16.8 per cent of FEOGA, while Holland with only 4.2 per cent of population received as high as 14.6 per cent of the FEOGA. Clearly, the FEOGA allocation had no relation to the size of the farm population. Again, a product-wise breakdown of expenses is as follows: Milk and milk products got 39.4 per cent of the guarantee spending, beef and veal 10.5 per cent, while cereals only 12.9 per cent, and tobacco and sugar 5.9 per cent and 3.5 per cent, respectively. Out of the dairy allocation, Italy got about 2 per cent, and Holland the largest share of more than 20 per cent.

Clearly, the most profitable business in the European agriculture is animal production, and within it dairy production. Dependence on local feed resources, with their inefficient conversion, would have made animal production unattractive. The profitability of dairy business is hence based in a big way on the cheap feed resources from the tropical and semi-tropical Third World. Additionally, subsidised exports of the surplus dairy produce open up vast vistas for markets — for equipment, technology and investment in the Third World. Proliferation of plants — in spite of the acute under-capacity operations aimed at only the small affluent markets of the Third World — are most profitable. Moreover, high consumer prices within Europe and high public expenditures for the disposal of the surplus make the dairy business indeed very attractive.

The dairy farmer thus appears to be a fringe beneficiary of the profits of expanding dairy production. In reality, the dairy farmer and the industrial worker, as all other common people, pay towards making the business profitable.

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What Next in Family Welfare?

D Banerji

THE mass sterilisation drive during Emergency, when a reign of terror was let loose on the poor, had been ,a most outrageous chapter in the history of India. Even more outrageous was the response to this move from the educated class/and other shapers of public opinion. Very few of them felt exercised enough at the outrage to express their dissent even to the extent that was allowed by the rules, regulations and laws prevailing during Emergency. Many of them enthusiastically supported the move and still larger segment of this class, while expressing a tinge of regret that so much of force had to be resorted to, actively justified such an action on the ground that under the circumstances this was the only way of dealing with an explosive problem which was threatening the very life of the nation. Then there were the rest, constituting the huge 'silent majority', who did not even bother to find out what was going on in the country and were content with whatever was dished out to them through the controlled press, the radio and other communication media.

In fact, the perpetrators of Emergency misdeeds ventured to go so far as they did because they realised that the bulk of the so-called conscience-keepers of the nation were at least not averse to if not active promotors and instigators of their actions. These conscience-keepers, who so enthusiastically promoted and conducted the forcible sterilisation campaign, were found grossly wanting not simply on political and moral planes; they failed miserably in the much more mundane plane of administration of the mass sterilisation drive in not anticipating the administrative backlash of a punitive action on such a mass scale. This fact must be taken into consideration in planning future action in the field of population control.

The failure and subsequent abandonment of the mass sterilisation programme was a most expensive failure in terms of cost, human suffering, generation of antipathy for the programme among the people, and acute demoralisation of hundreds of thousands of family planning workers. The concerned decision-makers should squarely be held accountable for a disaster of such a magnitude which has brought about a basic qualitative change in the perception of the programme by the people. As a result, it is now even more difficult for a mere rehash of the same old approach to carry much conviction with them. But, while the political leaders and planners have kept on the refrain that the need for control of population growth is much too urgent to brook any delay, astonishingly, they have conveniently overlooked all these years the fact that the very urgency of the problem calls for urgent action to bring about a basic change in the organisation of the family planning at all levels — at the level of policy and programme formulation, programme implementation and programme evaluation. It will indeed be tragic if even now, decision-makers and planners do not see the clear writing on the wall: that a mere rehashing of the old and repeatedly discredited cliches — education, population education, mass information campaign, target orientation, incentives and disincentives, use of force, utilisation of voluntary agencies, etc — simply will not work. Unfortunately, the Draft (1978-83) Plan presents a mere rehash of the same old concoction which has repeatedly been proved not only to be inadequate, but downright counterproductive.

Formulation of a population control policy (as a part of a more comprehensive population policy) which is based firmly on the premise of having a birth control programme as a component of a larger composite programme package which is aimed at improving such conditions as health, nutrition, education, employment, social relations and political participation of the oppressed sections of the population, may take some time. But, it is possible to make some concrete proposals for a rejuvenated family welfare programme for inclusion in the finalised Plan document.

First and foremost, there is to be a basic qualitative change in the mechanism of decision-making through changes in the criteria for selection of programme administrators, leading to changes in the style of leadership. Instead of adopting the approach of talking down to the people through person-to-person education, population education, mass media, exhortation, brow-beating, enticement, administrative coercion or even more naked use of police force, they should learn first to listen to the people and then formulate their action programmes. This requires a basic change in the 'culture' of the leadership: their entire world-view.

By adopting this perspective or starting from the people, it might turn out that at a time when the official family planning performance data show such a steep downward trend, there are many in the community who are actively clamouring for family planning services, but the services are not accessible to them. Demonstration of presence of such 'felt-need' could itself be a strong enough indictment of the organisation and management of the family planning programme.

The present demoralisation of family planning workers is a direct consequence of some basic short-comings in the administrative leadership at the highest level. A change in the culture of the top leadership is, therefore, a fundamental prerequisite and should lead to basic changes in the organisation and management of the programme. For instance, organisationally, it should lead to a review of the place of generalist administrators at the top level and also the quality and competence of the so-called family planning specialists who occupy key positions. These organisational changes should lead to better management in the form of better planning, better programme formulation and a more effective implementation and evaluation. In turn, this should lead to qualitative improvements in the organisation and management of the specific institutions for evaluation for research and for training and education of family planning workers.

At the operational level, improvement in the organisation and management should lead to reorientation and rejuvenation of the services. This should be reflected in the form of:

(a) Increasing the community outreach of the services so that they are able to meet the unmet felt needs for family planning services in the community

(b) Giving a more tangible evidence of integrating birth control activities with the other health services including the maternal and child health services, which should also encompass Integrated Child Development Scheme

(c) Further widening the range of family welfare activities by specifically including indices on the progress of various poverty alleviation programmes (including

the revised minimum needs programme) for measuring the progress and effectiveness of family welfare activities.

Launching of the Community Health Workers Scheme is a decisive step towards developing a people-oriented health service for India. However, to give a real meaning to the slogan, 'People's Health in People's Hands', the leadership should ensure that:

(a) Active steps are taken to see that the programme is not allowed to be bureaucratised and adequate democratisation is promoted in the rural populations so that the weaker sections also have an active say in the decisions concerning the health and other problems of the community.

(b) Much greater efforts are made to work out much more realistically and scientifically the role of the community health workers and to provide suitable training to them.

(c) The entire medical and health establishment, from multi-purpose workers to the very top, is made to realise that it is meant to support the work of the community health worker, that the CHW symbolises the aspirations of the community, that all categories of health workers are subordinate to the aspirations of the people, and that the CHW is just the lowest rung in the bureaucratic hierarchy.

The above approach also provides a framework for inducting newer technology into the programme. However, it is important to ensure that it is the programme needs which determine what type of technology will be inducted and not the other way round, as, for instance, had happened in the case of induction of the IUD or the mass communication drive in the programme in the past. The tail must not be allowed to wag the dog. There is a great temptation to think that some sort of 'technological fix' in the field of mass communication, or in the form of discovery of a new contraceptive, will miraculously provide a solution to India's population problem. Such wishful thinking is not conducive to developing a sound strategy for dealing with so urgent and so complicated a problem as population explosion. Past experience has repeatedly shown that it would be utterly simplistic to harbour such expectations.

Incidentally, considerable groundwork has been done in the Department of Family Planning in 1976 by formulating a national family planning communication policy, as a sub-system of the bigger population control policy which was based on the dictum, Development is the best contraceptive. This provides valuable material for further developing ideas on the place of mass communication in family planning.

Decentralisation of the programme should be actively promoted, instead, of being resisted. If some state governments cannot be depended upon in implementing the Minimum Needs Programme, then they also cannot be expected to faithfully implement a centrally-sponsored programme. Furthermore, does the central leadership really carry conviction? Does the Union Health Ministry possess adequate number of managerial personnel who can carry conviction with rugged state public health specialists, who had spent, say, 25 years doing public health work? Moreover, instead of treating the symptoms, the disease itself should be treated. If the Central government does possess competence, it should get involved in actively promoting such competence in the state, both at political and administrative levels, rather than taking upon itself the task of doing work which it thinks others are incapable of doing.

In the so-called voluntary sector, the Community Health Workers Scheme, which is based on generation of health activities from amongst the villagers themselves, should form the core. Over and above, if there are other self-financing voluntary agencies which are found capable of making contribution to the programme, these should be encouraged. The agencies, which claim cent per cent grants from the government or other agencies are, in fact, not voluntary agencies, they are merely contracting agencies which promise to deliver certain services on payment and they should be treated as such.

Obviously, the above approach for immediate action had to be based on certain policy assumptions. These assumptions provide at least a tentative outline of a possible population control policy for India.

Actions in the field of population control must start from the level of the people, as opposed to the prevailing approach of talking down to the people from pre-determined value positions.

Effective and socially and culturally acceptable birth control services should be made accessible to the community to meet the pre-existing felt-need for such services and to meet the additional need that is likely to be generated as a result of intervention in other social and economic sectors.

The birth control activities should be totally integrated with other health, nutrition and child development activities.

Active steps are to be taken to create conditions that generate motivation for a small family norm in the community — eg, programmes aimed at reducing social and economic inequalities, education, particularly education of women, improvement of social and economic status of women and promtion of democratic institutions. Therefore, quite apart from the importance of these programmes on their own, achievements in these programmes should be considered as indispensable for achievements in the field of population control. The responsibility for controlling population growth must, therefore, transcend the Department of Family Planning, or even the Ministry of Health and Family Welfare, to cover all the ministries at the Centre and in the states that are concerned with action programmes that generate motivation for a small family norm.

The Union government should actively promote decentralisation of all aspects of population control work — policy formulation, planning, implementation, evaluation, research, training and education.

A population control policy is a critical component of a much wider population policy. A population policy also includes such issues as migration, employment, housing and urban-rural population distribution. However, the degree to which population growth can be regulated and is actively sought to be regulated has a major bearing on the other components of a population policy, in fact, on the entire process of planning for social and economic development of the country.

Fresh Perspective on Industrial Workers

N R Sheth

South Indian Factory Workers: Their Life and Their World by Mark Holmstrom; Allied Publishers, New Delhi, 1978; pp xii + 158, Rs 25.

SOCIOLOGICAL studies of Indian industrial workers have varied from impressionistic generalisations to sophisticated intensive and extensive researches in various aspects of the subject. Scholars interested in urban-industrial India have dwelt at some length on issues such as the social consequences of industrialisation and workers' commitment to industrial jobs and the industrial way of life in the context of thir perceived attachment to traditional institutions such as extended family, caste, religion and a value system believed to be oriented to the rural agricultural ethos of Indian society. For some time it was fashionable to argue that there was an inevitable incompatibility between modern technology and traditional Indian institutions and values. As empirical studies of industrial workers in urban centres grew, it was first realised and then shown by data that loyalty to traditional institutions did not seriously hamper workers' acceptance of industrial jobs and the value system implied in them. An academic debate on the so-called problem of commitment of Indian workers has been going on for over two decades. Commitment is usually measured by scholars in terms of the concepts of work adjustment, job satisfaction, motivation, attitudes, etc, formulated in relation to industrial workers in more developed societies. It is generally assumed that modern technology and the logic of industrialism are the phenomena of the future making demands on tradition-bound workers. Workers themselves are usually regarded as passive agents, accepting, rejecting or partially accepting the norms of religion, caste, family, urban society, modern technology and such other institutions. A worker is rarely seen as an active partner in the social reality around him, living through unique situations from time to time, and operating on his social and industrial environment by choices of his own.

Holmstrom's study of factory workers in Bangalore is a refreshing departure from the beaten track in the sociology of Indian workers. In an attempt to develop what he appropriately calls 'anthropology of urban work', the author explores various facets of behaviour and attitudes at work and in the wider social life of 104 factory workers employed in four large factories (two each in the public and the private sectors) in Bangalore. In the typical style of an anthropologist, the author is concerned with the background, the social networks and the experiences of the workers with a view to bringing out the similarities and differences among them in a sociologically intelligible way.

Salient Issues

The study is set within the framework of some salient issues regarding industrialisation in India. Do workers show a greater degree of commitment to paternalistic management style which may signify a breach between traditional Indian society and modern industrial societies? Are workers in the organised sector a privileged group thriving at the expense of their less fortunate brethren in the unorganised sector (a question which is now conveniently raised by the more privileged bureaucrats, politicians and citizens who seem to be upset by the growing militancy of workers in the organised sector)? Are there viable alternatives to high technology industrialisation? The author is aware that a small piece of research such as his cannot lead to sufficient enlightenment on these larger questions. It may, however, be useful to note that he recently spent several months in India to follow up his questions, especially the relationship between the organised and unorganised sectors of Indian workers.

Holmstrom's analysis of the caste, religious and linguistic composition as well as educational and salary levels of the Bangalore workers suggests that these workers represent the relatively more urbanised, younger, culturally heterogeneous and middle-class oriented work-force in industrial towns where modern industry with advanced technology has been growing rapidly. Workers who have migrated from rural areas hardly feel uprooted or alienated in their work and social life. Although many of them retain social and economic ties with kinsmen and castemen in villages they behave clearly as urban industrial people in Bangalore. They usually look upon factory jobs as a means to improve their social and economic prospects and hence show little concern for the romantic nostalgia for life in the countryside eulogised by some poets and social scientists.

The workers are divided into religious, caste and kin groups and manifest some behavioural and attitudinal patterns associated with these groups. But these have very little to do with the elaborate exclusive norms and values conventionally attached to such groups. Caste, for instance, is used as a field to find marriage partners, as a network of contacts to get things done or as a bogey to explain one's failure to secure a job or promotion rather than as a vehicle for social hierarchy and exclusiveness. Social contact plays an important role in recruitment and managements have interest in appointing those whose friends and relatives can vouch for their good behaviour. However, final recruitment of an applicant is based largely on merit. Workers on their part also stress merit as a fair method of recruitment and thus seem to reject the dominant traditional justification for inequality based on caste.

Contractual Relations

The author has done well to show that employment relations in the factories are contractual rather than paternalistic. Nobody looks upon a factory as an organised community as the Japanese workers are known to do. The workers are moulded in the style of aspiring lower middle class with a self-image of conscientious work. Such observations may appear common place to those who deal with factory workers of the type studied by Holmstrom. However, it would be interesting to compare the behaviour and attitudes of such workers with those in places like Bombay, Calcutta, Madras and Faridabad where lower-middle class workers have become notorious for their unwillingness to work conscientiously. Is such behaviour rooted in the social context of industrialisation in the various places? Is it due to the nature and quality of trade unionism at various places? Is it due to the behaviour of employers and managers? Comparative studies of industrial workers on these lines would be extremely useful academically as well as practically. Existing sociological studies on

the subject are quite inadequate in this respect.

In a chapter entitled 'some careers', the author has tried to reconstruct the job-related and social experiences of some of his respondents. He takes into account the fact that there are as many ways of organising the workers' experiences in an intelligible whole as there are people. However, the sociologist in him is interested in bringing out the significant similarities and differences between individual accounts and suggesting a typology of workers. As far as I am aware, such an attempt to propose an empirical typology of industrial workers in India on the basis of live interview data has been made for the first time in this study. Holmstrom has discussed some special problems in handling such data and the methodological as well as ideological problems inherent in such an exercise. Reference is also made to the limitations inherent in the attempt by a foreigner to collect, organise and interpret such interview data. All these aspects are discussed crisply, unostentatiously and as an integral part of the main analysis.

Behaviour and Outlook

The workers are divided into eleven different types in terms of the dominant characteristics of their behaviour and outlook. For instance, one type of workers are called "paternalists" as their dominant trait is an ideology of loyalty to management. Another type is described as "militant unionists" who are dedicated to the interest of the working classes. The third type consists of those who use the trade union as an alternative career ladder. Another type is labelled as idealistic, reforming middle class factory workers who expect some promotion and share an ideology of moderate social reform and service to the nation. Yet another type is designated as "no alternative" workers who have hardly any chance of employment outside the present job and also little chance of promotion in that job. Some stick to the present job as they know that it is socially and economically better than any alternatives they may be able to hit upon. Then there are workers who have got jobs because they are the kith and kin of factory owners. Some are guided by the ideology of personal achievement and hence may put in special effort to rise in their employment. Some treat factory employment as a step or incident before they start their own career by establishing their own industry or business. For some workers, job and career are parts of an overall social or religious interest. Some employees (especially Harijans) look upon their jobs mainly in their context of the common interest of their community of birth. Some Lingayat workers project a value system similar to the Protestant ethic as their religious values stress a character which is described as "ethical, conscientious, meticulous, moderately ambitious, equalitarian in principle but conservative in practice" (p 120).

In the accounts of these various types of workers, the author indentifies a common theme of the organised sector as a citadel of security and relative prosperity. He also identifies a common contrast between personal advancement and security from which workers make choices according to their social predispositions.

In the context of this typology, Holmstrom attempts to analyse the structure of careers from the workers' point of view, taking their categories and distinctions as a starting point (p 122). With commendable sociological craftsmanship, he has tried to highlight the interconnections among the crucial aspects of the social world of the workers in the three time spheres of job, career and lifetime. For instance, paternalistic workers from higher castes regard their job and career as closely interlinked. Hierarchy of jobs is justified in the interest of the social whole of the organised sector. The social outlook on lifetime (which is linked with the family's development) is discreet from that on job or career. Hence social choices (as in marriage) are hardly affected by career choices. On the other hand, for the militant unionists career is wider than job. In career, fellow-workers outside one's job situation as well as other managements in the organised sector play an important role. Their social world of lifetime includes the working class and is linked with the spirit of socialism rather than the welfare and growth of their own families. Corresponding observations and interpretations are made for each type of workers as developed by the author. This is an interesting approach. It provides depth to the typology of workers in earlier chapters. But the reader is likely to get lost in the attractive maze of sociological analysis. The simple characters mentioned in the previous chapter now attain a certain degree of mysticism. However, the attempt is certainly a contribution to the development of a functional methodology in urban and industrial anthropology.

Choice and Equality

At the end, the author argues that Bangalore factory workers are a privileged lot. Their affluence is shared by their dependents in rural areas but not by the rural masses. For those workers who have landed factory jobs, factory work is a protected area of security and relative prosperity. These workers develop a middle-class image and tend to regard themselves as closer to management. Many of them have to struggle to get a job and, having got it, they want to retain the security and prosperity implied in it. In the background of this conclusion, the social and economic bonds between labour aristocracy and the rest of working classes need to be explored further in specific local settings. For instance, it is necessary to find out the implications of the activities of industrial workers for the economic profile of semi-urban and rural areas to which they are linked in various regions of the country.

For several types of workers, job, career and lifetime are closely interlinked and also linked to their personal and family development. On the whole, the workers make economic and social choices in their career paths although for most such choices may be fairly limited. One important moral of the story however is that these workers do not fit into the model of a passive social animal whose choices are governed by some pre-existing social organism. Interestingly, the author argues that the social and economic choice available to industrial workers is not necessarily a gift of changes connected with modern industrialisation in India. Drawing on other sociologists, he points out that traditional Indian society has been characterised by two models of behaviour and outlook. In the main classical model man's life has meaning to the extent that he identifies his will with his role in social organism. This model has from time to time been attacked by social and religious groups who represent the second model and who have recognised the importance of individual choice, social equality and flexibility in social structure. This tradition of choice and equality which has so far been marginal in Indian society, the author argues, is now becoming central as it is more relevant to the situation and aspirations of the new classes of people such as industrial workers.

Oilseeds : A Comprehensive View

B L Kumar

The oilseeds Economy of India by P S George, Uma K Srivastava and B M Desai; The Macmillan Company of India, Madras, 1978; pp x + 274, Rs 35.

THE vital role that the oilseeds play in the country's economy needs no emphasis. With a current production of 12 million tonnes, valued at Rs 2,400 crores, oilseeds constitute the second largest agricultural crop, after foodgrains. Despite this the country has not yet attained self-sufficiency in vegetable oils and fats. The net gap between supply and demand in respect of oils and fats has been continuously widening for the past few years. The government has depended on imports to bridge the gap but, the country being short of foreign exchange, imports have had to be restricted. To the extent it is not possible to meet the entire demand for a certain agricultural commodity from domestic production and imports, equilibrium between supply and demand comes through price rise. Such increase, being inflationary, is not congenial to overall agricultural development and growth of the economy. It is, therefore, important that in the planning process, the course of demand for and supply of oilseeds should be projected as realistically as possible and attempt should be made to match these at different points of time with a view to identifying the magnitude of the likely gaps and the resources needed to fill these gaps.

Only on the basis of such an exercise of supply projections, is it possible to have a clear picture of the areas in which production efforts have to be stepped up and to formulate plans for optimum allocation of resources to the various production programmes.

In our country, the Five-Year Plans have however provided a long-term view of the supply position in respect of major agricultural commodities. In addition, individual research workers have also provided demand and supply projections for certain commodities and regions. In most of those exercises, oilseeds have been considered all in one group.

This is the first book which provides an analysis of past trends in supply of individual oilseeds and estimates production possibilities for different oilseeds at a disaggregated level in terms of major oilseeds-producing states. Apart from the established oilseeds such as groundnut, sesamum, castor, linseed, rapeseed, mustard and other non-traditional oilseed crops like soyabeen and sunflower, other vegetable oil crops like coconut, cotton, cottonseeds, rice bran, maize corn, oil palm and other oil bearing herbs, shrubs and trees are also included in the analysis.

The other important features of the book include the following: (a) Based on an analysis of past trends, projections are made for the year 1985, which provide a basis for the development of viable oilseeds processing industries and also for identifying alternative policy measures for increasing the supply of oilseeds. Estimates of supply possibilities of different oilseeds in the intermediate year of 1980 are also given. (b) Since supply projections of agricultural commodities pose complex theoretical problems and practical difficulties, the methodology used in this book is based on a judicious analysis of various approaches available for supply projections. Instead of depending on a single approach for all commodities, a conscious choice is made from the available alternative procedures. In cases where more than one approach is applicable, an attempt has been made to compare the results derived through different possible approaches. (c) As the oilseeds supply position is likely to be influenced by a number of institutional support arrangements relating to oilseeds production, marketing and utilisation, research and extension and arrangements for inputs supply, government policies and regulations, etc, an attempt has also been made to highlight some of the important aspects of these institutional support arrangements for oilseeds. (d) The recapitulation of major findings in chapter two of the book under the heading 'Projections at a Glance' provides a consolidated picture of likely supply potentials in respect of each oilseed for ready reference.

However, due to the multi-dimensional nature of issues involved in projection work, it is possible that the actual supply might deviate from the projected level even if the projection models are perfect and co-efficients in respect of economic determinants of supply reasonably good. Again, the actual supply may turn out to be different from the projected level not because of any shortcoming in the underlying assumptions but because of the emergence of new factors in the economy. It may also happen that the actual supply may turn out to be of the same order as protected supply even though the assumptions underlying projected supply do not come true individually but the deviations from projected trends are counterbalancing in nature so that their net effect is such that supply does not change. In spite of all this, the functional role of the projections may be said to have been fulfilled even if the problem areas are identified.

On the whole, the book provides a comprehensive analysis based on data scattered over a vast number of journals and other documents; and it delineates alternative approaches in developing supply projections and also identifies the most reliable forecastes The objectives are well defined. The analysis of the information collected has been scientifically done, presented and discussed keeping in view the needs of the industry.

The figures of the area under all oilseeds given on page 3 in Table 1.2 if summed up comes to 23,817,000 hectares, whereas in the text on page 2, at the beginning of the para two, the figures mentioned is 24,914,000 hectares. Also in the diagrams on page 5 the caption is missing. Nevertheless, the publication is of great use to specialists as well as persons engaged in planning for the development of the oilseeds industry.

Education and Unemployment of Professional Manpower in India

K V Eswara Prasad

This paper examines the influence of several factors on the unemployment of highly qualified manpower. It does so using multiple regression with dummy variables.

Taking a sample from the 1971 Special Census on Degree Holders and Technical Personnel, first an attempt is made to study (a) the incidence and (b) duration of unemployment by detailed tabulations; and secondly the duration of unemployment is further analysed by fitting an unemployment function.

The results support the following findings: (i) given a comparable length of exposure to education, the duration of unemployment varies significantly among the different categories of professional manpower (viz, *scientists, engineers, doctors and agricultural and veterinary scientists); (ii) in each category the duration of unemployment is less among those with higher academic performance than those with lower academic performance; and (iii) the females face a longer duration of unemployment compared to the males.*

AN impressive increase in the stock of highly qualified professional manpower has taken place in India in recent years. However, at the same time the unemployment rate among this category of persons has been steadily increasing, despite the restricted admission into the various courses in engineering, medicine, etc.

There have been few attempts at systematic study of the problem of unemployment among highly educated manpower in India.[1] The absence of even proper tabulations of the existing data on unemployment, and the need for the same, are clearly stressed in the Report of the Committee of Experts on Unemployment Estimates, which says that:

> for the purpose of the policy-making, it is necessary to know not only the nature of the observed unemployment and the number of those affected in each category, but also... the age group and educational equipment of the unemployed, whether they are seeking job for the first time, ... the length of their working period, etc. Information on some of these qualitative aspects of unemployment is already available from several surveys.... What is therefore needed is simply more systematic tabulation and proper interpretation (1970: 4).

And Blaug studying the unemployment problem in developing countries concludes that:

> data on unemployment in less developed countries are worth little unless they are cross-classified by age, education, and duration of unemployment.[2]

One purpose of the present study, therefore, is to investigate this problem by endeavouring to answer the following questions: What is the overall experience of the highly qualified unemployed manpower in reference to (i) the incidence of unemployment; and (ii) the duration of unemployment? How does the incidence of unemployment differ among those with various educational qualifications? Does it differ with age, sex, etc? Similarly, how does the duration of unemployment vary with age, education, sex, and such other characteristics? Further, a second purpose of this study is to identify the significant factors associated with the duration of unemployment among individuals with various educational qualifications.

The specific plan of the paper is as follows. In Section I, an attempt is made to review the different hypotheses regarding unemployment of educated manpower in India. This would promote an understanding of the educational and labour market phenomena in a less developed country like India. Section II presents the incidence and duration of unemployment through detailed tabulations. The category of unemployed is cross-classified by educational qualifications, academic performance as denoted by divisions obtained in the highest examination passed, age, and sex. In the third Section the duration of unemployment is taken up for further investigation by means of multiple regression analysis. It has some policy implication, though it is difficult to make any policy suggestions from the present sample as it contains only a highly educated labour force. This is a static analysis from the supply side; such analyses at regular intervals of time will be of much value along with other economic factors, to understand the supply of and demand for professional manpower.

I

The problem of unemployment has always been of great concern to the Indian government and planners. A number of committees, and individual researchers have probed into this problem from time to time. It is beyond the scope of the present paper to review these studies.[3] What is attempted here is a brief yet critical review of two schools of thought on the causes of unemployment which are clearly distinguishable. One school considers the educational system as the villain, whereas the other considers the economic system as the primary cause of the phenomena. They are however, not mutually exclusive. The distinction is based on prime emphasis given to the primary cause. For want of better terms, they may be named the 'mismatched education hypothesis' and the 'economic maladjustment hypothesis', respectively.

Mismatched Education Hypothesis

Those who are advancing the mismatched education hypothesis argue in the following manner: education as it is managed and imparted in India, is largely irrelevant and unrealistic.[4] It is not only bookish, but is also completely examination-oriented, where students are keen only in obtaining the credentials It develops no skills which could be used either in agriculture or in in-

TABLE 1: AGE AND ACTIVITY STATUS FOR ALL EDUCATION (MALES)

Age	Employed*	Students**	Unemployed Seeking Job	Unemployed Not Seeking Job	Others	All Categories	N	Labour Force = Employed + Unemployed Seeking Jobs	Incidence of Unemployment = 3/LF × 100
20-24	38.0	32.9	26.1	0.4	2.3	6.9	1,584	1,022	40.0
25-29	74.6	12.9	10.4	0.6	1.5	25.7	5,904	5,018	12.0
30-34	95.1	2.1	1.9	0.4	0.6	23.9	5,473	5,309	1.0
35-39	97.5	0.4	1.0	0.2	0.8	17.0	3,905	3,846	1.0
40-44	98.5	0.2	0.6	0.3	0.5	10.8	2,479	2,456	0.6
45-49	97.1	0.5	1.0	0.4	1.0	6.0	1,377	1,351	1.0
50-54	96.2	—	1.0	0.5	2.2	3.4	471	750	1.0
55-59	81.1	0.2	1.1	—	17.6	2.1	585	387	1.3
60 and above	45.8	0.3	0.3	0.3	53.2	2.5	585	270	0.1
N (TOTAL)	19,085	1,425	1,210	87	743	22,550	22,550	20,647	5.9
Per Cent	84.6	6.3	5.4	0.5	3.3	100			

Notes: * Includes Self-employed also.
**Includes Trainees and Apprentices.

TABLE 2: AGE AND ACTIVITY STATUS FOR ALL EDUCATION (FEMALES)

Age	Employed*	Students**	Unemployed Seeking Job	Unemployed Not Seeking Job	Others	All Categories	N	Labour Force = Employed + Unemployed Seeking Job	Incidence of Unemployment = 3/LF × 100
20-24	33.0	42.8	16.3	3.6	4.3	12.2	276	136	33.00
25-29	66.6	14.0	11.6	4.2	3.6	32.4	731	572	14.80
30-34	86.2	2.8	4.1	4.5	2.4	22.5	508	459	4.5
35-39	88.5	0.3	4.6	4.6	2.0	13.5	304	203	4.9
40-44	93.3	—	1.1	4.4	1.1	8.0	180	170	1.1
45-49	93.7	—	1.0	3.1	2.1	4.3	97	82	1.2
50-54	84.7	—	—	6.5	8.7	2.0	46	39	—
55-59	84.6	—	—	—	15.4	1.2	26	22	—
60 and above	44.8	—	—	2.6	52.6	1.7	38	17	—
N (TOTAL)	1,616	234	168	94	94	2,206	2,206	1,827	9.4
Per Cent	73.3	10.6	7.6	4.2	4.2	100			

Notes: * Includes Self-employed also.
**Includes Trainees and Apprentices.

dustry. As a result, the educated are to a greater extent unemployable. The values and attitudes imparted through the present educational system are such that all the educated want white-collar jobs with high salaries and bright promotion prospects. They are unrealistic about the job market conditions in India. Thus the unemployment problem is essentially one of a mismatch between job expectations generated by the educational system and job opportunities provided in the labour market.

The policy implication according to adherents of this hypothesis is that education should be made vocational. This aspect was analysed by Foster with respect to Ghana. He denied that vocational education provided within the formal educational system could solve the problem.[5] In India, the available evidence, though inadequate, indicates that vocational education will lead to more unemployment — for instance, many of the Industrial Training Institute trainees face the same problem of unemployment;[6] and even among those who are employed, many are in jobs that do not require the skills they have acquired. According to the Planning Commission:

> A survey of trainees in engineering trade from various Industrial Training Institutes in the country in the year 1965 conducted by the Director General of Employment and Training revealed that 39 per cent of the craftsmen were unemployed. About 17 per cent of the employed trainees were engaged in trades other than those in which they were trained.[7]

Since data on all sorts of qualifications are not included in this study, it is not possible to state categorically whether or not vocational training itself is a significant cause of unemployment.

ECONOMIC MALADJUSTMENT HYPOTHESIS

The advocates of this school of thought put the blame on the labour market functioning to explain the causes of unemployment among educated manpower. The labour market is full of imperfections and it does not react to the supply and demand conditions. This is particularly so since the actual demand for and supply of labour are never well matched, a consequence of which is either a shortage or a surplus. When the labour market is imperfect, it is not restored to equilibrium within a short time lag.[8] In India, some evidence has been gathered by Blaug,

TABLE 3: INCIDENCE OF UNEMPLOYMENT (PER CENT, MALES)

Age	M Sc (Sciences)				M Sc (Agriculture)			
	Honours + 1st Division	II Division	III Division	All Divisions	Honours + 1st Division	II Division	III Division	All Divisions
20-24	20.4	26.9	34 5	25.4	15.3	44.4	46 2	29.7
25-29	8.2	9.9	16.7	10.0	7.6	15.2	12.3	10.8
30-34	—	3.4	2.5	2.4	0.4	0.9	—	0.6
35-39	—	1.7	2.7	1.6	—	2.1	—	1.0
40-44	—	—	—	—	—	—	—	—
45-49	—	—	—	—	2.8	—	—	1.0
50-54	—	—	—	—	—	—	—	—
55-59	—	—	—	—	—	—	—	—
60-64	—	—	—	—	—	—	—	—
65 and Above	11.1	4.5	15.4	9.1	—	21 1	14 3	13 9
All ages	6.6	8.0	7.6	7.6	4.7	9.7	6.5	7.0
N(Total)	392	1,293	394	2,279	1,007	883	216	2,106
n(Unemployed)	39	104	30	173	47	86	14	147

TABLE 3 CONTD

Age	BE				ME				MBBS			
	Honours + 1st Division	II Division	III Division	All Divisions	Honours + 1st Division	II Division	III Division	All Divisions	Honours + 1st Division	II Division	III Division	All Divisions
20-24	29.2	42.1	31.9	33.7	20 0	34.8	86.2	23.0	—	12.4	11 6	10.5
25-29	8.1	20 1	9.5	14.7	8.2	9.4	11.9	9.2	3.8	10.3	7.4	8.2
30-34	0.8	2 6	0.6	1.9	1 2	2.1	3 1	1.9	16 7	4 3	2.2	3.1
35-39	—	2 0	0.9	1.3	0.9	0.6	1.1	0.9	—	—	0.5	0.4
40-44	1.4	1.1	—	0.9	0.7	—	0.6	0.5	—	—	—	—
45-49	—	2.5	3.4	2.4	—	—	0.9	0.4	—	2 2	1.9	1.9
50-54	—	4.7	8.3	8.3	2 9	—	1.8	1 7	—	—	1.4	0.8
55-59	—	3 4	—	1.4	—	—	3.4	1.4	—	3.3	—	1.0
60-64	—	—	—	—	—	—	—	—	—	—	—	—
65+	5.3	23.1	—	11.7	—	—	—	—	—	—	—	—
All ages	10.8	12.0	4.6	10.4	4 8	3.8	4.7	4.7	1.8	6.2	4.0	4.6
N(Total)	1,149	2,317	692	4,428	2,155	873	1,364	4,392	168	1,049	1,989	3,203
n(Unemployed)	153	277	32	462	104	33	64	201	3	65	80	148

Layard and Woodhall to support the view that the labour market does respond to supply-demand conditions, but this response however, is not speedy enough to bring about equilibrium, and unemployment is but a result of this.[9]

When it is very difficult to find a job, and also when the difficulty is increasing, why do more students demand higher education? It is natural to assume that they are completely ignorant of job opportunities in the labour market which is implicit in the 'education hypothesis'. If this assumption is verified by evidence, there would be a case for changing the educational system. However, if students/parents are aware of the job market conditions and are informed about earning prospects of being educated, then, when one compares the costs students incur to obtain a degree from the University and the resulting additional earnings when he finds a job, one finds that the returns to college (higher) education are profitable even after adjusting for a period of unemployment.[10]

The returns to higher education are due to considerable earning differential by educational category. The imperfect market does not react to adjust to over-supply and so earnings are not only sticky but "have never declined fast enough to erode the financial incentive to acquire still more education".[11]

The policy suggestion on the unemployment problem, according to this school of thought, is that the attack should be directed to the labour market and that the cost of acquiring higher education should be increased.

It should be mentioned that everyone who has tried to investigate the problem agrees that it is complex and requires a set of reforms. According to the International Labour Organisation Report on Kenya, The root of the problem lies in the interaction of the conventional educational system and the wage and salary structure through the allocation of jobs and wages by reference primarily to educational qualification.[12]

II

(1) *Data Base and Definitions:*

The data used in this study are for 1971 and refer to all India. Along with the 1971 Census, another survey was conducted by the Census of India at the same time using a special card — 'the degree holders and technical personnel card' — to collect information about all degree holders and technical personnel available in India.[13] The cards collected amounted to about 2.2 million.

The purpose of the survey was to gain an understanding of high level manpower, their stock, utilisation, and their labour market behaviour such as mobility, migration, earnings, etc.

TABLE 4: INCIDENCE OF UNEMPLOYMENT (PER CENT, FEMALES)

Age	M Scs. (Sciences)				MBBS			
	Honours + 1st Division	II Division	III Division	All Divisions	Honours + 1st Division	II Division	III Division	All Divisions
20-24	18.8	31.5	23.5	25.2	5.0	6.6	9.4	7.6
25-29	13.5	17.9	51.9	21.3	11.8	7.7	6.1	7.0
30-34	11.8	7.7	10.0	9.2	—	2.0	4.2	3.2
35-39	11.1	8.3	7.7	8.7	—	—	—	—
40-44	—	—	—	—	—	—	—	—
45-49	—	—	25.0	12.5	—	—	—	—
50-54	—	—	—	—	—	—	—	—
55-59	—	—	—	—	—	—	—	—
60-64	—	—	—	—	—	—	—	—
65+	—	25.0	—	10.0	—	10.3	13.3	16.7
All ages	13.8	17.1	22.9	17.3	5.9	5.6	5.2	5.4
N(Total)	138	263	96	497	51	340	440	831
n(Unemployed)	19	45	22	86	3	19	23	45

TABLE 5: DURATION OF UNEMPLOYMENT MEAN MONTHS (MALES)

Age	M Sc (Science)				M Sc (Agriculture)			
	Honours + 1st Division	II Division	III Divsion	All Divisions	Honours + 1st Division	II Division	III Division	All Divisions
20-24	12.00	11.03	10.17	11.50	5.43	10.66	7.33	8.85
25-29	11.87	18.74	15.20	16.10	15.00	15.00	—	15.00
30-34	48.00	23.00	13.00	25.14	—	18.67	—	18.67
35-39	—	38.00	54.00	43.33	36.00	—	—	36.00
40-44	—	—	—	—	49.00	—	—	—
45-49	—	—	—	—	—	—	—	—
50-54	—	—	—	—	—	—	—	—
55-59	—	2.00	—	2.00	—	—	—	—
60-64	—	—	—	—	13.50	—	—	13.50
65 and above	—	—	10.00	10.00	—	18.00	—	18.00
All ages	11.93	16.00	17.83	15.60	7.98	13.42	—	11.18
n	28	83	18	129	41	67	—	114

TABLE 5 CONTD

Age	ME				BE			
	Honours + 1st Division	II Division	III Division	All Divisions	Honours + 1st Division	II Division	III Division	All Divisions
20-24	9.69	10.01	—	9.79	5.81	6.57	—	6.04
25-29	14.59	15.02	—	14.91	8.85	11.47	—	9.60
30-34	48.00	13.87	—	16.00	16.00	12.75	—	14.36
35-39	—	39.00	—	39.00	—	4.00	—	4.00
40-44	25.00	12.00	—	16.33	90.00	—	—	90.00
45-49	—	—	—	—	—	—	—	—
50-54	—	—	—	—	23.00	—	—	23.00
55-59	—	—	—	—	—	—	—	—
60-64	36.00	18.00	—	27.00	—	—	—	—
65 and above	8.00	6.77	—	7.00	—	—	—	—
All ages	11.34	13.75	—	13.07	8.67	10.50	—	9.22
n	122	228	—	256	69	30	—	99

The scientific and technical manpower division of the Council of Scientific and Industrial Research has collected most of the information on Scientific and Technical Personnel from the Degree Holders and Technical Personnel Cards and put them on magnetic tapes. These tapes contain information about scientists (physical and agricultural sciences), and veterinarians, having master's degree and above, and also about doctors and engineers having bachelor's degree and above. Persons with other qualifications have been excluded in the CSIR tapes.

A small sample of about 3 per cent of the entire observations available from the Council of Scientific and Industrial Research tapes forms the data base for the present study.[14]

It should be mentioned that the 2.2 million observations collected through the 1971 survey do not measure the entire stock of high level manpower. this is because not all the people with degree or diploma in technical or scientific subjects have responded to the questionnaire-card. The Planning Commission has estimated that the overall response rate might be between 60 and 70 per cent with considerable variations among the various fields of study.[15]

There is no way of ascertaining whe-

TABLE 6: DURATION OF UNEMPLOYMENT, MEAN MONTHS (FEMALES)

Age	M Sc (Science)			
	Honours + 1st Division	II Division	III Division	All Divisions
20-24	13.83	16.07	—	15.43
25-29	26.75	33.32	19 71	28.97
30-34	48.00	42.00	—	44.00
35-39	—	43.00	—	43.00
40-44	—	—	—	—
45-49	—	—	—	—
50-54	—	—	—	—
55-59	—	—	—	—
60-64	—	—	—	—
65+	—	13.00	—	13.00
All ages	24.56	28.56	19 71	26.59
n	16	41	7	64

ther the non-response is randomly distributed in a given category or whether it is biased: the results of the analysis should be treated as applicable only to the sample under study.

The professional manpower is usually defined in terms of occupations (or profession) though the incumbents of the occupation (or profession) usually have education at master's or doctorate levels. However, due to data constraints it is defined here in terms of qualifications. The professional manpower covered in the present study possess the following qualifications: Bachelor's degree in engineering and technology and medicine; master's degree in science, agriculture, veterinary science, medicine and engineering and technology; and doctorate degree in all the above fields excepting agriculture.

In the present study, only those belonging to the category 'unemployed seeking job' have been considered unemployed and the incidence and the duration of unemployment observed here refers only to this particular category.[16]

Usually, the unemployment rate is expressed as a percentage of the labour force which is the sum of the unemployed and employed. Tables 1 and 2 present the age, and activity status for the whole sample classified into males and females. It can be seen that 5.4 per cent of the males and 7.6 per cent of the females reported to be unemployed. The incidence of unemployment is 5.9 per cent among the males and 9.4 per cent among the females.

It can be observed that when unemployment is expressed as a percentage of the labour force, the incidence of unemployment is found to be higher, particularly for the younger age groups and the 'all ages' category among the males and uniformly for all age groups among the females, compared to expressing it as proportion of manpower remaining unemployed and seeking job.

(2) *Incidence of Unemployment:*

In Tables 3 and 4, the incidence of unemployment is presented according to different subjects, educational qualifications, division obtained and sex for various ages in order to study their inter-relationships. A few points may be highlighted:

(a) Age and Unemployment: The incidence of unemployment is concentrated in the younger age groups, below 30 years for the educational categories.[17] If the incidence of unemployment is distributed over different ages, 89.6 per cent of the males and 86.1 per cent of the females having MSc (Science) degree, 95.3 per cent of the males with MSc (Agriculture) degree, 81.3 per cent of the males with BE degree, 82.1 per cent with ME degree, and 91.1 per cent of the females with MBBS degree fall below 30 years of age, whereas 95.9 per cent of unemployed with MBBS degree fall below 34 years of age.

The high incidence of unemployment among the younger age group is generally attributed (i) to a gap between demand for and supply of labour resulting in the unemployment of the young because they are new entrants to the labour market without prior experience;[18] and/or (ii) to the 'waiting period phenomena'. That is one has to search for a long period before one finds a job in the labour market and longer the search, better are the chances of finding a suitable job.[19]

Unfortunately from the present sample, it is not possible to say if this group is in search of their first job. Nevertheless, that they have certainly to search for a period in the labour market, is borne out from the data. The discussion on the duration of unemployment is left for the next sections.

(b) Academic Performance and Unemployment: The division the incumbents have obtained in their highest educational qualification is considered here as an index of their academic performance. (Incumbents with Ph D would be an exception to this as no division is given for the award of this degree.) The incidence of unemployment is found to vary with division obtained for all educational qualifications. Particularly the incidence of unemployment, ie, more among the second divisioners than the first or third divisioners for males, the two exceptions from this being the males with ME degree and females with MSc (Science) and MBBS degrees. In the case of ME (Males), second divisioners face less unemployment compared to first and third divisioners, while for females with either MSc (Science) or MBBS degree, second divisioners face less unemployment compared to the third divisioners but more than first divisioners.

The rise in the incidence of unemployment from the first division progressively to the third division is in line with the general expectation. However, the unusually high incidence of unemployment amongst second divisioners compared to the first and even third divisioners calls for an explanation. It is possible that the second divisioners may continue their job search for a longer time to ultimately find a suitable job; such an option although available for the third divisioners may not be fruitful as they are unlikely to receive the same starting salary of the first divisioners, and in view of this they are generally forced to lower their reservation price (the price at which they offer themselves),[20] and where second divisioners face less unemployment compared to the first and third divisioners it could be that this group would have lowered its reservation price compared to the first divisioners which further reduced the chances of employment for the third divisioners.

(c) Sex and duration of unemployment: In general it is found that the incidence of unemployment is consistently higher for females than males for all educational qualifications.

(d) Education and unemployment: Considering all educational qualifications, the incidence of unemployment for the males is the least among MBBS and ME degree holders and highest among BE degree holders, with MSc (Sc and Agrl) falling in between. If the incidence of unemployment is treated as an index for ranking any educational qualification in the

TABLE 7: REGRESSION CO-EFFICIENTS AND T-RATIONS: DURATION OF UNEMPLOYMENT

Duration Unemployment	Constant Term	Ph D (Science)	M Sc (Science)	M Sc (Agriculture	MBBS	M S/ M D	M V Sc.	Ph D Vet	B E	ME	Sex	Division	R^2/ S E E
D	20.35	0.45 (0.15)	1.64 (0.87)	2.31 (1.08)	−5 84 (2.97)	−6.18 (2.45)	−12.93 (1.52)	0.0 (0.0)	−2.24 (1.22)	−5.21 (2.58)	−5.44 (4.01)	0.32 (0.48)	0.055 14.23 (n= 1175

TABLE 8: AVERAGE ESTIMATED DURATION OF UNEMPLOYMENT FOR DIFFERENT EDUCATIONAL CATEGORIES (MONTHS)

I Division	MS/MD	MBBS	BE	MSc (Agiculture	MSc (Science	MV Science	ME	PhD Engineering	PhD Veterinary	PhD Science
Male	8.73	9.07	12.47	12.60	16.54	1 98	9.70	13.91	14.91	15.36
Female	14.17	14.51	17.91	18.04	21.98	7.42	15.14	20.35	20.35	20.80
Other Divisions										
Male	9.05	9.37	12.79	12.92	16.86	2.30	8.02			
Female	14.49	14.83	18.23	18.36	22.30	7.74	15.46			

present study, MBSS would take the first position for both sexes, as their incidence of unemployment is the lowest and BE amongst the males and MSc (Sc) amongst the females would rank the last.

(3) *Duration of Unemployment:*

Tables 5 and 6 furnish details regarding the duration of unemployment in mean months according to educational qualification, division obtained and age for males and females separately. A few points are noteworthy:

(a) Age and Duration of unemployment: The duration of unemployment is found to increase with age for both the sexes and all educational qualifications. Irrespective of academic performance, it is seen that as age increases the duration of unemployment also increases. This may be so because the transition between jobs is more difficult for aged professionals with higher qualifications who usually have higher earnings compared to these with less educational qualifications. Besides, a prolonged spell of unemployment at the older age may also be partly voluntary in the sense that it reflects a long job search.[11]

(b) Academic Performance and duration of unemployment: Academic performance in the highest degree examination passed by the incumbent is found to have a powerful influence on the duration of unemployment. Considering academic performance, as in the previous section, in terms of division obtained in the highest examination, it is found that among the males with the exception of MSc (Science) degree holders, the duration of unemployment is longer for the second divisioners than the first divisioners (for all educational qualifications). However, among females with MSc (Science) degree, second divisioners face a longer duration of unemployment compared to the first divisioners, particularly in the younger age groups.

(c) Sex and Duration of Unemployment: The duration of unemployment among females exceeds that of males for all ages. This found to be true for all educational qualifications.

(d) Education and Duration of Unemployment: Table 5 reveals an inverse relationship between educational qualification and duration of unemployment: higher the educational qualification lesser the duration of unemployment. Among the educational qualifications here, the duration of unemployment is lowest for MD degree holders and highest among persons with MSc (Science) degree. Further, the duration of unemployment is more among BE's than MSc (Agriculture) degree holders.

III

The preceeding tabulations bring out clearly that, on the average, persons with professional qualifications do face unemployment for some period — although, being a male, having a master's degree, a first division, etc — affect the duration of job search. Nevertheless, there occurs a considerable variance in the duration of unemployment amongst these professionals. The present section examines this variance using regression techniques in order to determine who among the unemployed average a minimum period of job search and who a maximum job search period and also the statistical significance of the factors associated with the job search.

The determinants of the duration of unemployment are examined by means of an unemployment function using multiple regression analysis in which the duration of unemployment is the dependent variable and the explanatory variables are the various characteristics of the unemployed persons, such as education, sex, and academic performance as measured by division obtained.

Symbolically, the function is as follows:

$$D = a_0 + \sum_{r=1}^{\alpha} a_i = Ed_i + b \text{ sex } +$$

c division + e where D is the duration of unemployment in months.

In the above regression model, the duration of unemployment at the time of the survey (March 1971) is related to set of explanatory variables which take the value of either 1 (where observed or 0 where not observed). By breaking up the independent variables into discrete categories, allowance has been made for non-linear effects. There exists also an error term 'e' that reflects the effect of all other variables that affect the duration of unemployment but ones not included in the model.

There are 10 educational qualifications included here. They are: (1) PhD (Science) (2) MSc, (3) MSc (Agriculture), (4) MBBS, (5) MS/MD, (6) MVSc, (7) PhD (veterinary), (8) BE, (9) ME, and (10) PhD (Engineering) In the available literature education is usually measured by the number of years of schooling completed and as such it is continuous variable.[12] In this study, it is measured as a dummy, because the sample contains categories of education with very little variation in years of schooling and, the dummies help understand the effect of different kinds of education on the duration of unemployment.

Division refers to division on the highest educational qualification. For measurement the smaple has been split in to two groups: (1) First Division and (II) Second Division and others.

Results

Table 7 presents the regression results for the duration of unemployment. In Table 8 are presented the expected duration of unemployment (in months) for the both sexes according to different educational qualifications and division obtained as estimated from the regression co-efficients.

(i) Education and Unemployment: For both sexes, the duration of unemployment is lowest among doctors with MBBS degree (9.07 months) and highest for persons with MSc (Sc) degree (16.54 months).[13] In consequence MBBS can be considered as more popular educational qualification and MSc (Science) as less popular.

Table 8 as a whole shows that the expected duration of unemployment is shortest for the MVSc degree holders and longest for those with PhD (Science).

Further, while the average years of schooling remains the same, [for example between BE, Msc (Science) and MSc (Agriculture) and among PhD's] the duration of unemployment is found to vary significantly among these educational qualifications.

(ii) Academic Performance, Sex and Unemployment: The duration of unemployment appears to be lesser among those with higher academic performance, i e, among the first divisioners than among those with other divisions or lower academic performances. This pattern is similar among both the sexes.

Also, for any particular educational qualification and divisions obtained, the duration of unemployment is longer among the females compared to the males. It must, however, be mentioned here that among the females, other than in MSc (Science) degree, the present sample contains less number of observations about those with other educational qualification who have reported their actual duration of unemployment.

Conclusion :

The unemployment of highly professional qualified manpower has been described both in terms of its incidence and its duration. The factors associated with the duration of unemployment have been analysed. The empirical findings suggest the following: First, given a comparable length of exposure to education, the duration of unemployment is found to vary significantly among the different categories of professional manpower (*viz*, Scientists, Engineers, Doctors and Agricultural and Veterinary Scientists); second, in each category, the duration of unemployment is less among those with higher academic performance than among those with lower academic performance, and lastly, the females face a longer duration of unemployment compared to the males.

Although some information has been provided regarding unemployment among highly educated manpower, much more needs to be learned. A number of questions usually asked about the unemployed, however, remain unanswered here. For instance, given the personal characteristics, the likely role of the family background of the incumbents in determining the incidence and the duration of unemployment needs adequate consideration. Similarly, it would be worthwhile analysing the salary differentials between those who accept employment without a long search and those who do so after a long search. If those who accept early offers are from poor families and earn less, then it has serious implications for the role of education in determining income inequality. Besides, how education influences the job expectations of the unemployed and the role of these expectations in determining their employment success, and how the unemployed receive and utilise information about the job market require adequate attention of the researcher. Lastly, there may be many variables other than those used in the present study which might serve largely to explain the additional variance in the duration of unemployment.

Obviously, the answers to these and many other questions demand much further research.

Notes

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1 See, for example the study by M Blaug, R Layard and N Woodhall (1969) "The Causes of Graduate Unemployment in India", (London: Allen Lane the Penguin Press.)

2 Mark Blaug (1973), "Education and the Unemployment Problem in Developing Countries", (Geneva, International Labour Office), p 11.

3 For a critical evaluation of this see Amartya Sen (1975) "Employment Technology and Development," (Oxford: Clarandon Press). Particularly Appendix A 'On the measurement of Unemployment in India', pp 115-135.

4 Gunnar Myrdal (1968) "Asian Drama: An Inquiry into the Poverty of Nations" (London: Allen Lane the Penguin Press), Volume 2, pp 1124-1131.

5 Philip J Foster (1966). 'The Vocational School Fallacy in Development Planning', In Mark Blaug (ed) (1968), "Economics of Education I" (Harmondsworth: Penguin Books).

6 The number of ITI trained craftsmen on the live registers of the employment exchanges has increased from 35,338 in July 1970 to 78,000 in July 1971. Bihar has the largest number of job seekers (13,007), and this state along with Kerala (9,107), Tamil Nadu (9,200), Uttar Pradesh (9,276) and West Bengal (9,145) contains 63 per cent of the job seekers in the country. Trade-wise employment is relatively high among fitters (16,072), Welders (9,737) and Electricians (17,170), Turners (17,649) and Motor Mechanics (6,154) and these craftsmen constitute 61 per cent of the all job seekers". See working group on Engineering Manpower (Third Meeting, May 1972). "Background Paper (New Delhi: Directorate of Manpower), p 101 (Mimeographed).

7 Employment and Manpower Division, Planning Commission (October 1973). Report on the Working Group on Engineering Manpower (Mimeo) (New Delhi) pp 46-47.

8 The case of labour shortage has been studied by K J Arrow and W M Carpon (1959) 'Dynamic Shortages and Price Rise, the engineer-scientist case'. *Quarterly Journal of Economics*, volume 73, no 2, pp 202-308, reprinted in Mark Blaug (ed), *op cit*, pp 318-337.

9 Mark Blaug, R Layard and Woodhall (1969), *op cit*. See particularly pp 1-39.

10 Since data are not available on the expectations of the students and their understanding of labour market conditions, it is not possible to test whether their expectations are realistic or unrealistic (over ambitious). Only in an indirect manner it can be tested analysing the behaviour of students in regard to the labour market.

11 Mark Blaug (1973) *op cit*, p 62.

12 International Labour Organisation (1972), "Employment Incomes and Equity: A Strategy for Increasing Productive Employment in Kenya" (Geneva: International Labour Office) pp 10-11.

13 Census of India 1971, (1973) "Degree Holders and Technical Personnel (Special Tables GI-GIV)" (Delhi: Manager of Publications).

14 For details of the distribution of the sample see K V Eswara Prasad (197') "Labour Market Analysis of Professional Manpower in India" (Unpublished) M Phil Dissertation, Jawaharlal Nehru University, New Delhi, Chapter II, pp 15-16.

15 Census of India 1971, *op cit*, p ix.

16 There is another category of persons in the sample who have reported as 'unemployed not seeking job'. This category is left out of analysis because it is voluntary unemployment. This category forms a very small percentage among males and the proportion among females is slightly higher. For details see Tables 1 and 2.

17 It must be mentioned that the unemployment noticed among the

35-44 age group in Tables 3 and 4 and also 5 and 6 would have further reduced if we had a larger sample with more incumbents reporting their employment/unemployment status. Besides, considering the 60-65 and above age group where a majority would have retired from the labour market, the incidence of unemployment is perhaps only likely among those who consider themselves as unemployed and not as retired.

18 Ronald G Ridker and Harold Lubels (eds) (1971) "Employment and Unemployment in Near East and South Asian Countries: A Review of Evidence" (New Delhi: Vikas Publishing) p 18.

19 Blaug, Layard and Woodhall, *op cit*, p 238.

20 *Ibid.*

21 Rouben Gronau (1971) 'Information and Frictional Unemployment' *American Economic Review*, Volume 61, No 3 (June).

22 The literature is too numerous to mention here. For representative works see G S Becker (1974) *Human Capital.* Second Edition (New York: National Bureau of Economic Research) or Jacob Mincer (1974) *Schooling, Experience and Earnings* (New York: National Bureau of Economic Research).

23 In the present sample the number of respondents with degree MS/MD, MVSc, ME and PhD (all subjects) reports as unemployed seeking job are much smaller-compared to qualifications MBBS, BE, MSc (Science and Agriculture) where the number of respondents are much larger.

Agrarian Relations in a Khasi State

Bani Prasanna Misra

The office of the Syiem *among the Khasi people, even though now considerably shorn of its previous glories, is nevertheless of considerable importance and potential gain to the holder. It is not accidental that the person aiming for the office has to belong to one or other of a few select clans, and the members of the 'electoral college' which elects the* Syiem *comprise mostly of Khasi nobility.*

This account of agrarian relations in a Khasi 'state' begins with a brief account of the administrative system of the Khasis and then goes on to detail the system of land tenure prevalent in the Syiemship of the territory of Maharam in the Khasi Hills. A careful scrutiny of the finer nuances and the actual working of the system of land tenure in Maharam reveals that a very large area of even 'common land', of which the Syiem *is supposed to be only the custodian, is managed by the* Syiem *in virtually the same manner in which he and his clansmen manage* Ri Kynti, *land which is in exclusive possession of the* Syiem.

The increasing destitution of the Khasi poor cannot be laid (as it is often done) at the door of the traditional law of female untimogeniture, for an archaic matrilineal inheritance could never have survived if it had gone against Khasi nobility; instead, the roots of such destitution are inherent in the traditions, laws and practices that govern the control and ownership of land.

The Syiem ruler will overseer the market places and will fine and imprison the wrongdoers; but no one will pay him any land tax, because all the land — the *ri raj* and *ri kynti* —belong to them, the people of the land.

U Soso Tham

THE territory of Maharam in the Khasi hills constituted one of the Khasi states before the commencement of the Constitution of independent India. It lies to the west of Cherra-Mawsynram region which is the highest rainfall area of the world. The Hima (state) Maharam extends upto the border of Bangladesh to the south; Mawqyrwat, Mawten, Rangthong and Balat are some of its important villages.

Since no areas of Khasi hills have till now been cadastrally surveyed the extent of Hima Maharam is not known for certain. Further it has generally been held that the Khasi Chiefs are not territorial sovereigns but Chiefs whose authority is over their subjects. The territorial limits of a Hima therefore cannot be ascertained with precision. But since in practice the effective jurisdiction of a Chief extends over some villages the boundaries of such localities may be held to constitute the confines of their respective rule. In accordance with this it appears, from a rough calculation, that the area of Hima Maharam will not be less than six to seven hundred square kilometres.

Not much is known about the early history of Maharam excepting that at one time it was ruled by two Lyngdohs (priestly clan). The jait syiem (ruling clan) arrived afterwards from elsewhere in Khasi hills[1] and they were invested with the responsibilities of administration. A Syiem was always selected from among the members of the jait syiem according to the rules of succession by an electoral college consisting of the *bakhraw-batri* (noblemen) and some other village headmen.[2] The rules of succession are not very clear and specific and hence there has always been a scope of interpreting them differently by the various members of the electoral college depending upon their individual convenience.

In Hima Maharam the situation is slightly more confusing because the ruling Syiem clan has two branches there — Syiemlieh (white Syiem) and Syiemlong (black Syiem) — and either of them can provide a ruler for the state. But the fact that the ruler must belong to the *jait syiem* and the electoral college primarily consists of the *bakhraw-batri* makes the scope of Khasi democracy very limited. The *bakhraws* are defined to be members of the hereditary nobility of Hima Maharam and they belong to only two jaits — Lyngdoh and Sanglein. The Hima Maharam, which in the pre-historical period was administered by two Lyngdohs and which subsequently had a Syiem of its own, has seven *bakhraws* from among the Lyngdohs at present. They are: (1) Lyngdoh Sakwang, (2) Lyngdoh Nonglwai, (3) Lyngdoh Nongkhlaw, (4) Lyngdoh Nongsynrih; (5) Lyngdoh Nonglyngkien, (6) Lyngdoh Nonglang and (7) Lyngdoh Marshillong.[3]

The concept of jait, in the context of the matrilineal society of the Khasis, means a clan or a collection of families bearing often the same surname and tracing their descent from the same ancestress. Since only the male members of the society are entrusted with the tasks of administration of the country, the *Syiem*, *Lyngdoh* and the *Sanglein* referred here are all males. But

Authority	Type of Land	
	Forest	Others
Syiem	Ri Sylem (UH)	Ri Bam Syiem (UH); Ri Iapduh (UH)
Lyngdoh Clans(s)	Ri Law Lyngdoh (UH) Ri Law Sumar (UHTO)	Ri Lyngdoh (UH) Ri Kur (UHTO); Ri Khain (UHTO); Ri Duwar (UHTO)
Individual	Ri Law Sumar (UHTO)	Ri Nongtymen (UHTO); Ri Khorid (UHTO); Ri Dakhol (UHTOO); Ri Spah (UHTL); Ri Longdung (UL)
Community	Ri Law Shnong (U); Ri Law Kyntang (U)	Ri Raid (U)
Prohibited land	Ri Law Sang Ri Law Adong;	—
No-man's-land	——	Ri Pud

Note : Nature of rights-U-Usufructuary; H-Heritable; T-Transferable; O-Ownership; L-Leasehold. Individual lands may belong to either an individual family (iing) or an individual sub-clan (*kpoh*).

the point should not be lost sight of that the Syiem is a Syiem because he is born of a Syiem mother. The same is the case with the Lyngdoh and Sanglein.

After the political integration of the Khasi states with India during the British period the office of Syiem lost some of its previous glories. In the post-Independence period, the District Councils formed under the Sixth Schedule of the Constitution and the governmental machinery at the state level that came into being after the state of Meghalaya was inaugurated in 1972 have taken upon them some powers that were exercised in the past by the Syiem with the aid of the local self-governing institutions operating under his overall jurisdiction. But despite these changes the office of Syiem is important even now and the Syiems continue to weild considerable influence over their subjects.

The Syiemship is recognised by the government of India and the appointment and succession of Syiems is supervised by the District Council. The Syiem's Court is recognised as an additional District Council Court. The village headmen receive *sanads* from their respective Siems. The administration over matters relating to land and agrarian relations is looked after by the Syiem. Market imposts, rental of lime quaries. forest revenue and judicial fines constitute important sources of earnings of Hima Maharam. There appears to be no separation of the public and private purse of the Syiem, and the Syiem enjoys the benefits of this collection in association with his chief aides — the bakhraws and other wealthy people. This happens because the Syiem is supported at the time of election by interested parties, who provide the heavy expense of entertainment or of buying votes. The Syiem thus takes office under obligation to his relatives or to others who have lent him money during election.

Administrative System

There are three traditional administrative agencies within Hima Maharam. At the lowest level is the *Dorbar* or the village council. The head of the village council is generally designated the Myntri or Sordar. The other councillors of the same are the *Rangbah Shnongs* or adult males from among the *bakhraws* of the village. Sometimes such appointments are made on considerations of wealth instead of tradition and noble descent. The new avenues of accumulation of wealth that have been opened by the expansion of secondary and tertiary sectors of the economy have gradually created a class of neo-*bakhraws* and this latter class sometimes tend to compete with the traditional nobility.

The second tier of administration in Maharam is the *Dorbar Hima* (state council) which is the biggest assembly and its members are the village headmen and the representatives from among certain clans. The Dorbar Hima is convened on special occasions including the death and appointment of Syiems. The Syiem may from time to time ask the Secretary of the Dorbar or the Myntri-in-charge to convene the council if necessary.

Finally there is the *Dorbar Syiem* or the Syiem's Council which is a separate Dorbar consisting of the Syiem and some of the more important *bakhraws*. For obvious reasons of all jaits the Lyngdoh and Sanglein only are represented in the Dorbar Syiem. The representative from jait Lyngdoh is known as Lyngdoh and that from jait [illegible] head [illegible] is the seniormost settler on land. The Syiem in co-operation with the Lyngdoh and Basan manages the affairs of the state including land administration. They also look after finance, court-cases, appointment of officers to carry out specific tasks, the enforcement of law and order and also the instructions received from time to time from the government.[5]

In fact on the basis of seniority of occupation and sometimes that of military prowess the population in a Khasi state can be divided into the following categories: Those families who are the founders of villages and hence the earliest occupants of soil are categorised as the Ki Khun Nyngkong or literallly the first children or rather the first group of citizens. The Basans therefore, by definition, belong to the category of *Ki Khun Nyngkong*. In a similar fashion the second and third group of citizens are differentiated as the *Ki Khun Pdeng* and *Ki Khun Khadduh* respectively. These groups pay no land tax or any kind of tax whatever and are usually co-partners with the Syiem in running the administration. The Khasi state thus becomes an estate, *inter se*, of the landlords of the above varieties.

The later Khasi immigrants into the state are distinguished as *Khun soh Syiem* and *Khun Shnat*. They are bound to recognise the state by paying *ka bairung* (entry fee) and *ka pynshok* (protection fee). The original groups of citizens may lease out land to them on condition of payment of *Khajna* or may absorb them as labourers for field work either on wage payment in which case they will be known as *ki nongbylla* or by providing them with board and lodging in which case they become *ap jakpoh* or some sort of attached labourers for the landlords.

To sum up: the whole Khasi society may broadly be classified into the following two categories: (1) the Bakhraw-batri or the noblemen on the one side and the (2) Paidbah-paidkar or the lay masses on the other. The seniority in settlement and the matrilineal descent become the determining factor in obtaining a higher status in society and to a certain extent, therefore, the individual volition gets circumscribed. This stratification is of immense significance in the context of Khasi society and a traditional maxim towards good conduct on the part of children has been put in a famous poem at the beginning of this century as follows:[6]

> Respect and obey the nobles, headmen and the Syiem; thereby the virtue and happiness of your land will be enhanced. Oh Syiem, Oh bakhraw-batri, kindly take care of your

Table 2: Population and Labour in Ri Khain Nonglang Maharam

Village	Total Population	Scheduled Tribals	Cultivators	Agricultural Labourers	Other Workers
1	595	595	30	14	151
2	652	652	273	2	86
3	574	564	267	—	15
4	649	649	203	46	16
5	172	172	28	46	2
6	227	227	30	62	4
7	134	134	73	—	—
8	113	113	45	—	1
9	532	522	160	72	25
10	4	4	1	—	—
11	97	97	49	—	10
12	67	67	34	—	—
13	259	249	99	—	13
14	48	48	19	—	1
15	156	156	66	12	4
Total	4279	4249	1377	254	278

Note: Names of villages: (1) Mawkyrwat, (2) Mawten, (3) Nonglang, (4) Mawlangwir, (5) Sohkhyllam, (6) Wahsiej, (7) Mawranglang, (8) Mawmareng, (9) Rangthong, (10) Mawtngam, (11) Mawrap, (12) Tynnai, (13) Photjaud, (14) Hilland and (15) Photjaud-Rangthong.

children, the people, day and night; protect the hills and dales, and lead your people through ease and difficulties.

The solidarity and stability of the Khasi society owes much to such an ideology and indoctrination.

Land Tenure and Agrarian Relations

This broad social stratification cannot be overlooked while we try to understand the type of land tenure and agrarian relations that prevail in the Khasi hills. For long it has been known that the land in Khasi hills can generally be classified into the following two categories — *ri kynti* or private land and *ri raid* or communal land. It is significant that in the perception of the people themselves, *ri kynti* is a type of self-acquired property of only those that are connected with the jait Syiem and perpetuated with the aid of State power.

Those having an intimate knowledge of the traditional system of land tenure among the Khasis are of the opinion that the jait bakhraws were the first to create a *ri kynti* for themselves. The undivided *ri raid* remained for the general use of the commoners. The *ri kyntis* and the undivided land which come under the control of the *bakhraws* are called *Ka it ka Hima*. The word *Ka it* means the border, extent; *Ka Hima* means the State. Thus the phrase *Ka it ka Hima* means the State with its border and extent.

"In the undivided land within *Ka it ka Hima* there are houses and villages which need land for cultivation and other purposes. For these houses and villages, lands are therefore reserved for their needs as common lands. These are called *raid* lands... These villages pay contribution and render help to *Ka it ka Hima* of the *bakhraws* when needed."[7] With increase in population, improvement in transport facilities and growing demand for cash crops, there has been a marked tendency for persons to occupy and claim as much *raid* land as they can. People possessing ready cash are apt to enclose big areas in a *raid* land to the exclusion of everybody else in the village. The traditional social system has been conducive to allow the bakhraws the much-needed primitive accumulation. The customary land tenure recognises the permanent and heritable right of a person over *raid* land if it is not kept fallow forthree years at a stretch. Thus the *bakhraws* having the necessary capital and legal sanction acquire as much private land as they think can be profitably cultivated. It has been noted that there are instances where even mud or stone walls are erected right round the areas, and instead of ordinary cultivation, pine trees are grown, and the areas with the trees kept as their private reserves and regarded as in their absolute possession, with a right to cultivate there and sell the trees therefrom and then grow trees again as in *Ri Kyntis*.[8] In many places the valley lands have all been enclosed as the *ri kynti* of private owners, and *ri- raid* is identified with hills and barren wastes.[9]

Finer Nuances of Tenure

The division of lands into *ri kynti* and *ri raid* is good for the purposes of a first approximation but much of the finer nuances of land tenure in Khasi hills are lost if one refuses to go beyond it. From a careful scrutiny of all available records in Table 1 has been prepared to show the different types of land according to authority and tenure in Hima Maharam. Ri means land, and Ri Syiem indicates land set apart for the use of the Syiem ruler. *Ri bam Syiem* is the crown land where crops are grown for the maintenance and benefit of the Syiem family. *Ri lapduh* is the privately owned land of a clan or family that has become extinct. Such lands according to the time-honoured custom escheats to the Syiem who is regarded to be immune from any curse on that family.

Khlaw or *'Law* means forest. *Ri Law Lyngdoh* is forest land managed by the Lyngdoh priest for the sake of religious rites and rituals of villagers. *Ri Lyngdoh* is his service land kept apart for his maintenance and upkeep. *Ri Law Sumar* is land afforested by private person(s) and hence private property. *Ri Kur, Ri Khain* and *Ri Duwar* are clan lands. Of these, *Ri Duwar* is usually situated on way to market places, river ghats or the like giving their owners the opportunity to collect tolls from people.

Ri Nongtymmen is ancestral property obtained through inheritance. *Ri Khorid* is land acquired and purchased by oneself. *Ri Dakhol* is private land by virtue of continued occupation and possession. *Ri Spah* is land held on lease over which the lessee has use, heritable and transferable rights for as long as he pays rent to the landlords. *Ri Longdung* is also leasehold land which however cannot be transferred by the lessee to any other without the permission of the landlords.

Ri Law Shnong is reserved as village forest for supplying firewood, building material, etc, to the villagers. *Ri Law Kyntang* is village forest reserved for religious uses. *Ri Raid* is common land where cultivation can be undertaken by any commoner after obtaining due permission from the Dorbar; cultivation is undertaken individually on plots assigned by the appropriate Dorbar and hence the existence of common land should not be confused with any variety of primitive communism. *Ri Law Adong* is prohibited forest maintained as water catchment areas or for such other ecological reasons. *Ri Law Sang* is however an absolutely tabooed forest and never put under any uses, for, it is commonly believed that the use of or encroachment upon such land will bring misfortune to the person concerned. *Ri Pud* is no-man's-land because it is left as a buffer to differentiate the boundaries of two adjacent landed properties.

Ri Kynti proper will therefore include *Ri Law Sumar, Ri Kur, Ri Khain, Ri Duwar, Ri Nongtymmen, Ri Khorid*

and [illegible] has [illegible] and [illegible] rights over them. Community land, strictly speaking, will include *Ri Law Shnong, Ri Law Kyntang* and *Ri Raid* only. Attempts are however made sometimes by interested persons to give an inflated picture of community land by including within its ambit prohibited land like *Ri Law Adong* and *Ri Law Sang*. The inclusion of prohibited land, barren land or buffer land within the so-called *Ri Raid* is misleading and does not meet the growing demands for social justice.

Ownership and Control

In Hima Maharam there are numerous *Ri Nongtymmen* and *Ri Khorid*, 17 *Ri Khain* and only four *Ri Raid* lands. The area under individual *Ri Kynti* is not known. But according to one estimate, *Ri Khain* and other clan lands form about 33 per cent of total territory while the *Ri Raid* will be about 10 per cent.[10]

The Jaits or clans who own *Ri Khain* or *Ri Kur* in Hima Maharam are the following : (1) Syiem, (2) Lyngdoh, (3) Sanglem, (4) Lyngkhoi, (5) Ryja Mongrem, (6) Thongni, (7) Tongwah, (8) Wanniang, (9) Jyrwa, (10) Kharjahrin, (11) Ramsiej, (12) Mawlein, (13) Marngar, (14) Nongsiej, (15) Nonglam, (16) Snaitang, (17) Shangdiar (18) Shylla.

The Syiem, ruler of Hima Maharam has authority over *Ri Syiem, Ri Bam Syiem* and *Ri Iapduh*, as has been mentioned earlier. But the Syiems as a Jait have their clan land also. The *Ri Khain* called *Ri Dewsaw* within Hima Maharam is the property of the Syiem clan. The land is leased out to people for purposes of cultivation on various terms and conditions. Similarly the Jait Snaitang has its clan land called *Khain Raibah*. So also with the other clans mentioned above.

Sometimes the clan lands are owned and managed by more than one clan together. The '*Ri Khain Nonglang* and Mawkyrwat bazar' in Hima Maharam is one such example. It has been for long a joint property of the following five jaits: Shangdiarbah, Shangdiarnah, Shylla, Lyngdoh and Wanniang. However since the Wanniangs have sold away their rights to the remaining four jaits, it is now a *Ri Khain* of Shangdiarbah, Shangdiarnah, Shylla and Lyngdohs. It is a huge land area of about 100 square miles and about one fourth of the whole of Hima Maharam is contained within it. There are 17 villages within *Ri Khain Nonglang*. 115 *mawpud*s (Boundary marks made of stones) have been implanted at various places to demarcate the total territory. According to traditional accounts it ap[illegible] been acquired [illegible] by [illegible]. There have been other [illegible] tenders and many inter-jait and inter-village feuds took place over the possession of the territory.'

A committee of four representatives, one from each Jait, manages the administrative affairs of *Ri Khain Nonglang*. Traditionally, the representative of Jait Shagdiarbah is the ex officio 'Manager' of the Committee. The managing committee (*Ka Seng*) is responsible for the management of land, including leasing out of Mawkyrwat bazar, maintaining registers and accounts regarding land leased out for cultivation of potatoes, paddy, horticulture, fisheries, building of houses or shops, claiming compensation from the government for construction of offices and roads, afforestation, keeping provision for village graveyards, church and playground. The managing committee also undertakes to maintain law and order and settle land disputes. No individual lease holder is allowed to put any boundary stones by himself. The leaseholders hold land as *Ri Spah* or *Ri Longdung* as the case may be. They do not have any right whatsoever in the administration of the territory and are not entitled to send any of their representative to the managing committee. Their rights are limited to obtaining their shares from the produce of the land according to the terms agreed upon (see Appendix 'A' for an understanding of the type of terms and conditions that are usually put forward in a lease of clan lands).

The ownership, management and control of land being such as has been described above, it is possible that a large number of tenants and agricultural labourers are there among the agricultural population. The number of tenants cannot be ascertained from any of the published documents and the census definition of agricultural labourers is also inadequate for this purpose. Table 2 presents a breakdown of cultivators and agricultural labourers as obtained from the census data for some of the villages within *Ri Khain Nonglang*.

The law of female ultimogeniture prevailing in Khasi hills has sometimes been held responsible for facilitating the creation of a class of dispossessed citizens. But an archaic matrilineal inheritance could not have survived if it went against the *Bakhraws* or failed to attain some sort of an equilibrium for a long period. The existence of *Ri kynti, Ri kur* or *Ri khain* and the type of organisation evolved for their maintenance creates a ready demand for tenants and labourers, and thus the [illegible] by *Ri raid*, [illegible] even though composed mostly of hill wastes and forming barely 10 per cent of the total land mass, have the characteristics of a built-in safety valve. But, it appears, it will not be able to sustain for long. One reason is that in many places including Hima Maharam the Syiem is the custodian of *Ri Raid* lands for and on behalf of the people. The Syiem in company with the *Bakhraws* is a sort of manager for *Ri Raid*, and as such he leases out the land for cultivation, house-sites, livestock and poultry farming, etc. He may punish or expel people from the *Ri raid* if he considers that they are undermining his authority. Gradually, therefore, the Syiem may grab a part of *Ri raid* and use it, for all intents and purposes, as his private land. According to one report the areas of Ranikor-Langshnong-Munai-Balat in Hima Maharam have already been made the *Ri kynti* of Jait Syiem through the above process (see Appendix 'B' for a copy of the lease form issued by the Syiem on land situated within *raid* land of Balat and Ranikor).

Appendix : A

This land __________ leased out for cultivation in lawmyriaw is the *ri kynti* of three clans (1) Kharthongal Ryja, (2) Bangto and (3) Pallar, and situated in Nonglah within Hima Maharam.

We, the main representatives and administrators of the three clans who are the owners of the '*Ri Kur Ri Kynti Lawmyriaw*' in Nongnah within Hima Maharam, give this in writing to you U/Ka __________ of ______ so that you may know that we have leased out for cultivation of ______ crops in the plot named ______ about ______ by ______ in area within the *ri kur ri kynti* of our three clans, and that this portion of the land so leased out has been shown to you. You will cultivate this land according to the terms and conditions as given below:—

(1) This lease will be valid for one crop season only.
(2) You will not cultivate more land than what is given to you.
(3) You will pay without fail during harvest the rent upon this land at the rate of one-fifth of the produce or according to the changes made from time to time.
(4) If you cut the forest and do not sow without any valid reasons then you must pay compensation for the damage to forest caused by you.
(5) You are not allowed to sublet the land without first obtaining the permission from us the landlords.
(6) If you do not take due care and abandon this land it will be taken back from you.
(7) You are not permitted to put fire in this land.
(8) You are not allowed to construct houses excepting field-sheds.

[illegible] terms and conditions.

Signatures

Dated Domsohkhai
the ———— 19 .
on behalf of the three clans of Nongnah
I U/Ka ———— of ————
take this plot of land on lease for cultivating ———— from you, the landlords, according to the terms and conditions above. I promise to obey all these and if I violate any you, the landlords, will take back the land immediately from me.
Dated Domsohkhai
the ———— 19
Signature of lessee ————
Witnesses (1)
(2)

APPENDIX : B

From the Office of the Syiem of Maharam

Patta No ———— of 1968————
Dated Mawkyrwat, the ———— 1968
To
U/Ka ————————
Village ———— Maharam Syiemship.

This lease (*patta*) is given to you by me so that you may cultivate the paddy field in the area called ———— within Raid Balat and Ranigor, the dimension of the land being———— *Kiar*, as per the boundaries shown below: —

North — East — South — West ——

You will observe the following terms and conditions:—

(1) You must renew this *patta* and pay duly the lease money (*bai patta*) before 31st March of every year.
(2) That you will not sell, mortgage or transfer the land in any manner without the knowledge and sanction of the Syiem.
(3) That you will have no claim upon this land given on lease to you if you leave Hima Maharam or give up possession for three years or if you do not pay regularly the *khajna* (bai khajna).
(4) If you violate any of the conditions of this *patta* the Syiem will forfeit away your rights.

Signed

Syiem of Maharam Syiemship

I agree to abide by the terms and conditions made above in full faith and knowledge without being compelled by any one.

Lessee

Notes

[The present paper is a part of the project for which the author was awarded a fellowship by the Anthropoligical Survey of India. The author is thankful to Arunaditya Chakraborty for helping him in translation of some of the Khasi texts into English.]

1 There are three different accounts from three available sources. The Jait Syiem arrived either from Nongkrem ("*Ki Syiem Khasi Bad Synteng*", H Lyngdoh, 1964, pp 17-73), or Sutnga ("The History and Culture of the Khasi People", Hamlet Bareh, 1967, p 125) or Laban, Shillong (Memorandum by H Rees Myntri, Manager, Khain Nonglang, Maharam, in the "Report of the Land Reforms Commission [illegible]

[illegible] Lyngdoh, [illegible]

4 "Notes on [illegible] Law", Keith Cantlie, Shillong, 1974, p 147.

5 R K Ryja, *op cit*, pp 172-82.

6 "Ka Jingsneng Tymmen Shaphang Ka Akor Khasi", R S Berry, 1903.

7 'Land Tenure in the States' by David Roy in Cantlie, *op cit*, p 118.

8 *Ibid*, p 121.

[illegible] *op cit*, pp [illegible]

10 Memoranda by Kerdor [illegible]gdoh pp 125-28; H Rees, pp 169-71 R K Ryja, pp 172-81; Lobori Sawkmie, p 199; D Shaitang, pp 205-06; E C Thongni, pp 208-09; P Wanniang, pp 215-16; in "Report", *op cit*.

11 Memorandum by R K Ryja, *op cit*.

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ECONOMIC AND POLITICAL WEEKLY

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RURAL LABOUR: DEEPER IN DEBT

BUYING TIME IN NEPAL

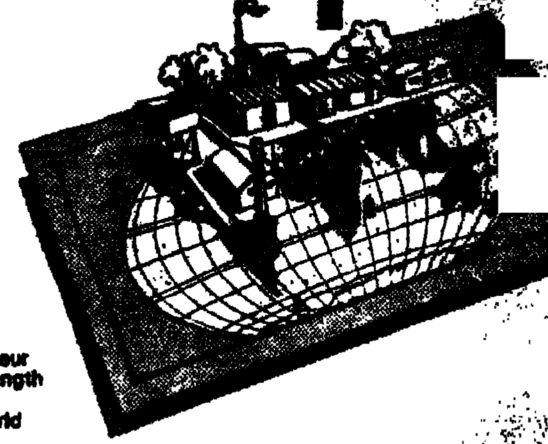
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... Debt

DESPITE the plethora of schemes and programmes supposedly intended to ameliorate the condition of the poor, the plight of rural labour has steadily worsened. The government's own periodical enquiries into the condition of agricultural and rural labourers bear this out.

The Rural Labour Enquiry of 1974-75, fourth in the series, marks many improvements over the preceding three such enquiries—the first and second Agricultural Labour Enquiries of 1950-51 and 1956-57, respectively, and the Rural Labour Enquiry conducted in two phases in 1963-65. These surveys have unravelled different dimensions of the poverty among agricultural (and all rural) labour households: the extent of employment among male and female labourers, their earnings, the nature of occupations, indebtedness, sources of debt, purposes of debt, etc. The 1974-75 Enquiry has covered three further aspects: (i) extent of awareness among agricultural labourers regarding the Minimum Wages and its provisions; (ii) extent of trade union organisation among agricultural labourers; and (iii) educational levels among rural labour households. A Summary Report setting out some of the major findings of the Enquiry was released by the Labour Review last year (*EPW*, August 17, 1978). Now the Bureau has released the first of four independent reports which it proposes to publish. This one is on indebtedness among rural labour households. The other three reports will deal with (i) wages and salaries; (ii) employment and unemployment; and (iii) household income and expenditure.

The report on indebtedness presents information separately for scheduled caste and scheduled tribe households among agricultural labour households and all rural labour households. The Report also presents data on (i) the nature of debt (whether hereditary or contracted and, in the latter case, whether in cash or kind or both); (ii) purposes of debt (whether for household consumption, ceremonial purposes, productive uses, etc); and (iii) sources of debt (whether moneylenders, shopkeepers, employers, co-operative societies, banks, etc). Data on all these aspects are presented separately for (a) households with land and those without land; (b) different states and zones; (c) households of different sizes; and (d) households classified by amount of debt. Finally, the findings of the 1974-75 Enquiry have been compared with those of the 1964-65 Enquiry.

While the total number of all rural households increased by 11.7 million, or by 16.6 per cent, from 70.4 million to 82.1 million between 1964-65 and 1974-75, the number of rural labour households increased by 7 million, or by as much as 39 per cent. Thus, of the total increase in the number of rural households, about 60 per cent was of labour households. The number of agricultural labour households increased by 36 per cent, or by 5.4 million. In other words, about 46 per cent of the increase in total rural households and 77 per cent of the increase in rural labour households were accounted for by agricultural labour households. The processes by which the rise in the number of labour households has taken place is as significant as the fact of the rise itself. The Labour Enquiry understandably cannot throw light on the dispossession of small and marginal farmers of their land, but it does bring out the fact of a progressively larger number of small and marginal farmers swelling the ranks of agricultural labour households. Thus the *proportion* of agricultural labour households *with land* has gone up from 43.9 per cent in 1964-65 to 49.2 per cent in 1974-75. It is this growing pauperisation of rural and farm labour households which provides the backdrop to the Rural Labour Enquiry's findings on the incidence of indebtedness among these households.

Debt is defined by the Rural Labour Enquiry to include borrowings in cash and kind, credit purchases, and advance payment received for forward delivery of goods. The proportion of farm labour households which were indebted had gone up from 60.6 per cent in 1964-65 to 66.4 per cent in 1974-75. State-wise, the incidence of indebtedness was more than 70 per cent in Bihar, Rajasthan, Punjab, Haryana, Andhra Pradesh, Tamil Nadu and Kerala. It is noteworthy that the increase of indebtedness among rural labour households in 1974-75 was the heaviest in the two agriculturally most prosperous states of Haryana (80 per cent) and Punjab (75 per cent). It is noteworthy, however, that institutional credit from co-operatives or banks to labour households in these states was not higher nor was their dependence on non-institutional sources of credit any the less than of households in other states.

Secondly, the incidence of indebtedness was higher among the rural labour households *with land* than those without land. At the all-India level, the proportions for the two types of households were 71 per cent and 62 per cent, respectively. The share of institutional agencies in the total debt of labour households was negligible. This is apparently explained by the fact that money-

lenders and landlords are more willing to give credit to those who possess some land, however small, than to the landless.

Thirdly, scheduled caste labour households had the highest incidence of debt, i e, 71 per cent in 1974-75; and the proportion had gone up from 66 per cent in 1964-65. The corresponding proportion for scheduled tribe households was 50 per cent in 1974-75 and 47 per cent in 1964-65.

The average debt per indebted rural labour household rose from Rs 244 in 1964-65 to Rs 584 in 1974-75. The northern zone had the highest figure of average debt in both 1964-65 and 1974-75. In Rajasthan, the average debt was Rs 585 per indebted household in 1964-65 and Rs 1,434 in 1974-75; in Punjab and Haryana it was Rs 1,201 and Rs 1,648 in 1974-75, while it was Rs 629 for the composite state of Punjab in 1964-65. The other states with relatively high average debt were Gujarat (Rs 294 in 1964-65 and Rs 799 in 1974-75) and Karnataka (Rs 312 and Rs 750). It is interesting that even scheduled caste households had high average debt in the very states which could claim to have done better than other states in agricultural development.

An important piece of information gathered by the Enquiry relates to the disaggregation of outstanding loans into 'hereditary' and 'contracted' components and of the latter into cash, kind and mixed loans. 'Hereditary loans' are debts "transmitted or handed down from one generation to another". The average amount of such debt per indebted agricultural labour household had doubled from Rs 15 in 1964-65 to Rs 30 in 1974-75. Zone-wise, the average of hereditary debt was again the highest (Rs 53) in the northern zone. By and large, even hereditary debt was thus relatively high in the agriculturally developed states. Though hereditary debt accounted for only 5 to 6 per cent of total loans in all regions and states, the absolute amount of such debt per indebted household doubled between 1964-65 and 1974-75. The share of hereditary loans in total indebtedness was the highest (9.6 per cent) in the west zone consisting of Maharashtra, Gujarat and Karnataka.

The share of loans in kind in 'contracted loans' rose from 12.8 per cent to 14 per cent during the decade. The proportion may be low, but its persistence and even slight increase, as the persistence of hereditary loans, does say something about the slow-changing institutional structure of Indian agriculture.

The Enquiry shows that "loans taken for household consumption continue to be the single dominant factor responsible for debts", though their share of the total indebtedness decreased somewhat from 53 per cent in 1964-65 to 48 per cent in 1974-75. The share of loans for productive purchases, however, showed only a small rise from 11.9 per cent to 12.7 per cent in 1974-75, and the sharpest rise was in the share of loans for multiple purposes, 1.9 per cent to 14 6 per cent. All this is of some relevance because one of the complaints of the institutional credit agencies such as co-operatives and banks has been that they cannot lend more to the weaker sections of the rural population (like agricultural labour households) because their borrowings are essentially for consumption. This argument is only partially true, since it would appear that roughly one-half of the borrowings of rural labour households is not directly for consumption Further, as the Sivaraman Committee on consumption loans has emphasised, in the case of such poor families there could hardly be any distinction between consumption and production credit. Yet, the institutional agencies have not made much headway in providing finance to rural labour households This is amply evident from the Report

Moneylenders remained the single major source of borrowing for labour households. In 1974-75 "they accounted for about 48 per cent of the total debt raised by agricultural labour households" and, what is more significant, this share had shot up from 30.6 per cent in 1964-65. By contrast, the share of co-operatives had crawled from 5.1 per cent in 1964-65 to 5 3 per cent in 1974-75 (the share of co-operative credit for scheduled caste labour households had in fact declined from 4.7 per cent to 3 8 per cent). The share of commercial banks in total indebtedness of farm labour households was just 3 5 per cent in 1974-75 (no comparable data were collected in 1964-65); in the case of scheduled tribe households, also it was 3.8 per cent and even less, 2 per cent, for scheduled caste household.

Nepal

Buying Time

THE announcement that a referendum will be held in Nepal to ascertain whether the Nepalese people desire the existing Panchayati system to continue in its present form, whether they desire to have some reforms incorporated into it, or whether they favour a return to a multi-party parliamentary set-up marks an important step in the movement for reforms in that country. The announcement has followed more than a month of widespread protests and demonstrations which, in the face of repression let loose upon them, have occasionally turned violent. Even according to official estimates over 20 people have died and over 250 people injured. The protests were getting increasingly better organised during the later phase, and the Nepalese government itself had most reluctantly acknowledged that these protests had all the appearance of an organised political movement for democratic reforms. The announcement about the referendum in fact came just a day after the outbreak in Kathmandu of one of the largest and most militant demonstrations, to control which the Nepalese army had to be called out.

The attempt to contain and suppress the protests has followed the usual pattern of the stick and the carrot. The initial reaction was to let loose in full strength the forces of law and order against the protesters and simultaneously come down hard on real and suspected supporters of the movement. The arrest of the former prime minister B P Koirala on the startling charge that he, the leader of the most loyal opposition to the monarchy, was behind the violent incidents in Hetaura, shows how panicky and even self-defeating the original reaction of the Court was to the protests Counsels more sober and having a greater foresight seem to have prevailed—no doubt, being influenced by developments in other nearby monarchies in recent times; and the announcement of a referendum has to be seen as an instance of such foresight, intended to prevent the protests from taking an unpredictable and possibly quite dangerous turns B P Koirala himself (when he was released from detention on May 9) once again admonished his monarch that "if the present situation is let to drift, the danger is that the next phase will be more radical in which even the King might not be spared". Naturally, the most enthusiastic and even fulsome welcome to the King's proclamation has also come from Koirala himself.

With the proposed referendum expected to be completed "soon" (an autonomous Election Commission is to be set up within a week to supervise it), and with the expected vote for a restoration of the parliamentary form of governance, politics in Nepal is poised for some unexpected developments Internally, the restoration of parliamentary institutions and a multi-party

system would mean of fresh lease of life to broadly the same alliance of classes which have been in power in Nepal. The referendum, even while it speaks of a possible alternative political system based on universal adult franchise and secret ballot, does not specifically ask voters to pronounce any opinion on the role and functions of the monarchy itself which, as Koirala has repeatedly acknowledged, might be expected to continue to play a crucial role in any future political set-up. Also, with at least four former prime ministers (five if one includes Kirtinidhi Bista who has just resigned) continuing to be politically active, and with the Nepali Congress riven into factions on the question of the role of the monarch in any future democratic set-up, the restoration of a multi-party system in Nepal might only be the beginning of fresh struggles.

Under Mahendra and Birendra, Nepal followed the policy of maintaining a wary distance with India. With all its talk about being the only Hindu kingdom in the world and thus bound to India with unbreakable spiritual ties, Nepal retained a healthy wariness about its giant neighbour to the South and, as part of that policy, cultivated close economic and political links with other smaller nations of South Asia. Moreover, situated as it is a buffer between China and India, Nepal recognised the excellent advantages to which it could put this seemingly disadvantageous geographical position. The many concessions secured from both India and China show how skilfully it played one country against the other Given the dominant position of the Nepal Congress in the past, its general orientation and its closeness to powerful elements in Indian politics, it is a moot point whether in the event of that party's being able to recapture its past dominance in any future democrătic set-up, the careful neutrality maintained by Nepal in matters concerning other South Asian countries might not be slightly nudged into the position of 'a neutral in favour of India'.

It is unlikely that the political changes that have begun to take place in Nepal *will stop at a mere reform of the present* system of rule by royal decree or its substitution with rule by parliamentary decree. The changes that have begun are surely going to have a momentum of their own, though what precise shape they may take is still not clear. But of one thing one can be fairly certain: many others besides the people of Nepal would be anxious to keep track and if possible control the course of events — India being not the least important of them.

Credit Policy

Skirting the Issues

THE Reserve Bank has just completed yet another ritual of a meeting with the chief executives of scheduled commercial banks to review "the trends in monetary and credit situation during the last financial year" and, against that background, to outline the credit policy for 1979-80. Certain features of the background need to be noted.

Commodity prices, particularly those of manufactured products, which were on the increase even before the Central budget have started galloping since. For instance, in the first nine months, (April-December) of 1978-79, the general index of wholesale prices had risen only by about 1 per cent, yet prices of many key manufactured products had risen by 8 per cent or over: basic metals, alloys and metal products 8 6 per cent, non-metallic mineral products 10.6 per cent, rubber and rubber products 18.5 per cent, leather and leather products 17.3 per cent, and jute textiles 8.6 per cent. In the fiscal year ended March 1979, the price index of manufactures went up by 6.6 per cent and the increases in the above commodity groups ranged from 10 per cent to 30 per cent. By end-April, the index for the manufactured products group again rose to 193 2 from 187.1 at end-March 1979, a further rise of 3 3 per cent.

The prices of agriculture-based manufactures, which had not shown substantial increases earlier, have now joined the climb. The food products index has shot up from 164.1 at end-March to 171 at end-April, sugar from 159.4 to 169.8 and edible oils from 162 1 to 165.7 Textiles have risen from 182.4 to 188.6. Even the 'primary articles' index has risen from 180 8 to 184. The index for all commodities similarly increased from 190.5 to 194.3, and further to 196 8 for the week ended May 12, 1979. These trends are based on the official wholesale price quotations; in reality price increases will have been even sharper. Retail prices of various articles, including some items of mass consumption, have risen still faster.

With stocks of major agricultural commodities — foodgrains, raw cotton, raw jute, sugar, edible oils, tea and coffee — being very substantial, the commodity markets have no reason to provide an impetus to price increases Above all, there is the largest ever cushion of foreign exchange assets which has made possible liberal imports. These should have been expected to prevent any serious pressure on commodity prices. At the same time, investment activity has been subdued so that genuine investment and consumption demand could not have been large. Finally, cost of production has been kept down with restraints on wage payments and relative stability in the prices of wage goods during the past three years thanks to the bumper harvests. Only in some administered prices has some increase been permitted by the government. Cost-push could not therefore have played any major role in pushing up the prices of manufactured goods.

The data on credit and monetary expansion during the past three years, on the other hand, underscore the enormous additional liquidity that has been injected into the system. An increase of Rs 8,385 crores (or 63 per cent) in money supply (M_1) or that of Rs 9,590 crores (81 per cent) in bank credit to the commercial sector during the past three years 1976-77 to 1978-79, has obviously provided enormous liquidity, particularly to traders and merchant-manufacturers who would use their financial powers for speculative activities and for regulating supplies to the market with an eye to margins.

Yet for all that, the credit policy for the current year spelt out by the Reserve Bank Governor at his meeting with bankers still leaves everything to the central bank's proverbial 'moral suasion'. With bankers and large borrowers alike having an interest in large credit expansion, any policy which relies on their initiative in curbing credit is bound to fail. In the absence of concrete measures, none of the Reserve Bank's guidelines can be expected to bind bankers who have funds to deploy. Even raising incremental statutory liquidity ratio to 40 per cent would not restrain them They would default on statutory ratios; they would lend less to the priority sectors; but they would not lose their large accounts.

In 1978-79 a record volume of non-*food credit expansion* was allowed to take place — Rs 2,500 crores, compared with Rs 1,400 crores to Rs 1,600 crores in the preceding three years. Even if the bankers attempt to restrain credit to last year's level, which is very unlikely, the absolute amount of expansion would still be large. As for scrutiny of credit limits or scrutiny of large accounts, the existing banking system is ill-equipped for these tasks. Scrutiny of large accounts is prescribed as a ritual every time there is a runaway

credit expansion. The Reserve Bank's advice to bankers against valuation of collaterals based on future price expectations is no more relevant. Collaterals are always valued at current prices and bankers have neither the expertise nor the willingness to question the price quotations claimed in different purchase and sale transactions by their borrowers. Also, all these steps would be relevant, if at all, for grant of fresh or enhanced credit limits. In a short-term context, it is restraint on use of existing limits that will be more relevant.

As for return flow of funds from such industries as sugar and textiles, it is doubtful if any initiative taken by the commercial banks will bear fruit. After all, the holding of sugar stocks by the industry, though this has tended to push up sugar prices, has the blessings of the government.

These aspects of the new credit policy are thus largely irrelevant. The reforms promised by the Reserve Bank in the cash credit system and the system of participation certificates should be welcome but their impact will be felt in the long-term — and that too depending on the actual content of the reforms.

Congress (I)

Downhill All the Way?

A Correspondent writes:

THAT Indira Gandhi had to go in search of a constituency from which she could seek election to the Lok Sabha was a comedown enough for her; that she was prepared to face the far from certain prospects of victory at Thanjavur only underline her desperation; and the last minute reversal of the decision imposed upon her is a humiliation she could have well done without.

The developments in Thanjavur have once again shown that in sharp contrast to her earlier style of functioning, when she was the grand manipulator and others served her purposes, she is now herself being used by her own avowedly loyal followers and admirers. Indeed, as her immediate political future was being decided by Devaraj Urs, M G Ramachandran and even Morarji Desai, Indira Gandhi herself was forced to be a mere observer on the sidelines.

What is, however, relevant about the Thanjavur drama is not whether any pressures were brought upon by the Prime Minister on the Tamil Nadu chief minister not to extend support to Indira Gandhi with barely concealed threats being held in the event of his disregarding the Centre's 'advice', or whether the Karnataka chief minister played his by now well known ambiguous role by both supporting and opposing Indira Gandhi in the same breath, or even whether the Tamil Nadu chief minister was moved by no other consideration except that of ensuring that Thanjavur did not become a battlefield where political battles of an entirely different sort would be engaged upon by proxy; far more to the point is the fact that in the space of barely a few hours on the night of Sunday, May 20, Indira Gandhi was made to change her mind. So, once again, the plans to return to Parliament have gone awry; and very graciously, Devaraj Urs has repeated that Chikmagalur is available to her 'for the asking'.

Indira Gandhi's chagrin at being (for a change) so neatly made use of has been barely concealed. She has flatly repudiated the Tamil Nadu chief minister's contention that his lack of enthusiasm for her candidacy at Thanjavur was due to apprehensions that such entry would raise law and order problems; and while reiterating that her preference for a constituency from which she could enter Parliament was "always Chikmagalur" (a scarcely credible claim is that every preparation had been made to begin her election campaign in the Thanjavur), she has also expressed her annoyance and even apprehensions about the Karnataka chief minister. She was probably speaking nothing but the whole truth when, in answer to a question from a correspondent at Madras airport on Wednesday whether the Karnataka chief minister had anything to do with the Tamil Nadu chief minister's decision, she said "I do not know".

The poor response to the rally against the special courts bill ought to have convinced her that even within her own party, there is little enthusiasm to fight her personal battles. The substance of her speech during the rally only reminded one of the bad old days when she was ever ready to see in all opposition to her policies only prospecitve assassins of her and her family. Significantly, her latest utterances about the 'persecution' that she and her men are being subjected to are considerably less theatrical; the special courts, even though still considered as part of a programme of "political vindictiveness", are now acknowledged to be a "comparatively unimportant issue". This could of course be her own way of underplaying the seriousness of the endeavour of the Janata government to bring (however belatedly) the culprits of Emergency and every other excess that logically followed the original crime to book; but it also shows an awareness that her ploy of constantly harping on 'political vindictiveness' would not pay.

It is not as if there are no issues over which a serious political organisation can fight the present conglomeration at the Centre. But Indira Gandhi is peculiarly unqualified and ill-equipped to undertake the task because she, and even her party, have failed to make any headway from the apparently strong position they were in a year ago (soon after the split in the Congress) when it looked as if the rehabilitation of Indira Gandhi was just a matter of time. Despite all the help rendered to her by the Janata government by its own incompetence and worse, Indira Gandhi now appears to be in a far worse position politically than she was a year ago

LETTER TO EDITOR

Backward Class 'Benefits'

THIS is with reference to the special article on 'Backward Class Benefits in India, 1920-70', by Lelah Dushkin (April 7, 1979). In Table 2 the writer shows the position of Scheduled Castes (SC) and Scheduled Tribes (ST) in Class IV services (peons and other menials). The percentage is 18.64— i e, less than their proportion in the total population. It is enough to pass standard VII to be eligible for employment in Class IV services. Why their percentage even in this menial service has remained static is perhaps not clear to an outsider like Dushkin.

The fact is that this country is so caste-ridden that the superior officers and their families are themselves very caste conscious. Since these Class IV employees may have to work in the residences of the higher officers, or at least have to fetch a glass of water or tea for the officer while at work, the concerned officer is afraid that he might thereby lose his caste. This also applies to senior political leaders of the higher castes.

KONETI

Cuttack
April 28

Is Realignment under Way?

Romesh Thapar

WE may not think that anything is happening in Bharat except a growing anarchy which is now beginning to take a toll of prices and the stability they enshrine. But this would be far from the truth. There is endless and frenzied activity of a political kind which keeps the readers of newspapers titillated. And the last few days have given us considerable titillation.

For weeks on end, to cite an example, the Capital was programmed into believing that May 16 would see a dramatic Congress(I) manifestation against the impotent Janata Party and that there would be repercussions all over the land. The gullible of both Right and Left persuasion serenaded these tidings to all and sundry. When Sanjay Gandhi, and some 200 mobsters, was permitted to indulge in a rampage against the shopkeepers of Janpath earlier in the month, it was seen as a dress rehearsal. After all, in the language of Sanjay, there's only one way of dealing with his Indian critics: kick them in the teeth.

The story was current through the first half of May that the Congress(I) mobsters were planning daily jail-going, with Sanjay in tow. This, it was said, would confuse the public when jail sentences passed in criminal cases were carried out. It is difficult to say who concocts these rather sophisticated forecast. Maybe, 12 Willingdon Crescent, where that frustrated and demoralised family lives which imagines that it has some divine sanctions to rule this land.

Came May 16. The great rally was a fiasco. In fact, it must have been difficult to persuade Indira Gandhi to attend the paltry gathering — and the vulgar showmanship was naturally highlighted by the lack of people. But — and this is important — a tame government did refuse permission to the mobsters to march through Connaught Place on another inevitable rampage, and there was enough police to control whatever assembled at Ramlila grounds. Will any lessons be learned by our ruling politicians who imagine that hired processions disrupting the city and closing in on Parliament are the stuff of democracy. In fact, along, this path lies fascism.

The police in the Punjab are in fact trying to give us a lesson in this area of governance. The misbehaviour of mis-be-gotten politicians against policemen who do not bow-knee, and the daily interference in postings to police stations so that the local SHO is the politician's willing tool, is not a new phenomenon. It may have assumed crude dimensions under inexperienced Janata ministers and civil servants who have given up any pretence to independence. But these practices were, after all, part of the former ruling family's methodology.

Clearly, a new constellation of political forces is attempting its adjustment with a corrupted and dissatisfied police force. The most drastic punishment has to be meted out to those who violate disciplines in these organisations — or else there will be no organisation left! — but fragmented, panicky ameliorative measures (as in the Punjab!) are the worst possible solution. They put power into the hands of the blackmailer, the conspirator, and those who are determined to hand this country over to authoritarian manipulators.

The easy way in which people in the Capital are comparing 1979 with 1974 suggests that the thought of another Emergency is very much with the well-to-do of the cities — and, probably, of the villages. To the extent that the crisis of the system continues to sharpen and become more complex, the fear is valid. But the political situation has passed beyond the patterns of the 1971 General Elections which gave Indira Gandhi and the Congress Party unprecedented power thoughout the country. That kind of situation will not return. The subcontinent is dividing among the major parties. Only new alignments among them are on the agenda.

These alignments are forever merging and dividing the politicians in all camps — even where they speak of "Indira is India". The alignment that is likely to come on top will have to demonstrate its ability to rule effectively during the tempestuous transition that India has to make in the coming years, a transition to a new and more workable economic and political system. So far, the perspectives are woolly. All the more reason, then, that governance should be more down-to-earth and more precise.

I think some such vague reasoning lies behind the surface consolidation that is taking place in the Janata Party behind Morarji Desai. He is aged and limited, served badly by those around him, but cannot be run off his feet like so many of his colleagues, old and young. That's the real trouble. No alternative 'captain' is emerging from our motley crowd of politicians who are even incapable of seeing the Constitutional Bill through Parliament. Charan Singh weeps over his isolation in the Janata Party parliamentary elections. But hasn't he realised that he no longer possesses a reassuring image.

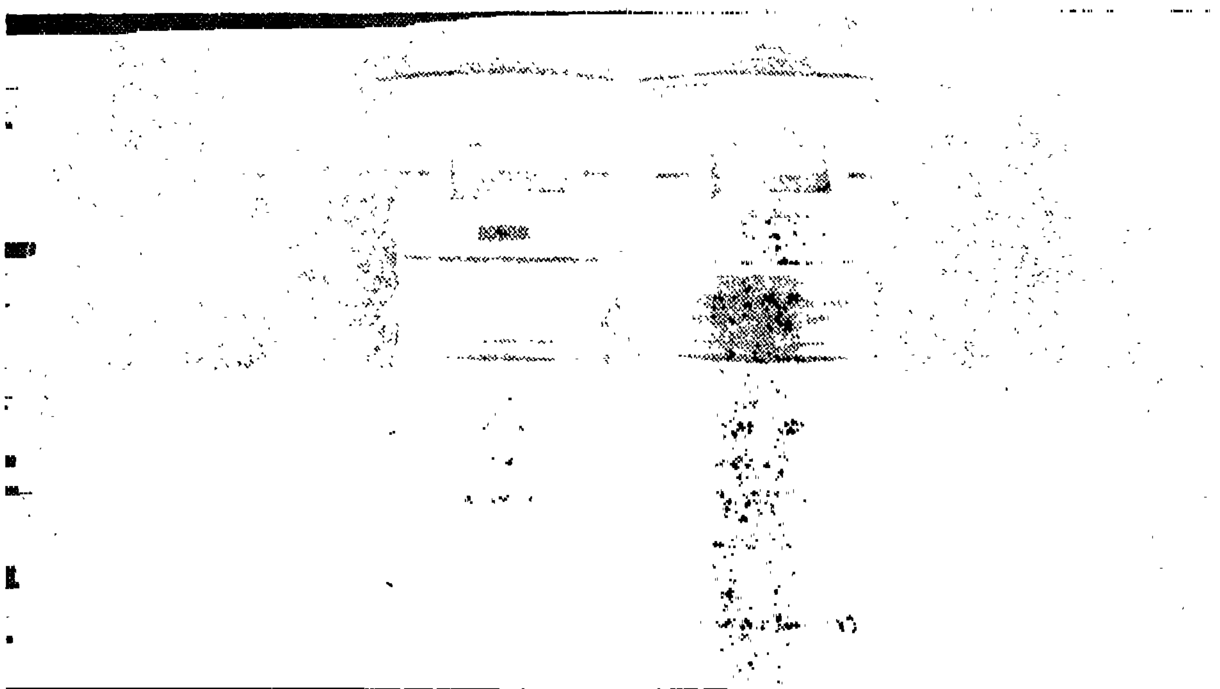
The only positive developments of the past few weeks revolve around the first signs that the constituents of the ruling Janata Party are entertaining thoughts of splits. If the Congress(O) and the Jana Sangh/RSS groupings are intact, the Socialists, the BLD and the CFD are in a ferment. If George Fernandes, Madhu Limaye and Madhu Dandavate are not moving in step, Bahuguna is no longer Jagjivan Ram's confidant. Could it be that, as the question of double membership entraps the Jana Sangh/RSS, Atal Behari Vajpayee may take a bolder posture? No one really believes that the Janata Party is beginning to fuse. Maybe, it would be more accurate to say that these speculations are part of the realignment now under way.

It is worth recording as a footnote that the despair is now so widespread that large sections of opinion are beginning to wonder whether non-governance does not demand a shedding of the extraordinary powers government possesses. Today, these are being used only to escalate corrupt practice. A sobering through for those who see a free-wheeling India as an economic disaster zone, but who do everything to destroy the fabric of a socially-conscious democratic policy that has been sought to be built.

The roll call is frightening. Massive power house closures. Strikes on the railways — and elsewhere in the government system! — for bonus. Strikes in the coalfields despite three wage hikes. Controversies between the ministries over the availability of coal. Shutdowns on a large-scale for lack of power. Black money again flourishing. Demand for goods rising despite the rise in prices. Critical supplies of steel and cement disappearing from the markets. No priorities. No urgencies. If something works, disrupt it — like Air-India and Indian Airlines. So it goes on, into every field...

We certainly need to stop—and think.

May 19



Better Performance despite Excess Capacity

Hansavivek

GOODYEAR INDIA has barely maintained dividend at 6 per cent, despite better performance. It was able to sell the entire output in spite of the competitiveness in the market due to excess capacity in the industry. Sales increased from Rs 37.60 crores to Rs 45.39 crores and the outcome was a gross profit of Rs 367 lakhs against only Rs 79 lakhs previously. After necessary provisions, there was a net profit of Rs 76 lakhs compared to a net loss of Rs 45 lakhs previously. While last year's dividend came from past reserves, this year's payment is covered by earnings nearly 1.5 times. The company's exports declined from Rs 2.91 crores to Rs 2.15 crores, due to loss of Turkey as an export market, because of foreign exchange difficulties, and increased competition in international markets in general. Labour relations were strained throughout last year. Towards the end of the year, the company experienced a series of slowdowns in various production and service departments at the factory. This was followed by a tool-down strike. After seven days, the management declared a lock-out which lasted until March 22, 1979. Production was resumed from March 30.

There have been quite a few changes in the board of directors. C J Pilliod and T E Wightman resigned and J R Sardas and J E MacDonald were appointed to fill the vacancies. V Narayanan, sales director, was redesignated executive director with wider management responsibilities. N F Cope, managing director, and B M Robertson, director, resigned on March 6, 1979. V Narayanan was elevated to the position of managing director. J R Hicks and J E Purcell were appointed directors in place of B M Robertson and N F Cope.

SKOL BREWERIES' efforts at pioneering the cultivation of hops in Kashmir have been successful and have resulted in foreign exchange saving. This year's crop is expected not only to meet most of the company's own needs but also to leave some quantity for sale to other breweries. Demand for the company's beer continues to increase steadily. In fact, production had to be restricted last year having regard to the industrial licence. But this left unsatisfied demand in several parts of the country. Maharashtra, the principal market, was serviced first and foremost. But the future prospects of the company are uncertain because of the prohibition policy of the Central government, particularly because a major part of the equipment at the brewery is not capable of being used in the production of any other beverage. During 1978, the brewery produced 63,010 hectolitres of beer—against the licensed capacity of 50,000 hectolitres and installed capacity of 80,000 litres. Sales increased from Rs 217 lakhs to Rs 258 lakhs. With margins

The Week's Companies (Rs in lakhs)

	Goodyear		Skol Breweries		Wimco		Herdillia Chemicals	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77
Paid-up Capital	748	748	120	120	845	845	735	490
Reserves	457	425	76	44	516	392	453	641
Borrowings	308	279	44	68	823	636	83	181
of which								
Term borrowings	122	174	44	61	193	219	83	131
Gross fixed assets	1797	1726	243	236	2048	1794	1441	1392
Net fixed assets	453	469	178	185	1248	1153	452	461
Investments	—	—	—	—	36	25	65	6
Current liabilities	1108	946	39	28	1108	1078	251	279
Current assets	2168	1930	95	71	1994	1761	994	1100
Stocks	966	993	51	43	661	653	326	390
Book debts	1150	883	29	27	1052	892	590	698
Net sales	4539	3760	258	217	3614	2824	2330	2048
Other income	84	87	3	2	91	66	60	65
Raw material costs	2814	2573	33	28	1239	927	1245	1093
Wages	399	360	27	19	881	754	173	150
Interest	26	48	6	8	89	78	13	17
Gross profit(+)/loss(−)	367	79	61	39	283	184	524	475
Depreciation provision	134	124	14	14	61	91	66	83
Tax provision	157	—	—	—	7	—	267	215
Net profit(+)/loss(−)	76	−45	47	25	215	93	191	177
Investment allowance provision	10	3	6	12	73	16	13	13
Transfer to reserves	21	—	27	2	41	—	46	42
Dividend								
Amount	P —	—	P 3	3	P —	—	P —	—
	E 45	45	E 11	8	E 101	119	E 132	122
Rate (per cent)	P —	—	P 9.50	9.50	P —	—	P —	—
	E 6	6	E 12.50	9	E 12	16	E 18	25
Cover (times)	1.49	—	3.45	1.25	1.40	0.64	1.34	1.34
Ratios (per cent)								
Gross profit/sales	8.08	2.10	23.64	18.00	7.55	6.51	22.49	23.20
Net profit/capital employed	6.30	—	24.00	15.24	15.80	7.51	16.88	15.65
Inventories/sales	21.31	26.41	20 00	19.81	18.29	23.12	14.00	19.04
Wages/sales	8.79	9.57	10 46	8.75	24.36	26.70	7.42	7.32

enhanced, gross profit expanded from Rs 39 lakhs to Rs 61 lakhs. Net profit was Rs 47 lakhs (Rs 25 lakhs). Dividend stepped up from 9 per cent to 12.5 per cent was covered 3.45 times by earnings.

WIMCO's sales of matches have been adversely affected by the sharp increase in excise duty. Representations made by the company, employees' trade unions, chambers of commerce and by parties indirectly dependent on the company—such as farmers, tradesmen, and ancillary industries—and by consumers have not persuaded the government to revert to the pre-budget level of excise duty. The management is examining some new projects. Swedish Match Company has agreed to give the necessary technical know-how for those projects which are within their existing lines of activity. At the instance of Andhra Pradesh Industrial Development Corporation, the company proposes to make an additional investment of about Rs 13 lakhs in the equity shares of Cleanfoods Corporation which will increase its total holding in the company to 51 per cent. The company is setting up a project at Madanapalle in AP for manufacture of tomato paste. The proposed tie-up with this company would bring in an assured supply of tomato paste to WIMCO's subsidiaries, Sun-Sip and Chandigarh Super Foods, and it is also likely to result in good export business. Sun-Sip has already shown fairly satisfactory results in the very first year of operations. The plant of Chandigarh Super Foods has been overhauled and production commenced in March last. WIMCO's factory at Ambernath has introduced new cardboard matchboxes with printed friction. Sales of this new product are at present restricted to a few cities in Western India, as the capacity of the specialised machine is limited. This, however, has resulted in considerable saving of timber. Inner boxes, made of cardboard, are now being used in the Madras factory, thereby effecting further economies in the use of timber. The company has initiated a programme of rural development through silviculture of poplars which yield matchwood of good quality in about 8 to 10 years. Nurseries have been set up in Haryana, Punjab, UP, Assam, and West Bengal, to raise and distribute suitable hybrid poplar cones, entire transplants and seedlings free of charge to the forestry departments of many states as well as to farmers. In a joint report submitted by the Khadi and Village Industries Commission and WIMCO to the Central government, the extent to which the latter can extend assistance to the former has been set out. The report recommends, among other things, that government should give fiscal reliefs on cardboard and wax paper, create additional capacity for the manufacture of match wax, allocate adequate power and actively participate in the regeneration of matchwood. WIMCO's performance during 1978 has been good with sales, profits and margins higher than their respective levels of the previous year.

HERDILLIA CHEMICALS' application for substantial expansion of its phthalic anhydride plant, from 6,096 tonnes to 12,696 tonnes, is still being considered by the government. The company has also made an industrial licence application to endorse various by-products, based on in-house research and development, on its industrial licence. Some of these items will be marketed in India for the first time and will save considerable foreign exchange. The company is installing facilities for manufacture of phthalates like diallyl phthalate and butyl octyl phthalate. Meanwhile, the management is examining several other avenues of expansion and diversification so as to ensure future growth of the company. During 1978, all the plants operated satisfactorily and overall production of finished products was about 12 per cent higher than in 1977. Production of phenol and phthalates was the highest recorded so far but that of phenol was more or less equal to installed capacity. The company is in the midst of a renovation and modernisation programme of its cumene/phenol facilities. This will cost around Rs 2.5 crores and is expected to further improve plant utilisation and efficiency On sales of Rs 23 30 crores against Rs 20.45 crores, gross profit is up from Rs 4.75 crores in the previous year to Rs 5.24 crores. Net profit is Rs 1.91 crores (Rs 1.77 crores) and dividend, lowered from 25 per cent to 18 per cent, on the capital as enlarged by a one-for-two bonus issue, is covered 1.34 times.

ION EXCHANGE (INDIA) has earned an unchanged gross profit despite higher turnover. Viewed against the background of loss of production of the first quarter of the year due to an 'illegal' strike at the factory, this outcome is considered satisfactory. With reduced tax liability, net profit is higher, and the 24 per cent distribution on the enlarged capital is well covered by earnings. The company is seeking approval of the Controller of Capital Issues and RBI for issue of bonus shares. Work of expansion of capacity of the resin plant to 50,000 cu ft has been completed. The dispute regarding reclassification of Ion Exchange resins and levying excise at 40 per cent *ad valorem* is still pending with the excise authorities. The company continues to pay excise duty under protest and has been recovering it from customers. The subsidiary, Ankleshwar Ion Exchangers and Chemicals, has gone into production in January last.

WARNER-HINDUSTAN has achieved further growth of sales and profits during 1977-78, in spite of uncertainties caused by the drug policy announced by government in March 1978. Sales advanced by 21.8 per cent from Rs 10.41 crores to Rs 12.68 crores and gross profit rose by 19 2 per cent from Rs 213 lakhs to Rs 254 lakhs. The slight slackening of pace in the latter has been, obviously, due to rise in raw material costs. With the tax liability taking away a larger chunk, net profit is only a little better at Rs 77 lakhs (Rs 72 lakhs). Unchanged total dividend of 25 per cent is covered 1.2 times. Export sales expanded from Rs 15 lakhs to Rs 47 lakhs. With the improved liquidity position, the company redeemed the 3,00,000 five per cent preference shares of Rs 10 each on May 15, 1978. These shares were redeemable at par between May 11, 1979, and April 29, 1981.

NEW DELHI

The Impossible Package

B M

RAJ Krishna, Member, Planning Commission, seems to have earned a lot of criticism for his public warning that, unless proper steps are immediately taken, the much-vaunted price stability will soon yield to an inflationary spiral. His critics even argue that such a statement by a responsible member of the Planning Commission may actually induce a market psychology which traders would be only too glad to exploit. Such a criticism is indeed naive, because the Indian trader is very sensitively tuned to market trends and would act faster than would any structured official machinery or expert.

The fact is that, for all the past talk about price stability, official circles do seem to be anxious about the looming price increases. This has already resulted in the Reserve Bank, the Economic Affairs Department of the Finance Ministry, and the Planning Commission, giving a closer look to the inflationary potential in the situation. It has led, in turn, to a frantic search for measures which will forestall a price spiral. At this stage, the effort is confined to officials and experts in the government. It is, of course, unlikely that whatever officials and specialists propose following from their own analysis will be readily accepted and implemented by the political leaders. It will, indeed, be interesting to watch how the various groups of political leadership react to the 'package of measures' being assembled in Yojna Bhavan, the Economic Affairs Department, and the Reserve Bank to arrest inflation The first draft of a paper embodying the package has reportedly been prepared in Yojna Bhavan, and may become the basis for further policy formulations

Any talk of a 'package' to arrest inflation is reminiscent of the 1974 measures taken during Indira Gandhi's regime and enforced late in 1974. That had been a ruthless exercise, directed essentially at curbing demand by curtailing the purchasing power of the working people. A bonus cut was part of it. So was a steep increase in interest rates and ostensible curbs on credit expansion. Government expenditure was simultaneously sought to be contained — mainly by reducing and phasing out developmental outlays. It is widely acknowledged, now, that this combination of measures had brought about a recession and arrested growth. There is widespread apprehension, therefore, that if the present government, too, relies on a similar package it will spell disaster for the economy. But the planners contend that such repressive solutions may not become necessary. They argue that there is enough cushion available in the economy today, which was not so in 1974. Price stability can still be restored without sacrificing growth or cutting into the standards of living of the working people.

Planners, the Economic Affairs Department, and the Reserve Bank seem to broadly agree that three sets of measures would be adequate at this stage, if these are competently implemented The first set of measures would comprise tightening of control over private credit and an upward adjustment of the interest rate structure for trade and commerce as distinct from manufacturing. It is being argued that the commercial banks will have to be disciplined as they have been far too liberal with credit to private interests and have even violated norms set by the Reserve Bank. The second set of measures concern government expenditure with a view to reducing the extent of deficit financing The appointment by the Finance Minister of a Commission on Government Expenditure, under the chairmanship of the BLD aide and MP, S N Mishra, has not been received too well. It is stressed that the immediate need is to contain deficit financing What is needed in this context is a reduction — and eventually elimination — of food, fertiliser, and export subsidies, which serve no productive purpose but are cornered by sectional vested interests. Concern is also expressed about the mounting defence and other expenditure. Similarly, the loss of revenue from liquor sales and incurring of expenses on prohibition is thought inadvisable. However, both sets of measures have political overtones.

The third set of measures stressed is an efficient public distribution system for a few selected wage goods — in particular foodgrains, sugar, edible oils, and NTC cloth — at a maintained price level. The planners are rather concerned about Dharia's much-publicised expanded public distribution scheme, which they think would be not only wasteful but would divert attention from the purpose in hand.

An issue on which approaches seem to differ even among the planners is that of wage revision, bonus payments, and claims to higher emoluments on the part of employees in the government and public sector. While some argue that strong measures need to be taken to curb wage demands, there are others who contend that it may not be possible to do so without dislocating efficient production such that the loss thereby would exceed the saving in payments. It is believed that the so-called vicious circle of wage-price increase can be avoided if other measures are taken well in time to control prices of essential wage goods. That the more sober view of wage claims has prevailed may be seen in the negotiated settlement of coalminers' wages. The question of bonus for railwaymen, however, is becoming contentious because it has not mixed up with shifting group alignments within the ruling party.

Related to the question of wage revision is that of planned price revision — for instance, of coal for which an increase has been long overdue But planners are not quite so at ease about the pressure from the farm lobby for constant increases in procurement-support prices for agricultural commodities. The recommendations of the Agricultural Prices Commission for a further increase in the support price for paddy have thus come in for sharp criticism in Yojna Bhavan On the other hand, planners also deplore the clamour for a downward shift in prices when production and productivity grow — as with cotton and sugar.

However, the principal hurdle faced by those engaged in framing the so-called package of anti-inflationary measures is whether the politicians in power, presently at loggerheads with one another, will take a cool view and the needed steps in this situation The position is extremely disheartening in this respect Each group in the ruling conglomerate has its own constituency to serve and protect Hence the politicians will be ready to accept any measure which would hurt a rival's constituency but not one that would touch their own It is this warring to protect the interests of competing interests that will make an acceptance of a coherent policy most difficult.

MASS MEDIA

Marketing of Leaders

Mukul Dube

OPINION POLLS are, unfortunately, getting more and more readily accepted as accurate and reliable indicators of objective trends. A recent issue of *Sunday* (April 1) carries a report on 'What the Cities Feel', based on a survey conducted by the Indian Market Research Bureau (IMRB). The following is a discussion of some of the many things that seem to be wrong with the report.

The sample consisted of 1,367 men and women from five cities — Bombay, Calcutta, Delhi, Madras and Trivandrum. According to the 1971 figures, the populations of Trivandrum and the urban agglomerations of Bombay, Calcutta, Delhi and Madras, aggregate 20,390,476. Assuming a 20 per cent growth since then, the total would now be over 24 million. Assuming, further, that half are below 20 years of age, we are left with over 12 million adults. The sample of 1,367 thus forms 0.0112 per cent of those people from the five cities who are over 20 — or, slightly over 11 out of every one lakh.

There are means by which the representativeness of samples can be ensured, within limits; but this becomes less effective as sample size decreases. Some form of wizardry would be necessary to make a 0.0112 per cent sample representative. The analyst describes the sample as "fully representative", saying that this is because the "findings were weighted by income". In accepted usage, this would mean that wealthy people's opinions were treated as statistically more important than poor people's opinions, or *vice versa*, neither of which makes much sense. What this bit of jargon probably means is that efforts were made to achieve equal representation for all income groups.

Since nearly anything can be justified, however, by referring to limitations of time and resources, we must take the survey as it stands and see whether the best was made of a bad job. The first question, "In your opinion, who should succeed Morarji Desai as the Prime Minister?" is based on the assumption that Morarji Desai will, or should, cease to be the Prime Minister. This is bound to happen some day; the question however clearly implied that this succession will, or should, occur soon, for only four leaders who are known to be contenders have been named. Further, the question asks, apparently without asking — an old ploy — which party should provide the next Prime Minister as well as which faction within the Janata, should there be a preference for that party.

The text accompanying this question does not discuss these matters, but that is not the only gap in the analysis. The category 'Others', which comes to 12 per cent overall, shows a great deal of variation among cities. This needs to be explained, particularly in the case of Trivandrum (25 per cent). The names of these others were presumably not mentioned because they may have been too numerous and sometimes, unimportant to list. Was there, however, a pattern (or patterns)? If some names were mentioned more often than others, the analyst might have tried to look for pointers to the future.

Another omission, and a glaring one, is the absence of any explanation for the remarkably large residual category of 'Not specified/None' (30.4 per cent overall, and above 40 per cent in three cities). On the face of it, this indicates that over 400 of the people questioned tacitly believe that Morarji Desai will go on forever, or want no Prime Minister after him, or do not care. Any of these three, if true, is significant.

As regards the hidden question, of which party should provide the next Prime Minister, Janata collectively leads with 35.8 per cent against the Congress-I's 21.8 per cent. These are minimum figures, for 'Others' may include unnamed (unmentionable?) people from these parties. An important consideration is, would the supporters of individual Janata leaders withdraw their support for the party if it were to be led by a person not of their choice? An answer to this would show whether the people interviewed regard Janata as an integrated party, as opposed to a coalition.

This distinction between party and leader(s) does not seem to exist so far as the Congress-I and Indira Gandhi are concerned : The analyst treats them as interchangeable, and the figures justify this to a great extent. Answers to the first question give Indira Gandhi 21.8 per cent overall, and those to the third question, "Whom would you vote for?" (i e, which party), give the Congress-I 23 per cent overall; the difference is as small as 1.2 per cent. Comparing the responses to these two questions, however, we find that all cities do not equate the party and the leader. This certainly merits comment, for it may indicate that the Indira Congress is not led wholly everywhere by the person from whom it takes its name.

The second question is a straight contest between Morarji Desai and Charan Singh, which the former wins with a sizeable margin. It should be noted that this question, unlike the first, does not rule out Desai's continuing as Prime Minister; moreover, it assumes that the Janata will (or is likely to) provide the next Prime Minister and that there are only two contenders.

The manner in which the questions have been framed shows heavy bias in favour of Charan Singh. In an introductory paragraph, the analyst expresses the opinion that Charan Singh (who becomes, incidentally, more important when he gets the Finance portfolio than he was as Home Minister) has carried the entire Janata Party closer to the villages in people's eyes. A questionable opinion indeed, and one that obliges the analyst to express surprise at the 'high marks' notched up by Charan Singh in responses to the first question. These 'high marks' (15.2 per cent) may well indicate that the analyst's opinion was incorrect; nor should it be forgotten that three leaders of a party supposedly "closely associated with rural India" together gather the support of 35.8 per cent respondents, all urban. But then what are 'high marks'? The analyst gives this title to 15.2 per cent, but completely ignores the 30.4 per cent taken by another category in the same table.

The fourth ("Can Prime Minister Desai lead the Janata Party to another electoral victory?") and fifth ("Would Desai's exit from the Janata Party help or hurt the Party?") questions are fairly straightforward, and the analyst is correct in interpreting responses to mean that people believe that Morarji Desai's presence, though not as PM, would help the Janata. The high percentage (28.6) of "Can't say" responses to the fourth question has been mentioned, but neither it, nor the higher proportion (31.8 per cent) of the same response to the fifth question, has been explained. Surely it is significant that nearly a-third of the people interviewed are either not clear or are not concerned or are deliberately reticent about the country's Prime Minister.

There is another curious fact which the analyst has either not seen or not considered worthy of mention. "Can't say/Not specified" responses are remarkably high in Madras and

Trivandrum, compared to the other three cities, in the second, fourth, and fifth questions. How is this to be explained? Was the survey conducted differently in these two cities? Have Tamilians and Malayalis suddenly lost their ability to think and speak? Or — and this is a more likely explanation — do matters concerning the Prime Minister and the Janata not interest them particularly?

What really brings the value of such opinion polls into question is another report: 'What Caste Hindus Feel' (*Sunday*, April 8). The sample is again 1,367, which is too much of a coincidence. One is forced to conclude that, in the interests of economy — to get the maximum mileage out of one round of questioning — the same sample is featured in both surveys/reports. The second report contains the unequivocal statement, "For the purpose of ascertaining the views of caste-Hindus...1,367 people were interviewed". There can be little doubt that the 'city-dwellers' of the first survey are also solely caste-Hindus. It would appear as though Harijans, Muslims, Christians, and others who are not caste Hindus, have either ceased to exist or have all migrated to the villages.

All in all, such surveys show how 'market' research, with its quite flexible approach to reality and its popular image as a form of scientific investigation, can go well beyond its traditional role — that of an aid in the selling of soap Properly used, surveys and opinion polls can help in the marketing of those who are perched upon the highest soap-boxes of our polity.

KERALA

Politics of Rape

Mukundan C Menon

AVALAKKUNNU COLONY is part of the Nannampilli Municipal Ward, north of Alleppey in Kerala. The colony came up in 1955 with the government allotting plots to about 160 households. People belonging to scheduled castes, including 14 ulladar and seven harijan families, are neatly segregated in Avalakkunnu in a place commonly known as harijan colony. Besides these harijans, other settlers of Avalakkunnu are Muslims, Christians, Nairs, Ezhavas, etc.

Recently Avalakkunnu has been in the news following incidents of atrocities on harijans — particularly the kidnapping and raping of some harijan women. Gangsters belonging to affluent sections and enjoying political patronage of the ruling parties, have for long been active in Avalakkunnu. However, in the last few months, they seem to have run amuck, breaking into houses, kidnapping women and subjecting them to mass rape, and burning down the huts of those who resist. The victims have rarely ventured to speak of their ordeals since the aggressors belong to the higher castes and wield political influence. During the Emergency, these poor harijans were under the influence of the Youth Congress and a few of them even derived some benefits from such an association. Now, however, *while they are subjected to various* atrocities, including the raping of their women, the entire Congress bloc has not only disowned them but (as the statement of the Alleppey Congress leaders show) has also denied the raping incidents.

The Avalakkunnu incidents drew particular attention because it forms part of the constituency of the CPI chief minister, P K Vasudevan Nair. Interestingly, none of the CPI leaders has so far spoken about the incidents. M N Govindan Nair too, the CPI MP, who undertook at Delhi probably the briefest on record 'fast unto death' last year, to draw the Centre's attention on harijan atrocities in the North, has been silent on Avalakkunnu.

Padmini, 16-years old, lives along with her widowed mother, Pappi, in the harijan colony at Avalakkunnu. According to the statement made by the Home Minister, K M Mani, in the State Assembly on April 4, some miscreants entered the house of Pappi on the night of February 2 and demanded that Padmini be left with them. According to the minister, Padmini escaped and took shelter in the house of one Bhakthan. The miscreants chased her there and a quarrel ensued at Bhakthan's house. Some days later, on February 26, Bhakthan's hut was burnt down by the miscreants The minister also informed the Assembly that cases were registered against four persons (Prakasam, Philip, Thanakachan and Chandran) who had been arrested by the police. The minister, however, firmly denied that there was any rape However, this account does not tally with the account given by the victims a week later before the enquiry commission appointed by the state government.

According to the minister's own statement, it is worth noting the incidents took place about two months before they became generally known to the public. The episode, in fact, came to light only when some social workers courageously exposed the facts to the press and public. The district collector, after making his customary denial, was forced to visit the place. But he could collect little information as the visit was neatly arranged by the top brass of the district police. With more and more facts coming to light, government was forced to order its own enquiry.

The commission has till now had two sittings at Avalakkunnu, on April 9 and 18, and four girls — Kochupennu, Sarala, Kanaka and Padmini — besides several harijan leaders and social workers have so far given evidence. Both Sarala and Kochupennu told the commission that the attackers broke into their houses and bodily lifted them when they were fast asleep. They forced cloth pieces into their mouths when the girls tried to raise alarm. They were also *threatened with dire consequences at* knife-point. Later, both of them were subjected to repeated raping spread over 3-4 hours. Both victims told the commission that they could identify the criminals.

According to Padmini and her mother Pappi, Pappi was threatened with murder if she refused to leave her daughter with the intruders: Padmini too was subjected to rape at knife-point.

Bhakthan informed the commission that his hut was burnt down when he questioned the miscreants on the rape and molestation of his niece, Sarala. Several other people who saw the burning of the hut gave evidence too. One, Thankappan, informed the commission that he saw some miscreants forcibly taking away the women who were fleeing from the burning hut of Bhakthan. Krishnankutty, a one-legged petty shopkeeper and brother of Sarala's father, informed the commission that the attackers had threatened to burn down the whole harijan colony if he informed the authorities regarding the raping of Sarala.

The Kerala government makes many claims about the various benefits it has brought to the weaker sections — benefits which have obviously served the political needs of the ruling front partners than the needs of the wretched. Yet they *seem incapable of ensuring* the honour and safety of people such as the inhabitants of the harijan colony at Avalakkunnu — a settlement provided by the government itself almost 25 years ago.

WEST BENGAL—I

Collapsing Power

Timir Basu

THE power situation has deteriorated to such an extent that the government of West Bengal had to issue on April 10, 1979, a notification under section 22 of the Indian Electricity Act, 1910. By it, the industrial consumers were not to draw power for six days from either the high tension or the low tension systems of the Calcutta Electric Supply Corporation (CESC) and WBSEB. In fact, the availability of electricity in greater Calcutta had been as low as 50 MW for quite some time, against the peak-hour demand of 575 MW. The major industrial sectors in the state had suffered a total production loss of Rs 35 crores to Rs 40 crores in March owing to the unprecedented power cut. As the crisis assumed unmanageable proportions S S Dasgupta, chairman of WBSEB was saying: "We are still trying to analyse the situation and discover what has gone wrong."

When Jyoti Basu reportedly visited the control room of CESC, the CESC authorities are said to have apprised him of the alarmingly low coal stock at their plant sites. The poor performance of this once prestigious plant is not to be explained by its recent Indianisation as by a lot of other factors plaguing it for the last decade. Actually nobody knows how much the CESC can produce at its normal rated capacity. Not even half of Calcutta's requirements come from it. It is yet to be declared sick. Despite repeated representations by workmen, and the distress expressed in different media by consumers, CESC's age-old boilers, which outlived their normal functioning period some 20 years ago, have yet not been replaced — either at Mullazore or at Metiaburuz. Nevertheless, there has been constant expansion of its real estate holdings worth crores of rupees. Now there is a reported move by CESC to install two new boilers at its Mullazore power house, so that it can raise its generating capacity by 20 MW — a replacement which should have been executed much earlier. In fact, if all the old boilers of the CESC are removed and new ones commissioned, the power position would certainly improve.

The CESC has slowly but systematically cut down generating capacity over the last two decades on the plea that worn-out machinery had to be husbanded. Erosion of existing capacity may have been allowed because power trading is more lucrative than power generation Indeed, CESC today is primarily a power-distributing house While the CESC thus enjoys the cream, the government agencies bear the brunt of the staggering loss and consequent humiliation. And now, dependence on foreign expertise has made matters worse.

WBSEB, DVC and DPL — on which Calcutta city's supply system depends — are all in a bad shape, and the State Electricity Board's plants are facing chronic mechanical troubles severe enough to result in shutdowns. Indeed, four out of the seven units at Santaldih and Bandel went out of commission. The Bandel units supplied by the Americans may have served well, but they were overworked, ignoring the complaints of workmen. Unit 4 at Bandel was closed when everything went out of control. Unit 2, which broke down as a result of tube leakage, was brought to this state as overhauling was denied for a long time. Meanwhile, there is a shocking report that Unit 3, which had to be overhauled some 12 months ago, is still working in full steam and might any day develop cracks. The maintenance staff at Bandel is working under severe strain since the so-called campaign against sabotage went into full swing. One technical hand told this correspondent that an accounts clerk was planted at the plant to keep watch on workers who owe allegiance to 'extremist' views. Even engineers who fail to fall in the line with CITU are watched by the CPI(M) activists. The reported visit to the plant by the state information minister, who happened to be a youth leader of CPI(M), could not possibly help the working atmosphere at this plant in such circumstances. There are, moreover, the para-military forces who are still present in large numbers at the Santaldih plant.

The Santaldih power house — which hit the headlines, in June last, for what was known as "workers' indiscipline" followed by a series of penal measures and police actions under the notorious 'Murshed plan' — now stands as a symbol of inefficiency, mismanagement, callousness, lack of national sentiment, corruption, and last but not least naked utilisation of government offices to expand the influence of CITU. Santaldih has neither coal nor water easily available. Perhaps it is the only power station which depends entirely on the waters from another state. For drinking water, too, some 1,300 staff members depend on the Damodar flowing through Bihar 8 km away. The failure of this plant is the result of various factors. The inner tubes of the boiler of the third unit (which was commissioned in December last after much delay and was guaranteed for a year) were blown to pieces some weeks ago. True, boilers of ABV developed trouble, but BHEL is responsible for the installation of all the three units at Santaldih. Santaldih was the first in this country to use the 120 MW BHEL units. These 120 MW units could never pick up load of above 70 MW, though the rated capacity is 120 MW, thanks to the sub-standard Russian steam turbines.

None of the units was fully synchronised since they were put into operation. The boiler of the third unit is now out of commission. The tubes of the boiler were in a damaged condition and this was reported by the workmen concerned who refused to work it, apprehending an accident. However, the authorities reportedly advised continued operation. Finally, CITU laymen came to work and tried to raise the load above 90 MW to tide over the crippling power shortage plaguing this state. In the event, the tubes were blown up when the generating capacity reached 90 MW, it is alleged The boilermen in question were freshly-recruited as per CITU advice. At the time of Kamal Ghosh's dismissal, 57 heads were appointed on an *ad hoc* basis and thereafter another 147 men came to strengthen the otherwise thin CITU membership register.

Meanwhile, experts from BHEL and elsewhere have visited the plants to solve the difficulties of their own creation. From the very start, Santaldih has had mechanical troubles whenever the units are on load. At the beginning, five major areas of trouble were identified among others — boiler feed pumps, use of high viscosity furnace oil, breakers, seal oil system, and valve leakage. All these remain. BHEL experts have made modifications and faced fresh troubles that have reached proportions which no patch-work arrangement can surmount. BHEL equipment is clearly inadequate — notwithstanding the defence of BHEL expertise by P Ramamurthy which is an importation of second grade Russian technology. It is now well known that WBSEB engineers differed sharply with BHEL experts on a number of occasions — an instance is their disputing the earlier suggestions for modifications in the design of the boiler feed pumps which were nevertheless later incorpo-

rated in the feed pumps. Opinion is that tube leakage which has become a regular feature at Santaldih will not stop so long as bad equipment from BHEL remains in operation. Poor quality coal, thanks to mounting corruption in Coal India, is another important factor which damages machinery Unwashed coal with a high degree of free silica, etc, simply intensifies corrosion — thereby shortening the life of the tubes. The boilers supplied by ABV Babcock of Durgapur are not of good standard. But it is Babcock's workmen, who were retrenched during the Emergency by its management and which are now on the WBSEB's pay-roll to replace alleged 'extremists', who are now caretakers of their earlier employers' condemned boilers at Santaldih. WBSEB has staggering liabilities of roughly Rs 1,213 lakhs to BHEL. A 220 MW fifth unit is to be installed at Bandel by BHEL. Such high-capacity unit is a new experimentation even for BHEL. So Bandel will have to brace itself for the operations to come.

Meanwhile, the sense of complacency among official circles in the state as power from UP and Orissa has started to flow (Bihar will earn the handling charge for relaying UP electricity to Bengal) seems unwarranted. Dependence on other states is no surety in today's national power management. Closure of industrial units also is no reasonable way to tide over the crisis. Already, labour unrest is growing, and there are widespread industrial actions as not all central trade unions are ready to accept the forced lay-offs resulting from the failure of power policy. Enforcement of the Electric Supply Act had already resulted in disconnection of five jute mills and one big engineering firm If the situation does not improve, which is likely, more disconnections will result and employers are hardly likely to oblige with lay-off benefits

Nobody knows when the nightmare will be over — not even the power secretary, S M Murshed. A section of Press, which supported him earlier on stories of workers' indiscipline, has now turned away. The formation of an informal body — including the state Finance Minister and the Chief Minister's Political Secretary — to monitor information on power and to keep the Chief Minister informed on the power situation, may signify a silent relegation of Murshed. But such aggregative monitoring will hardly improve the plant-level problems or for that matter the working problems arising from the utilisation of government machinery to curb the influence of other trade unions. If the present working of the power plants is to be improved, the plants should be free from CITU toughs, the working atmosphere will have to be immediately restored to normal, technical hands given due importance and recognition, and partisan recruitment stopped. This is clear in the strike by the WBSEB Workers' Union demanding, among other things, reinstatement of dismissed chargeman of Santaldih, impartial probe into the actual cause of load-shedding and reduction in electricity rate. These are not really economic demands but essentially democratic and political ones.

WEST BENGAL—II

Defensive in Power

Jayanta Sarkar

EVERYWHERE in Calcutta, when people meet these days, they talk of the power shortage and of the dreadful prospect of having to live with it—with consequent loss of work—for months and possibly years to come. The authorities are rather on the defensive. The defensiveness is reflected in a sullen silence. As the crisis has dragged on, government spokesmen have chosen more and more not to share information with the people at large. The people are thus forced to live in the dark, literally and figuratively.

The few bits of information made public hardly amount to a coherent picture. The fourth 120 MW unit at the state's newest power station at Santaldih is expected to be commissioned soon, and the fifth unit at the Bandel plant should also go on stream by early 1980. The Calcutta Electric Supply Corporation's 240 MW Titagurh unit is expected to be switched on in 1982 or early 1983.

All this sounds promising, but it is not much of an assurance. Between 1966 and 1973, not a single megawatt was added to the state's generating capacity, though demand was rising steadily and overtook the supply. The lead-time in investment lost in that period cannot be made up quickly or easily. Besides, the situation would not have been so difficult had the utilisation of installed capacity been a little better. On some days, the generation falls to just about 40 per cent of the rated capacity. If, in the circumstances, people have developed a scepticism about deadlines of commissioning and expansion of capacity, it is a healthy sign. Experience has been that more units often do not mean more power. There is also the necessity of scrapping or derating existing capacity, besides that of ensuring proper utilisation of the workable units. When the promised Titagurh unit comes into operation, it is apprehended that nearly 100 MW out of CESC(I)'s present capacity of about 300 MW would have to be scrapped on grounds of age. Similarly, much has been made of the five 20 MW gas turbines—four of them for South Bengal and one for north Bengal—which are to be in operation by August or September. These are intended to act as a stand-by and supplement supplies during peak hours They are not designed to be run round the clock for any length of time. Being highly sophisticated, they would also need a very high level of maintenance. But now the idea seems to be to make them run as long as possible. A representative of the supplying company will be in India for some time to help in this, but maintenance and operation have to be done by the State Electricity Board.

Chief Minister Jyoti Basu, who holds the power portfolio too, is conscious more than anybody else of the need to tone up the operational standard at the power stations. He and other Left Front leaders are aware that part of the problem is the result of attempts to politicise the power plant workers under earlier regimes. To add to the Left Front's discomfiture, they have to live up to the image of a government committed to safeguarding the interests of the workers. Last year, Jyoti Basu caused quite a flutter in the Front's dovecots when he despatched a contingent of para-military personnel to make the workers at Santaldih 'behave' after a functionary of an extremist trade union was sacked. Given the choice, the Chief Minister would probably not want to repeat that performance. The Front leaders at one time talked about a 'political solution', but this has never been spelt out nor pursued.

The government is now looking for new men to take charge of some of the key posts in the power administration. But a few changes at the top can at best have a limited spread effect. Moreover, it is true that some of Jyoti Basu's trusted lieutenants could have played their cards with a little more foresight and astuteness and could have, at least partly, averted today's administrative void.

As in the case of the flood havoc in September-October last year, the Left Front is hamstrung by the alacrity of detractors to say: "Look, this government cannot even manage a situation such as this". It would be a pity if that, more than other plans and considerations, dictates its power policy and publicity.

REVIEW OF MANAGEMENT

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Sickness on the Side

EVEN as the government has been claiming a near-doubling in the growth rate of industrial production in 1978-79, over the rate of 3.9 per cent recorded in the previous year, it is clear that industrial sickness is also spreading at a rapid rate. While the government does not seem over anxious to update the data on the sick industrial units, what is available so far is revealing enough.

The latest data are for the first half of 1978. These show that, at the end of June 1978, there were 325 large sick industrial units with outstanding bank credit of Rs 956 crores. These were units with limits of Rs 1 crore and more with the banks. Just six months earlier, at the end of December 1977, the number of large sick industrial units had been 289, and total bank credit to them had amounted to Rs 858 crores. A year before that, at the end of December 1976, large sick units numbering 241 had drawn Rs 609 crores of bank credit. Going by this past steady increase and other current indications, it seems likely that bank credit to large sick units has by now crossed the Rs 1000-crore mark. Yet for all the pumped-in credit, sick units have tendency to remain sick. Even the few textile units and mini-steel plants which have during the past year or so improved their working, have not been necessarily able to come out of the red. This may well be because while the market conditions of some industries have improved, many units belonging to these industries are not in a position to take advantage of the better fortunes because of their inability to diversify production according to market demand.

Certainly, a comparison of the number of sick units, industrywise, at the end of June 1978 as against December 1977, suggests that the industrial growth has completely by-passed a large number of units in several industries. Sick units in the engineering, electrical, and iron and steel industries numbered 112 in June 1978 as against 96 in December 1977, in the textile industry 78 against 73, in jute 31 against 30, in chemicals 21 against 17, in sugar 31 against 27, in cement 5 against 3, whereas in rubber this remained the same. It is possible that the current standard explanations will be offered for this spreading sickness — that coal, power, cement and transport shortages as well as labour problems were the contributing factors. Yet these could hardly be the determining factors.

Rs 347 crores advanced to the sick units by the banks during the 18 months ended June 1978 have been justified as advanced to prevent the unemployment that might otherwise result. With the aggravation of 'sickness', incremental credit to sick units may well assume far larger proportions.

Though the credit to the sick units may dissuade the closure of certain units it also evidently does not help them to recuperate. Indeed, the assets against which banks lend to sick units seem to be heavily inflated — no doubt because such inflation makes possible the attraction to and the diversion of funds from the sick units. One reason why, despite the amendment to section 72A of the Income-Tax Act facilitating takeover of sick units by sound ones, there are very few cases of amalgamation, may correctly be found in this artificial inflation of the sick units' assets.

At the same time, IDBI soft loans for modernisation have hardly been tapped by the cement, jute, cotton textiles, sugar, and engineering industries. It is reported that of the 62 units to which funds are being disbursed, only two have drawn funds to the full. Modernisation and diversification, though they involve productive activity, are evidently less profitable propositions than the drawing and diversion of working capital funds. Lingering sickness in certain kinds of political economies is obviously a paying proposition.

Project Appraisal for LDCs

O P Sharma

A Guide to the Economic Appraisal of Projects in Developing Countries, Ministry of Overseas Development, London; Her Majesty's Stationery Office, 1977 pp ix + 169, £ 4 Net.

THE theory of social cost-benefit analysis in its modern form is of relatively recent origin, having its roots in the theory of new welfare economics. The starting point is basically the neo-classical competitive model which generates a pareto optimal situation under conditions of perfect market, homogeneity of goods and factors of production, convexity of production possibilities and instantaneous and costless operation of market forces. In such a scheme of things, social preference can be derived by mere mathematical manipulation of individual preferences. Even inter-temporal choice problems wither away by the assumption of perfect foresight and rational behaviour of economic agents.

Under imperfect competition, or in general when there is market failure, consistency between individual and social preferences is not achieved. There emerges a divergence between social and individual valuation. Time myopia creates a saving problem for the society which goes against the unrepresented future generations. Intra-temporally priorities get distorted and there is maldistribution of consumption among contemporaries.

These problems encouraged researchers into an altogether new area—that is, how to construct indices or yardsticks which could be applied to take socially optimal decisions. At the theoretical level, efforts are continuing to construct social welfare functions to satisfy certain minimum acceptable conditions. At the practical level, attempts are made to provide yardsticks to decide on allocation of investment or any other scarce resources from a social angle. The latter subject encompasses areas such as static allocative efficiency, development dynamics, inter-temporal and intra-temporal income distribution, nature of dualism, and structure of foreign trade.

One indicator of the growing importance attached to the subject in less developed countries (LDCs) is the increasing availability of guides or help books for ready use of project appraisers. These guides, however, have originated from the rich aid-giving countries or the institutions patronised by them. It is claimed that the aid donors are motivated to commission these studies to ensure smooth economic development of LDCs and in the process to make sure that funds provided by them are utilised properly. Another view is that, through projects selection, a sphere in which the techniques have been developed largely independently of planning methods, doner countries influence the formulation of national plans which is a matter of national sovereignty. There could be sharp difference of opinion on this. Still the increasing proliferation of appraisal agencies in LDCs, and the importance given to them, lends some credibility to the hypothesis

Between the two pioneering studies, one funded by the OECD[1] and the other by UNIDO,[2] the former has aroused more interest if the number of its followers and critics is a true indicator. It is being followed in practical *ex-ante* appraisal as well as *ex-post* evaluation by official appraising agencies in many LDCs; it has been applied by professional economists in case studies;[3] and its methodology has been used for appraisal of private foreign investment.[4] Attempts are made to integrate micro-project choice techniques to macro planning methods like Tinbergen's semi-input-output method.[5] Recently, there have also been some attempts to re-interpret the OECD methodology in a trade theoretic framework.[6] The present volume makes it clear to those who do not know yet, that the Ministry of Overseas Development of the United Kingdom also follows it to evaluate the projects funded by it.

The present volume, a revised edition of a less comprehensive one published in 1972, is meant to provide a practical basis for the economic appraisal of projects either financed by the public sector or seeking its approval. It is claimed that its methodology is such as to suit the time constrained and busy officials and that it is better than other methods, notably UNIDO method, as it requires less appraisal resources While going through the volume, it is clear that none of these assertions is wholly true. The claim, that the volume avoids theoretical issues and that it should serve as a practical basis for appraisal, is not sustained as all the theoretical issues are raised without necessary explanation. Polemics also take away a large part of the book. As for the comparison between the OECD methodology which the present volume follows meticulously and the UNIDO methodology, it is nowhere attempted in the volume in a meaningful manner.

From the point of view of this reviewer the volume can be divided in two distinct parts. Part one comprising Chapters 2-4, 6, 7 and Appendices A-C essentially give the details of the methodology of economic appraisal and illustrations for our understanding; in Part two we include only Appendix D which gives check lists of basic data relevant to appraisal of projects.

The basic thrust of Chapter 2 is to give yardsticks for valuation of labour, material inputs and outputs when the objective is to maximise allocative efficiency It is rightly pointed out at the outset that correction should be made for inflation but the importance of such adjustment is not clearly explained.

The problem of inflation is relevant to the investment projects in LDCs for two reasons: (i) with passage of time when projects face teething troubles, generally there are slippages which even with historical rate of inflation escalate project costs beyond proportions, and (ii) even if prices of inputs and outputs change uniformly within a sector, the ranking of projects might change due to differential rates of inflation in different sectors.

In valuation of inputs and outputs, there are essentially three things to do when the suggested methodology is followed. First, classify goods among traded and non-traded; second, identify the source of unskilled labour; and third, identify and if possible quantify externalities. Traded goods include goods that are actually traded or would be traded when country concerned follows optimal trade policies. Non-traded goods are those which are either banned or provided locally at substantially higher prices during the life of the project. Non-traded goods have labour inputs, traded good inputs and non-traded good inputs. Final identification and quantification of the social cost of these goods is thus more or less a standard problem in matrix algebra Empirically it could be calculated from a detailed input-output table, if available.

Once the break-up job is over, the rule is that labour, traded and non-traded goods should all be valued at their shadow prices. In case of traded input or output, these shadow prices are

approximately average border prices (or marginal border prices if the project is big enough or when there are quantitative restrictions in trade) adjusted for costs of transport and distribution. Non-traded outputs, which are sold — e g, electricity, water, housing, etc — can be valued in terms of their marginal social benefit to consumers which can be approximated by a relevant conversion factor adjusted for consumer surplus. Similarly, when non-traded goods are an input, output conversion factors are used for social valuation. The output conversion factor in simple terms is the weighted ratio of world prices to domestic prices excluding taxes and subsidies of other traded inputs Where the project output is non-tradeable and not sold, valuation will depend on the project's contribution to national objectives and income status of the beneficiaries.

Under a decision reflecting pure allocative efficiency, labour will be valued at its shadow wage rate which is taken as the opportunity cost at margin in terms of output foregone elsewhere adjusted for extra consumption cost of shifting labour to the project site. Like the use of conversion factor in valuation of material inputs, consumption conversion factor is applied as a standard device to convert market cost of labour to its social value Again, in simple terms, the consumption conversion factor is a weighted average ratio of world prices to domestic prices of a representative bundle of goods consumed by labour In case of externalities, the problem is mainly of identification of hidden inputs and outputs, linkage effects, indirect employment generation, consumer surplus and international effects Except for consumer surplus, other forms of externalities are neither important nor do they require separate valuation since these are already taken care of while calculating shadow prices of goods, shadow wage rate of labour and saving premium.

Suppose allocative efficiency is the basis for investment decisions, what are the pros and cons of the results generated by the valuation rules mentioned above? The related questions are: (i) are the shadow prices (that is prices reflecting optimal policy choices) really relevant to the LDCs where optimal policies are not followed many a time, (ii) are there a unique set of shadow prices for continual use in project appraisal; (iii) are border prices a good proxy for shadow prices, (iv) are conversion factors theoretically and empirically sound parameters to value non-tradeables and unskilled labour; and (v) what is the applicability of the set of rules suggested for valuation.

The basic premise for using shadow prices, though not spelt out in this volume, is that the developing countries will gradually follow optimal policies. But how does one estimate these shadow prices for an *ex-ante* appraisal. Obviously, *it is not correct to use shadow prices* from optimal choices already made as these could change substantially when a new project is introduced. This implies that there should be changing set of such prices as the situation changes. Calculation of this set of prices, by iteration and re-iteration, meets the criticism but practically such an exercise is not feasible at least in developing countries where project ideas do not spring up so frequently.

Also, in the long run, resource allocation could be based on these optimal prices if market distortion fades away — which is highly doubtful if one has a look at the industrialisation process of the more advanced among developing countries. In such situations, application of shadow prices on a selective basis introduces new biases without eliminating existing distortions. Despite a good amount of literature on the subject, a perfect method of calculating shadow prices is hardly available. This could be one reason why shadow prices in various case studies differ so widely.

The volume presents no justification for using world prices as a proxy for shadow prices. Little and Mirrlees justify it on the ground that: (i) domestic prices are distorted in LDCs; (ii) export-import prices can be collected more conveniently and further corrections therein are easier; (iii) most industrial projects are export-expanding/import-substituting type and therefore the opportunity cost at the margins is measured in terms of the project's influence on the balance of payment.[7]

These arguments imply that, at the margin, trade is indeed a feasible additional production possibility to the developing countries and that there is virtually full integration of the domestic economy to the world economy. It also implies that goods are either traded or non-traded and that no goods are partially traded. This is not quite true, and in many cases the implications of a project on the domestic economy cannot be analysed *via* its balance of payments effect.

There have also been arguments against using world prices for resource allocation on the ground that: (i) ruling world prices involve unequal exchange and ultimately lead to widespread negative transfers from developing countries to the developed countries; (ii) using world prices involves an implicit assumption that outside the domestic economy, there is rational allocation of resources which is not quite true; and (iii) world prices are not just supply-determined as implied in the present volume; these also reflect *the preference pattern of rich countries* holding a major share in world trade and production, and therefore their use as shadow prices has implications on the objective function of developing countries. These are by now fairly well-known arguments against the existing world economic order, and for a more equitable re-distribution of world income.

In economic appraisal of investment proposals, however, it is better to avoid such value judgments.

Even when there is general agreement that for a project which effects trade, world prices should be used merely because they reflect opportunity cost to the domestic economy, there remain problems of choosing from among a number of prevailing 'world prices' for the same, or similar products. Evidence on world prices amply demonstrates that transport cost and distributive margins do not wholly explain the differences in prices charged for the same or similar products by different suppliers. Similarly, there are problems in valuation of goods supplied under tied aid or bilateral trade agreements. Also, since the inputs and outputs are to be valued in the years in which they occur, there remains the problem of forecasting a correct price for valuation of output when construction period of the project is rather too long.

On conversion factors, the volume does not present any fresh ideas about their theoretical or empirical basis. Hence these are not amenable to criticism After the concept was introduced in the OECD volume, one expects that further literature on the subject should throw some light on the methods of calculation, feed-back mechanism, consistency, and verifiability of the conversion factors.

In valuation of unskilled labour, the approach followed is too general and escapist. Para 52 provides an illustration where after making the correct observation that social wage rate varies by sector, location, skill, and even season, it is assumed for simplicity that these are *constant over* time. But soon it is surmised that, if social wage rate is believed to change, then their forecast becomes necessary. How to make the suggested forecast is perhaps not the concern of the volume. It would have

been better if (i) the concept of social wage rate would have been clarified more appropriately and implications of using a range of such wage rates given explicitly, and (ii) the alternative use of labour for calculation of shadow wage rate should have been specified

The treatment of externalities is practically useless, except when the authors remind the user of the Guide in para 70 that he should keep "his eyes and ears open because the area is strewn with misplaced optimism and value judgment". Despite this, it is argued in a highly mystifying manner that there are reasons to believe that, if we follow the Guide, we shall not make major mistake in calculating present value net of the hidden goods. While not mentioning any reason for this belief, the authors persist in saying that for all these reasons it is suggested that resources available for project appraisal should be diverted to the valuation of hidden inputs and outputs only when these appear to differ from project to project and are likely to change". Such observations are not of much use in the high practice-oriented subject of project appraisal.

A more practical suggestion would have been to assume that hidden costs and benefits cancel out each other. Even the margin of error on account of this assumption might not be as much as might be due to the value judgment of the appraiser. The treatment of linkage and multiplier effects is no better. It is no novelty to point out that the multiplier effects are relevant only when there is slack capacity

A more interesting problem in LDCs is the valuation of goods of public utility-service sectors such as water, electricity, housing, transport, etc It is argued in the present volume that, in such cases, consumer surplus should be treated as a hidden output and necessary correction for this should be carried out in the benefit stream of the project. In practice, valuation of consumer surplus is very difficult. By definition, consumer surplus is the difference between willingness to pay and what is actually paid by the user. In the sectors mentioned above, administered prices charged are quite low, resulting in budgetary strain and sub-optimal utilisation of the products. Willingness to pay depends on alternative possibilities of getting the product and their end use. In LDCs' alternative possibilities are quite limited. It means that the willingness to pay essentially reflects the price that can be paid only by the well-to-do. Thus the value of output inclusive of consumer surplus may be inflated even on pure efficiency grounds. In fact, the problem in such cases is to fix a reasonable rate of return and only then can one say whether the users are enjoying any extra benefits.

Chapter 3 deals with the relevance of inter-temporal and intra-temporal distribution issues to project a choice when general economic policy tools are not feasible. In choice involving contemporaries, weights are designed such as to give more importance to consumption as well as saving of the poor. The social cost of the project, where distributional issues are considered, is derived by taking net additional consumption (that is, excluding taxes and savings) adjusted to world prices by using a consumption conversion factor and increased to the extent of the savings premium. Savings premium, in simple terms, is the ratio of weights attached to savings and consumption. The treatment of the concept in the present volume is simplistic and does not clarify the time path of the savings premium which is ultimately determined by the time path of rates of change of saving and consumption. These two rates are nothing but the accounting rate of interest (ARI) and the consumption rate of interest (CRI)

The explanation for a savings premium lies in the generation of sub-optimal savings in the developing countries. This is ably argued in the present volume (paras 86 to 91). However, the point that premium on saving conflicts with the employment objective (more appropriately expressed in terms of shadow wage rate) is not clearly brought out The neo-classical type of reasoning followed in last line of para 86 — that is, lower savings lead to lower investment and reduction in growth rate and consumption in future — may not be found appealing by many economists, particularly those emphasising excess capacity and lack of effective demand in LDCs The difficulties encountered by the project appraiser when distributional issues are introduced are, however, clearly pointed out in the volume. In the views of this reviewer, it is better to leave out these issues from project appraisal and to allow these to be settled by other appropriate policy instruments

Chapter 4 is of particular importance as it deals with choice of an appropriate discount rate and decision rule. The discount rate chosen is the accounting rate of interest in OECD terminology. Two basic rules for the choice of this rate are: (1) it should be equal for all sectors and (2) its level should be such as to exhaust the investible resources. The actual level of the rate is stated to depend on rate of inflation, accounting prices and consumption weights. It is pointed out that the rate of discount or target rate of return used by the Central authorities can be taken as accounting rate of interest and that a discount rate of 10 per cent is a useful operational guide (para 105).

Apart from the fact that no basis is cited for choice of 10 per cent rate of discount, the arguments put forth in the volume do not help in our understanding of how the rate is determined. After all, the rate varies from country to country. One gets the impression that the accounting rate of interest is determined, as in equilibrium analysis, by demand and supply of investible funds. That is why lower limit to the level of ARI is set by the rate of interest on marginal (most expensive) funds borrowed from abroad. The analysis in the volume does not throw any light on the relation between the domestic capital market, reasonable rate of return, and ARI. The reliance on a particular ARI is overemphasised in making investment decision.

It is for this reason that the net present value (NPV) criterion is considered better than internal rate of return (IRR) criterion. Once there is doubt about the discount rate chosen, NPV becomes a doubtful decision rule. However, there are problems with accepting IRR as the sole decision rule — for example, non-uniqueness In any case, the two rules are not always mutually inconsistent. Moreover, one cannot escape the use of a social rate of discount in project choice. The guide towards the end of Chapter 4 correctly emphasises that IRR or NPV may not be final word in choice of projects. Those who are actually engaged in the task of project appraisal sometimes find to their surprise how true this observation is.

The more useful material from the point of view of an appraiser is available in Appendix D, that is check lists of basic data. The areas covered are Transport, Services and Production Sectors (which includes agriculture, irrigation, petro-chemicals, fertiliser, forestry, wood processing, and tourism). There is increasing need being felt for a standard format for preparation of feasibility reports The check lists provided in the volume are highly deficient if these are to serve as guidelines for preparation of feasibility reports amenable to smooth and efficient appraisal

If on the other hand the purpose of

these check lists is just to get information from the project authorities for quantification of benefits and costs, then quite a large number of items are irrelevant. Moreover, the check lists for a number of sectors lack systematic presentation. In fact, the Ministry of Overseas Development can as well bring out a separate volume on this important aspect of project appraisal. It is surprising that, in the whole text, there is no reference to this important Appendix. After all, project appraisal is still the forte of general intellect of the appraiser, basic data in a standard format is a bare necessity to him. Fortunately, a beginning has already been made in this direction by Project Appraisal Division of Planning Commission.[8]

Excellent exposition, good layout, and concentrated brevity are good features of the volume. The last one is, however, at the cost of a fair treatment to the subject. Those who are well acquainted with terminology of OECD volume may find it an easy reading. Others, even when they rush frequently to a glossary of terms given at the end in the volume, may find it difficult to grasp the contents in the first instance.

Notes

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6 T Srinivasan and J Bhagwati, 'Shadow Prices for Project Selection in the Pressence of Domestic Distortions; Effective Rates of Protection and Domestic Resources Costs *JPE*, February, 1978.

7 I M D Little and J A Mirrlees, "Project Appraisal and Planning for Developing Countries", Heinemann, London, 1974.
— 'Further Reflections on the OECD Manual of Project Analysis in Developing Countries' in J Bhagwati and R Eckaus (Ed) "Development and Planning", George Allen and Unwin, London, 1972.

8 Planning Commission: "Guidelines for the Preparation of Feasibility Reports for Industrial Projects", Project Appraisal Division, New Delhi, January, 1975.

Depreciation Practices and Dividend Decisions in Joint Stock Companies

N L Dhameja

The study relates to depreciation rules and practices among Indian Joint Stock Companies and shows how these practices influence their dividend decision.

The study is divided into five sections. Section I discusses the various depreciation laws and the practice of the changing depreciation method. The effects of the changing depreciation method are analysed in Section II. Section III collates the practice of depreciation change and the issue of bonus shares. Section IV reviews the various depreciation practices. Summary and conclusions are presented in the last Section.

I

Depreciation Laws and Practices

UNDER the Income-Tax Act 1961, depreciation on fixed assets other than ocean-going ships is to be provided on the written down value (WDV) method for assessment of income for tax purposes.[1] However, for financial reporting purposes, under the Companies Act, 1956, as amended in 1960, the companies are given the option to provide depreciation by the WDV method or by any other method so as to write off 95 per cent of the original cost within the specific life of the assets.[2] In other words, there is an option to provide depreciation for reporting purposes by any of the methods—such as written down value (WDV), straight line (SL), or sum of digits method; while for taxation purposes, depreciation must be provided on all fixed assets other than ocean-going ships on WDV method. In this study, depreciation for reported purposes is termed 'Financial Reporting Depreciation', and depreciation for tax purposes is termed as 'Tax Depreciation'. This accelerated method of 'Tax Depreciation' encourages companies to write off their investment in fixed assets as early as possible and is a postponement of tax liability.

In India, the sum of digit method of depreciation is not common and the SL and/or WDV methods are generally followed for reporting purposes. The SL method distributes the depreciation charge evenly over the life of the assets. Such a charge is lower in early years as compared to that of the WDV method. For instance, at a depreciation rate of 20 per cent under the WDV method, the depreciation amount per annum would be higher for the first five years as compared to under the SL method so as to write off 95 per cent of the cost of that asset over its life. In general, the lower the rate of depreciation, the longer will be the period for the 'Tax Depreciation' to be higher than the 'Financial Reporting Depreciation'.

By following the SL basis of depreciation for reporting practices, there is a difference between 'Financial Reporting Depreciation' and 'Tax Depreciation'. The straight line method enables companies to show better financial results in the early years of fixed assets acquisition. A number of companies change their method of depreciation from the WDV to SL method to take benefit of lower depreciation charge in earlier years. This section deals with the practices of changing depreciation methods and the impact of such change on reported profits and dividend practices.

The study relating to depreciation practices is conducted by analysing the balance sheets of companies for various years. It covers 23 companies from different industries or companies from different growth categories. The study relates to the period of the year of change of depreciation by a company upto the last balance sheet available for that company. Hence the period covered varies for each company.

The companies studied can be classified as those changing their depreciation method with immediate effect for the prospective period and those changing with retrospective effect from some past date.

Of the 23 companies studied, three companies changed their depreciation method only for the prospective period, while the remaining 20 companies changed their depreciation method with retrospective effect, adjusting for the excess depreciation provided under the WDV method in earlier years. Of the total difference between 'Tax Depreciation'[3] and 'Financial Reporting Depreciation' (called 'Total Depreciation Surplus') of Rs 3,840 lakhs, about 30 per cent related to the earlier periods, ie, for the years before the date of change of depreciation (called 'Retrospective Depreciation Surplus'), while about 70 per cent, ie, Rs 2,628 lakhs (called 'Prospective Depreciation Surplus') was for future years, ie, for the years after the date of change.

Change with Immediate Effect

The companies changing their depreciation method from the WDV to the SL method with immediate effect for the prospective period had the following features:

(i) They had good profit records and had followed 'non-decreasing dividend policy'.

(ii) They made high investment in fixed assets, and changed to the SL method 'to even out the burden of depreciation as much as possible over the years' and 'to obviate wide fluctuations in the amount of depreciation to be provided in the financial accounts from year to year'. The change in some cases was only with respect to plant and machinery acquired during or after the year of change.

(iii) Three companies changing their depreciation method with immediate effect, accounted for about 37 per cent of 'prospective depreciation surplus' or 25 per cent of 'total depreciation surplus'.

Changing with Retrospective Effect

Twenty companies, having changed their depreciation method with retrospective effect, are as follows:

(a) *New Companies set up after 1955:* Of these 20 companies, four were new companies set up after 1955 and had the following features:

(i) four new companies—one cement and three engineering companies—changed their depreciation method with effect from the date of their incorporation and were non-group companies;

(ii) with high investment and expansion programme, they were caught in a recession spiral before their gestation period was over and reported losses in a number of years before such a change;

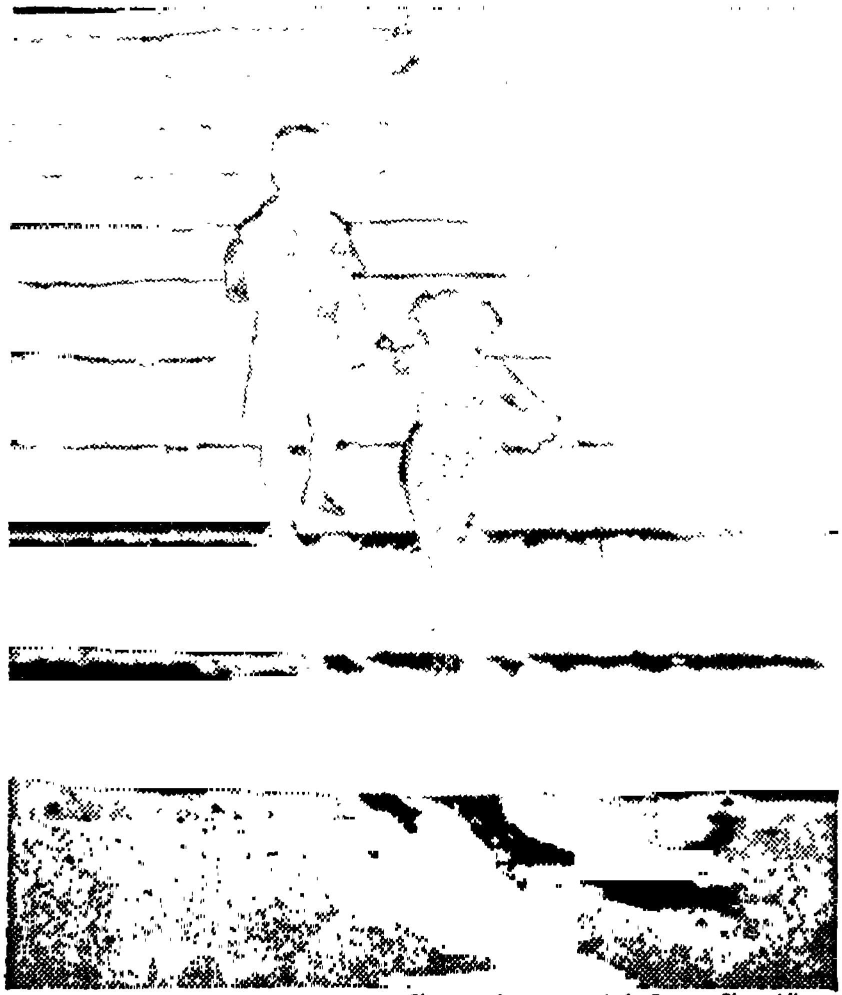
(iii) they switched over to the SL basis 'to avoid excess depreciation charges in earlier years'. The WDV method was described as the conventional method, while change to SL method a 'realistic and in the general interest of the company', or 'logical as the burden is according to the capacity to bear the burden—heavier at a later stage when the capacity to bear burden is greater'.

In one company, depreciation charges were brought into line with current estimates of the useful lives of the assets, as past estimates were too low and depreciation was charged on the SL basis so as to avoid excessive depreciation charge in earlier years.

(b) *Companies set up before 1955:* Textile industry had the largest number of companies changing their method of depreciation and one observes the following:

(i) they reported rising cost of production and declining profits;

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Photograph courtesy. Agfa-Gevaert Photo Library

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(ii) of these companies having change in method of depreciation with retrospective effect, in about half of textile companies (six in number), the change was with effect from a period before 1957. Two companies belonging to a large business group, changed their method of depreciation to the SL basis with respect to plant and machines in 1966. These companies were not in a position to show better financial results due to slack demand for cotton and rising cost of production without any increase in selling price, and they decided in 1969 to change their depreciation method from the date of incorporation and the excess provision for depreciation was credited to profit and loss account, Such decision was stated to be made to maintain consistency and uniformity;

(iii) of these textile mills, about two-thirds were group companies, or were medium and low growth companies of small size;[4]

(iv) the change of depreciation method among low growth companies having a decline in their profits was described to have a 'true and better presentation of accounts' and the SL method of depreciation was described as 'appropriate and more convenient method'. On the other hand, among companies of high or medium growth the change was described to 'spread out the burden of depreciation on substantial addition to machines equitably over the years'.

Further, paper, engineering, and rubber companies changing their depreciation with retrospective effect were small in number, were mainly group companies, and had medium growth. Due to increase in investment, they changed their depreciation method to the SL method and described it a 'scientific method'.

In short, the practice of changing from the WDV to SL method, (a) was found to be followed in textile companies, particularly small size companies of low growth, and those belonging to large business groups, to camouflage their true financial position and withdraw from the business to the maximum possible extent; or (b) it was followed by companies, from textile and other industries, with a large expansion programme but squeezed between controlled selling price and rising production costs. Engineering companies caught by recession, changed their depreciation method so as to jack up profits.

From the above, the reasons for change can be summarised as follows:

(i) to reduce the burden of depreciation on fixed assets in years of large investment and in years of rising cost of production so as to have a 'true and better presentation of accounts'.

(ii) to identify specific property with specific values. In other words, to spread evenly and logically the burden over the life of assets according to the capacity to bear the burden and to obviate wide fluctuations of depreciation charge. This will help new companies to bear a heavier burden at a later stage when its capacity to bear that burden also becomes greater.

(iii) Lastly, as reported in a research study on depreciation practices of companies,[5] the market value of imported plant being more than its original cost, the SL method enables the companies to reveal better profitability, and the book value of the asset is nearer to the market value than it would be in the case of the WDV method.

II

Effects of Change of Depreciation

The effects of depreciation change from the WDV to SL method can be classified in two categories:

Jack-up of Profits: Depreciation under the SL method being lower than that under the WDV method in early years, the profits get inflated by the amount of such difference. But after a stage when depreciation under the WDV method reduces and is lower than that under SL method, this effect of inflated profits will get nullified. This will depend upon the rate of depreciation, and the expansion programme of the company. For instance, in Premier Tyre Limited upto the year ended March 31, 1971, 'Tax Depreciation' was greater than 'Financial Reporting Depreciation'; but after 1971 it was lower, offsetting the effect of inflated profits in earlier years.

The current year profit will be inflated by the amount by which SL depreciation falls short of WDV depreciation, assuming that any depreciation surplus for the years prior to the year of change is transferred to a General Reserve.[6] In other words, the current year profits are inflated to the extent of 'Prospective Depreciation Surplus' for the year concerned

Table 1 shows that for 23 companies, the reported profits of Rs 6,857 lakhs were higher than the true or assessed profits by 39 per cent. As a result of this jacking up of profits, the reported and true pay-out ratios were 48 and 79 per cent, respectively. The share of total depreciation surplus (or jacking of profits) among paper and cement companies, and among textile companies were 47 and 44 per cent, respectively. On the other hand, engineering, rubber and chemical companies had very little jacking-up of profits due to depreciation change.

Considering growth and control classification, the share of group companies in the total prospective depreciation surplus was about 79 per cent, and the corresponding share of medium and high growth companies was 55 and 41 per cent, respectively. The true pay-out ratio is relatively high in medium growth companies and group companies as compared to that in other categories. In medium growth companies, the True pay-out ratio of 151 per cent was twice that of Reported Pay-out ratio and in group companies the True ratio of 83 per cent was about 66 per cent more than Reported pay-out. In other cases, the increase in True pay-out was only 50 per cent.

The high depreciation surplus or wide gap between Reported and True pay-out ratio indicates that due to change in depreciation method the depreciation surplus jacked up the Reported profits which influenced the dividend distribution by medium and low growth companies, or group companies, or textiles, engineering, cement and paper companies.

Improvement in Debt Equity Ratio: By following the SL basis of depreciation, the fixed assets are shown at higher value and the reserve position also improves; as a result it increases the firm's capacity to borrow. Leverage—the ratio of debt to net worth—is calculated with net worth based on the SL method (called Reported Leverage), and with net worth based on the WDV method (called True Leverage). Taking the Reported and True average leverages for the period after the year of depreciation change, as shown in Table 1, one may observe that Reported leverage is about 10 per cent lower than True leverage for all industry categories. Leverage—groupwise and growthwise—indicates that the proportionate decrease in Reported leverage is high in group companies as compared to non-group companies, or is high in high and medium growth companies as compared to low growth companies.

The above two points indicate how a change of depreciation method jacks up the profits and reduces leverage.

III

Depreciation Change and Bonus Shares

How far is the depreciation change motivated to issue bonus shares? Does depreciation change enable a company to issue bonus shares?

Issue of bonus shares is the capitalisation of accumulated reserves and is a mere book entry. Issue of bonus shares is regulated by Capital Issue Control Act 1947 to protect the investors against unscrupulous company promoters, to have a balanced growth of industries, and to regulate the capital structure of the companies. With these objectives, every bonus issue must be in conformity with the 'guidelines' for the issue of bonus shares. Of these, two conditions are:

(i) residual reserve after the proposed capitalisation should be at least 33.33 per cent of increase capital after the proposed capitalisation. Upto May 1971, the residual reserve required was 20 per cent of increased paid up capital and development rebate reserve was not allowed to be capitalised.

TABLE 1: PROFITS AND AVERAGE LEVERAGES WITH 'FINANCIAL REPORTED DEPRECIATION' AND 'TAX DEPRECIATION'

(in Rs lakhs)

	Prospective Deprecia-tion Surplus	Total Dividend	Profits		Leverage	
			Reported (SL dep)	True (WDV dep)	Reported	True
Total (23)	2628	3309	6857	4228	1.55	1.7
Textile (12)	1163	1014	2969	1806	1.8	1.98
Engineering (4)	88*	91*	139*	51*	2.71	2.86
Paper and Cement (4)	1226	1996	3046	1821	1.21	1.3
Rubber (2)	103	143	464	361	1.43	1.5
Chemicals	9	66	184	171	1.4	1.41
High Growth (7)	1076	973	3658	2580	1.49	1.67
Medium Growth (10)	1438	2207	2901	1463	1.46	1.6
Low Growth (6)	96*	131**	267**	171**	2.42	2.54
Group (12)	2072***	2632***	5223***	3150***	1.55	1.70
Non-Group (10)	451	556	1381	930	1.46	1.54

Notes: * relates to three companies.
** relates to five companies.
*** relates to eleven companies.
Figures in parentheses indicate number of companies.
Leverage (Reported) = Total Debt/Networth (with SL basis).
Leverage (True) = Total Debt/Networth (with WDV basis).

(ii) 30 per cent of the average pre-tax profits of the company for the previous three years should yield a rate of dividend on the expanded capital base of the company at 9 per cent (earlier 8 per cent) or the average rate of dividend in the preceding three years, whichever is lower.

Verifying these two conditions for the various companies issuing bonus shares in various years, it is observed that companies would not have been allowed to issue bonus shares had they not changed their method of depreciation. By shifting to the SL method of depreciation and crediting the total depreciation surplus to general reserve, the companies could increase their reserves and satisfy the two tests. Under the guidelines, reserves created out of 'genuine' profits or share premium is permitted to be capitalised, but any upward revaluation of assets are not allowed to be capitalised. The question of enquiry is: Should the excess depreciation provided in earlier years be written back and allowed to be capitalised or be taken into account while calculating residual reserves for issue of bonus shares? According to the Department of Company Law Administration there is no legal bar to write back excess depreciation, if Directors view it so. However, it would not be in accord with sound company practice to utilise the excess amount resulting from the recomputation of depreciation for distribution to members by way of dividend or otherwise. They also advised that, it would be appropriate to show the excess amount under a separate head "Reserve not available for distribution in the books" (Company News & Notes, July 1, 1963).

Table 2 gives the list of various companies (fictitious names are given to conceal the identity of the companies) issuing bonus shares. It indicates that the companies used depreciation surplus due to change in method of depreciation—both prospective and retrospective depreciation surplus—as free reserves so as to satisfy residual reserve test. Had there been no change in the depreciation method, in the various companies as given in Table 2, the residual reserves would not have been adequate to satisfy residual reserve criterion.

Similarly, the high pay-out ratio (the ratio of dividend to true profit) and low profit rates indicate that average rate of dividend could not be maintained on increased capital without changing the depreciation method.

Lastly, the issue of bonus shares and change in depreciation method in the same year by a number of companies (particularly when companies reported a fall in profits in the year of bonus issue and depreciation change) may lead one to observe that depreciation change was motivated to enable the company to issue bonus shares.

IV

Review

Let us review the practice of changing depreciation method from the WDV to SL method. Should the companies be allowed to follow the SL method for financial reporting purposes and use the excess depreciation provided in earlier years for declaration of dividend or inflating their earnings?

The corporate financial statements are drawn to reflect economic realities of the situation and supply full information to investors, consumers and bankers, and so depreciation, a charge for use of assets must be adequate. By omission or understatement of depreciation, earnings would be overstated, managements and investors would be misled and there would be a tendency to have a liberal dividend policy by distributing capital in the guise of earnings. Both omission or understatement of depreciation would foster impairment of resources and the difference between the two is only of degree.[7] On the other hand, the decision of management to change the policy of depreciation from excess depreciation to normal depreciation, should not be viewed with suspicion.

In the US, different methods of depreciation are followed for tax and for finance reporting purposes. Survey[8] of Senior Financial Executives of 229 corporations by the Central Board revealed that nearly two out of every three companies use a different method for computing depreciation for tax purposes than they do for financial reporting. About 50 per cent of the corporations surveyed followed the SL method for reporting purposes.

This difference in methods is due to different objectives of tax and financial reporting. For tax purposes, the method giving greatest tax deduction is preferred, while for financial reporting purposes, a method that depreciates assets over the period of benefit and affords a means of identifying specific property with specific values is preferred.[9]

There are different practices and different opinions regarding use of depreciation method for financial and reporting purposes:

Survey by the Conference Board in the US showed that some executives feel that financial statements and tax returns should report depreciation on a consistent basis. The survey quotes treasurer of an aircraft company following double declining method of depreciation for financial, internal reporting and tax purposes as,

> ..I believe that these three reports should always be prepared on the same basis except under extremely unusual circumstances. It has been my experience that problems which arise when using different bases far offset any advantages gained.

Similarly, NAA, Research Report 33 points out that companies followed accelerated depreciation method for reporting purposes, in the light of their expansion programme, as such method provides equally important advantages with respect to financing new facilities, the immediate tax savings and conservation of working capital, allowing companies to reinvest in additional facilities.[10]

On the other hand, survey by the Conference Board indicated that a few companies are contemplating to change the method of depreciation for financial reporting to the SL method as they feel that operations are being unduly penalised with the much heavier depreciation that is reflected by using the sum of the year digits method.

Similarly, NAA Research Report 33 points out that a number of companies continue to employ the SL method of

depreciation for all purposes as they do not need additional funds for replacement, modernisation of expansion and the SL depreciation is thought to be adequate to provide funds for maintaining desired productivity capacity

The following statement by a Financial Analyst in a Symposium on Corporate Financial Reporting cell concludes the differences of opinions.

> I would ask the question of steel companies today. Did they make the change in depreciation and investment credit accounting because they suddenly discovered—all of them at the same time—that a better statement of economic realities comes from their new method of accounting? And if I do not find the answer to be 'yes' then I say; 'For what other reason did they do it?'
>
> In case of some companies when we see one change this year followed by another two years from now, we begin to have a feeling that this is to simply improve the reported earnings.
>
> But I think we must attack each of these changes and find out what are the facts. If it is simply to dress up the earnings, then it does shake your confidence. If it is changing to reflect economic realities, then we say 'Great'!

Relating the above-mentioned observation to depreciation practices of our companies under study subjected to the differences in the technologies of industries in different countries, it can be stated that a switch-over the SL method of depreciation with a view to inflating profit or to camouflage the true financial position in many of the companies was not a healthy step. On the other hand, such a step, because of liberal tax depreciation and with heavy investment programme, was in the interest of the investors and the company. The High Powered Expert Committee on Companies and MRTP Acts (also known as Sachar Committee) is against frequent changes being made by the companies in the method of charging depreciation. The Committee has recommended that a company shall have an option to provide depreciation by any method so long as it writes off 95 per cent of over its prescribed life, and shall not change the method of depreciation without the prior approval of the Central government. The change, according to the committee, shall be allowed only once. The fact thereof shall be shown clearly in the accounts of the year in which such change takes place. To safeguard the interest of investors and others interested in the company, the following steps are suggested:

(i) The change in depreciation method should be with the prior approval of the Central Government, should be once in the life of an asset, and the change should be explicitly stated in the annual report.

(ii) The basis and amount of depreciation for each asset both for financial and for tax purposes be mentioned, and the amount of difference between the WDV depreciation and the SL

TABLE 2: CASES WHERE RESIDUAL TEST OF BONUS ISSUE IS NOT SATISFIED IF THERE IS NO DEPRECIATION CHANGE

(1) ABC and Co No 1	*(Rs lakhs)*			*(Rs lakhs)*
Paid up equity capital		Depreciation Change in 1966:		
as on 31-3-67	23.95	Free reserve as on 31-3-68		21.3
Bonus shares (1:5) 2400		Less depreciation:*		
shares of Rs 200 each	4.8	For previous years	15.23	
		For 1966-67	9.23	24.53
	28.75			−3.23

Reserve less than 20 per cent of increased capital; so Residual Reserve Test *not satisfied.*

(2) ABC and Co No 2	*(Rs lakhs)*			*(Rs lakhs)*
Paid up capital as on		Depreciation change in 1966:		
30-6-66	143.0	General reserve as on 30-6-67		48.94
Bonus shares (1:6) 2.38		Less depreciation*		
lakh shares of Rs 10 each	23.8	For previous years	87.65	
		For 1966-67	124.3	201.95
	166.8			−163.01

Reserve is negative and so *test not satisfied.*

(3) ABC and Co No 3	*(Rs lakhs)*			*(Rs lakhs)*
Equity capital as on		Depreciation change in 1970:		
30-6-70	966.8	Free reserve		699.7
Bonus shares Rs 125		Less depreciation:*		
paid up capital	429.6	For earlier years	733.0	
Other issue	343.6	For 1966-67	299.74	1034.0
	1740.0			−334.3

Since free reserve is negative or less than 20 per cent of increased capital; so *test not satisfied.*

(4) ABC and Co No 4	*(Rs lakhs)*			*(Rs lakhs)*
Paid up capital as on		Depreciation change in 1973:		
30-6-72	149.5	Free reserves as on 30-6-73		91.05
Bonus shares (1:4)	37.4	Add development rebate		
		reserve		65.95
				157.00
		Less depreciation*		
		For previous years	96.5	
		For 1972-73	89.83	186.33
	186.9			—29.33

Reserve is negative *Test not satisfied.*

(5) ABC and Co Ltd No 5	*(Rs lakhs)*			*(Rs lakhs)*
Paid up capital as on		Depreciation change in 1967:		
31-3-66	79.01	General reserve as on 31-3-67		46.35
Bonus shares (1:10) 8000		Less depreciation:*		
shares of Rs 10 each	8.0	For previous years	38.11	
		For 1966-67	7.5	37.61
	87.01			8.74

Since residual reserve is less than 20 per cent of increased capital; so *test not satisfied.*

(6) ABC and Co Ltd No 6	*(Rs lakhs)*			*(Rs lakhs)*
Paid up capital as on		Depreciation change* in 1968:		
31-3-67	72.58	Free reserve as on 31-3-68		48.06
Bonus shares (1:4)		Less depreciation:*		
36,288 shares of Rs 50 each	18.14	For previous years	30.59	
		For 1967-68	4.18	34.77
	90.72			13.29

Since reserve is less than 20 per cent of increased capital; so *test not satisfied.*

TABLE 2 CONTD

(7) ABC and Co Ltd No 7	(Rs lakhs)			(Rs lakhs)
Paid up capital as on 31-3-69	90.72	Depreciation change in 1970: Free reserve as on 31-3-70		45.29
Bonus shares (1:10) 18,144 shares of Rs 50 each	9.07	Less depreciation:* Accumulated	30.59	
		Yearly	19.82	50.41
	99.79			−5.12

Reserve is negative.
Test not satisfied.

Notes: *Depreciation indicates the amount of excess of WDV depreciation over SL depreciation credited to General Reserve.

depreciation be shown in the annual report of the company.

(iii) The change should not be made to declare cash dividend or stock dividend. Depreciation surplus or accumulated depreciation surplus should not be utilised to be capitalised or be utilised to compute residual reserves for issue of bonus shares.

(iv) Clause 3(xv) of Part II of Schedule VI to the Companies Act provides that "the amount if material by which any item shown in the profit and loss account is affected by any change in the basis of accounting, shall be spelled out". The statement on auditing practices issued by the Institute of Chartered Accountants of India also provides that "any change in the basis of providing depreciation from year to year amounts to a change in the method of accounting, the result of which in terms of profit should be disclosed by way of a note to the profit and loss account, if material". Our analysis shows that only in a very few cases, such note is given by the auditor specifying the amount involved, when in a number of cases the amount involved is quite large. Recently the Government has laid down in June 1977 an additional guideline for the issue of bonus shares. According to this guideline in case of a change in the method of depreciation, the companies should ensure that adequate provision for deferred taxation liability is made and the auditor's certificate to this effect should be furnished along with the application of bonus issue. No doubt, a number of companies even at present mention in their balance sheet the effect of change of depreciation method on tax liability, but in the interests of shareholders and investors, any change in profit due to change in depreciation method should be spelled out in the profit and loss account.

V

Summary and Conclusions

The change in depreciation method from the written down value to straight line was found to inflate profits by 39 per cent and to improve the debt-equity ratio by about 10 per cent. This practice of depreciation change was found among textile, engineering and other industries. Most of these companies were group companies indicating the intention to draw out funds as early as possible. The low growth companies changed their depreciation method to jack up profits and to camouflage the true financial position, while high growth companies changed their depreciation method to even out the burden of depreciation throughout the life of the assets. Depreciation change was also used to enable companies to issue bonus shares and to declare cash dividend. Had the depreciation change not been resorted to, number of companies could not have been able to issue bonus shares.

Thus the practice of depreciation change, if followed to rectify the earlier practice of providing high depreciation or if followed in the interest of the company, is a good step. On the other hand, if it is done, as found in most of the companies, to dress up earnings and declare dividend, it is not a step in the interest of the company or financial institutions or the economy, and it therefore needs to be checked.

Notes

[The author is grateful to SC Kuchhal, Suresh A Seshan, and Paul Mampilly, for their guidance in carrying out this study and also for their comments on the earlier draft.]

1 Before the assessment year 1940-41, depreciation on fixed assets was provided on straight line method.

2 For financial reporting purposes, Companies Act 1956 made it compulsory to provide depreciation so that balance sheet and profit and loss account exhibit a 'true and fair' state of affair of business. However, the Companies Act Amendment in 1960 gave an option in methods of depreciation for reporting purposes.

3 The amount of depreciation on the SL (Financial Reporting) method and the WDV (Tax Depreciation) method are drawn from Income Statement and *Statement of Managerial Remuneration* respectively. In cases where managerial remuneration computation is not given in the Annual Report due to inadequate profit or losses, tax depreciation is computed on the written down value of assets immediately prior to the year of change of depreciation method, at the depreciation rates given in the Income Tax Rules. Any biasness in such computation due to subjectivity of depreciation rates or the amount of WDV is of marginal significance as such cases are very few.

4 The companies have been classified according to control, size and growth on the following basis:

Control Classification: Companies belonging to large or larger business groups given by Licensing Enquiry Committee Report 1969 are called 'Group' companies and others not belonging to such business groups are called 'non-group' companies.

Size Classification: Size classification is done on the basis of total assets as under: Small—total assets less than Rs 2.5 crores. Medium—Between Rs 2.5 and 5 crores. Large—Rs 5 crores to 10 crores. Largest—above Rs 10 crores.

Growth Classification: Companies have been classified on the basis of their compound rate of growth in total assets and their earning rate as follows:

High Growth: Growth rate of above 10 per cent and earning rate of above 12 per cent.

Medium Growth: Growth rate between 5 and 10 per cent with earning rate above 10 per cent.

Low Growth: Other cases not covered in above two growth classes.

5 Goyale, R N, "Depreciation Policy and Practices in Indian Industries". (Unpublished Doctoral Thesis), Delhi University, 1977.

6 All companies under study, except two, transferred their surplus depreciation for earlier years to general reserve created for this purpose.

7 Patton, William, A: 'Depreciation Concept and Measurement', *Journal of Accountancy*, Volume 108: October 1958, pp 38-43.

8 Patrik, Davey, and Francis, J Walsh: "Depreciation Accounting Practices: A Survey of Conference Board", USA, New York: National Industrial Conference Board, 1969, pp 35.

9 Patrik, Davey and Francis, J Walsh; *Ibid.*

10 NAA Research Report 33: 'Depreciation Policies and Practices—Financial Management Consideration', Reprinted in "Readings in Accounting Theory": Gorden, P, and Kenneth, B Berg (Ed), New York: Hougton Miffin, 1966.

11 Burton, John C (Ed), "Corporate Financial Reporting: Conflicts and Challenges", A Symposium, New York: AICPA, 1966.

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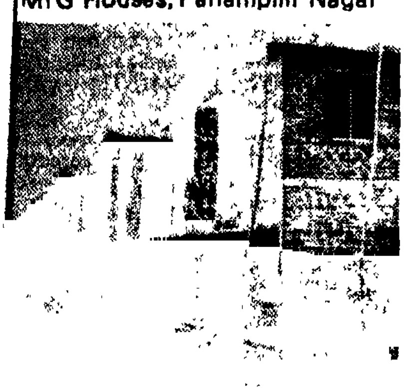
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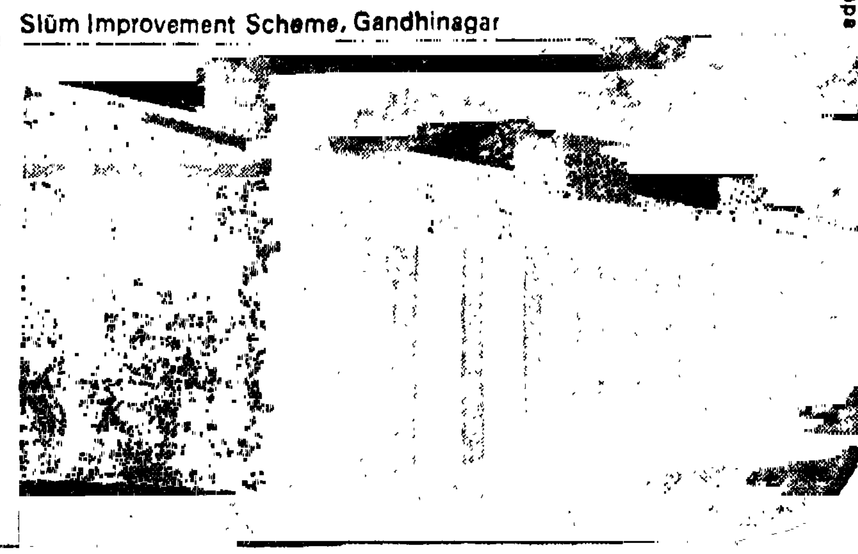
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Inflation Accounting: Some Recent Developments

Ramesh Gupta

With the rejection of Exposure Draft No 18 (ED-18) on July 6, 1977, the continuing battle over the precise methods of 'Inflation Accounting' seems to have come to a standstill; whereas the UK accounting profession is living with "An Interim Recommendation", the US, through its Security Exchanges Commission requirements, is content with disclosure of fragmented and piecemeal information about replacement cost.

This paper seeks to examine and review critically the various stages in the development of the concepts and practices of accounting for changing prices. It concludes with a case study of the managerial uses, by an Indian firm, of one of the suggested inflation-adjustments methods.

I
Historical Developments

ACCOUNTING for inflation first became a subject for serious debate as a potential practical proposition in the early 1950s. The efforts did not go too far, because the inflation rate was not high enough to warrant any change in traditionally established and generally accepted accounting principles. However, the markedly sharper twist to the inflationary spiral during 1970s has alarmed the businessmen to concentrate on the problem of financing industrial plant replacement and the drain on working capital resources brought about as a consequence and aggravated by the level of taxation on corporate profits.

In June 1969, the Accounting Principles Board of the American Institute of Certified Public Accountants (AICPA) issued Statement No 3, 'Financial Statements Restated for General Price-Level Changes'. This document is an extension and improvement of Accounting Research Study No 6 issued by the AICPA in 1963 titled 'Reporting the Financial Effects of Price-Level Changes'. In January 1973 the Institute of Chartered Accountants in England and Wales published 'Accounting for Inflation — A Working Guide to the Accounting Procedures" as a companion to the Exposure Draft (ED-8) on 'Accounting for Changes in the Purchasing Power of Money' issued by the Accounting Standards Steering Committee (ASSC).

ED-8 proposed adoption of a method of adjusting published company accounts by reference to an appropriate index that would measure the degree of fall in the purchasing power of the monetary unit and enable comparisons to be made with the historic cost figures used in the statutory accounts of the organisation.

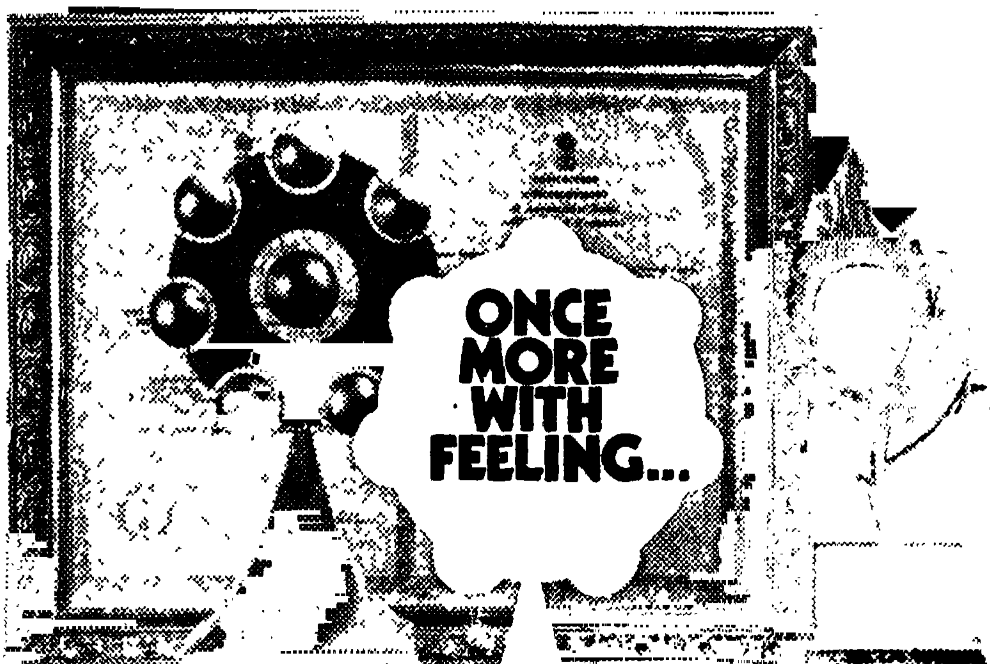
The Exposure Draft (ED-8) was debated at length and in May 1974 it was followed by ASSC's 'Statement of the Standard Accounting Practice' (SSAP), No 7 in a series of such SSAPs This document, provisional in its nature, requires the quoted companies to provide inflation adjusted accounts as a supplement to the statutory accounts prepared under historic cost conventions. In January 1974 during the discussion period of ED-8, the government set up the Independent Committee of Inquiry into Inflation Accounting to look into all aspects of the problems of accounting for price changes The committee chaired by Francis Sandilands submitted its report in September 1975.

The Sandilands Report took a different view to the ASSC on the most appropriate method of inflation accounting and it came down in favour of 'Current Cost Accounting' (CCA), as opposed to the 'Current Purchasing Power' (CPP) method which formed the basis of the ASSC's SSAP No 7. The two systems are based on fundamentally different concepts. Under CPP, all the items in the financial statements are presented in a unit of measurement that represents the same amount of general purchasing power — the general purchasing power of monetary unit on balance sheet date. It also recognises the general price-level gains and losses that result from holding monetary assets and liabilities during inflation or deflation. Barring these two changes, the financial statements prepared under CPP method suggested by SSAP 7 are similar to the conventional statements based on historic costs CPP preserves the cost basis and the realisation rule of historic costs conventions In contrast to the CPP approach to inflation accounting of adjusting the historic cost accounts by reference to an index of the purchasing power of the currency, the CCA system as recommended by Sandilands adopts the concept of revaluing physical assets such as building, plant and machinery at their "value to the business". This principle has now been enshrined in the Exposure Draft (ED-18) prepared by the Inflation Accounting Steering Group (IASG) under the chairmanship of Douglas Morpeth. We will come back to it later.

Current Cost Accounting in US

On the other side of the Atlantic in the US, in 1974 the Financial Accounting Standards Board (FASB), a successor to Accounting Principles Board of AICPA, issued a proposed statement of Financial Accounting Standard that would require, for fiscal years beginning on or after January 1, 1976 the restatement of conventional financial statements for changes in the general purchasing power of the monetary unit and the reporting of certain information from adjusted statements. Their statement is formally known as "Financial Reporting in Units of General Purchasing Power". Later in August 1975, the US Securities and Exchange Commission (SEC) asked for comments on proposed disclosure requirements which would require corporations to measure and report the current replacement cost of certain assets. In March 1976 these requirements were made mandatory for approximately 1,000 of the largest US manufacturing corporations. In a release — Accounting Series Release No 190 dated March 23, 1976 — the SEC stated that the purposes of the required disclosure of current replacement cost information were "to provide information to investors which will assist them in obtaining an understanding of the current costs of operating the business . (and) to provide information which will enable investors to determine the current cost of inventories and productive capacity as a measure of the current economic investment in these assets "

On March 31, 1977 many of the United States' largest public companies


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filed with the Securities and Exchange Commission their first annual reports containing the disclosures required by the Commission's controversial replacement-cost rule. In a study made by Arthur Young (a prominent CPA firm in the US), summarising the results of 175 companies which disclosed the data by the time of study, the current cost of replacing gross productive capacity was, on average, about two times the original cost; net productive capacity was from two-thirds to three-fourths higher on a replacement cost basis; and current-cost depreciation expense averaged two-thirds more than historical-cost depreciation expense. However, the degree to which replacement costs exceeded historical costs varied widely among the companies included in the study. The ratio of replacement cost to historical cost of inventories varied significantly, depending on whether the FIFO or LIFO method was used in preparing financial statements and whether additional replacement cost depreciation was included in estimating the replacement cost of inventories.

The SEC has decided to continue with its replacement cost disclosure rule for the time being. On August 5, 1977, it issued a release confirming that it would again require replacement cost data for the current year. Meanwhile, to assist Financial Accounting Standard Board (FASB), the rule-making body for the US accountants, in its efforts to develop a conceptual framework of accounting and reporting, the American Institute of Certified Public Accountants has set up a task force to study the various proposals of concept and measurement and to encourage experimentation with a minimum number of financial accounting models formulated from various alternative measurement methods which have been proposed. US business executives, CPAs and regulators are also monitoring the latest British move. Thus, the FASB is in the throes of its own inflation accounting debate, and what others, particularly the British, do cannot help but affect the FASB deliberations.

Developments since Sandilands

Before considering the content of ED-18, let us review developments since the Sandilands report was published in September 1975.

In November 1975, the CCAB (Consultative Committee of Accountancy Bodies, the six British professional bodies which sponsor the ASC) issued its "initial reactions" to the Sandilands Report. Although welcoming the report as a valuable contribution to accounting thoughts, the CCAB said that CCA did not deal with changing value of money. Earlier ASSC in its publication "The Corporate Report" also insisted that a current value accounting must take account of the changing value of money. The problems of making valid comparisons over a period of time when the unit of measurement is unstable is not dealt in Sandilands report.

Later in the same month, the British government adopted the Sandilands Committee's proposals, and Douglas Morpeth was appointed chairman of the Inflation Accounting Steering Group (IASG). In the words of Westwick, a member of the committee, "our task was to convert the proposals of the Sandilands Committee on current cost accounting into a draft accounting standard which would be practical, acceptable and auditable". The IASG was told to prepare a proposal for an exposure draft on CCA after taking into account the initial reactions of CCAB as well as comments made by others. The proposed exposure draft was submitted to the ASC early in September 1976, and after intensive discussion and modification, was published two months later as ED-18.

Profit Measurement and Maintenance of Capital

One of the problems that is central to inflation accounting, and indeed to all accounting, is the definition of profit. In measuring profit, we are trying to determine if a firm has been able to maintain its capital, so that the firm may retain its 'welloffness' as it existed at the beginning of the period. The accounting aspect of capital maintenance has been under serious discussion at least since the pioneering work of Henry W Sweeney in the 1920s and early 1930s. Under historical cost accounting profit is what is left-over after maintaining the money value of capital. This is the 'legal' view embodied in conventional accounting practice. Under current purchasing power (CPP) method, it is what is left-over after maintaining the purchasing power of capital. It maintains the 'exchangeability' of the capital committed to the accounting entity by its shareholders. Under Sandilands' current cost accounting (CCA), the emphasis is on maintaining the actual physical material capital. The profits are calculated after charging against revenue the current value of the physical assets consumed during the year. The ED-18 accepts this view in calculating 'current cost profits' in the profit and loss account. In ED-18, the amount available for 'distribution and general reserve' is the sum of current cost profit for the year and the surplus on revaluation of assets during the year, less the amount appropriated to revaluation reserve by the directors. The amount to be appropriated is a discretionary sum to be decided by the directors based on what they consider 'substance of the business' to be maintained. Should this substance be maintained in money terms or general purchasing power terms or specific power terms is for them to decide.

II

Major Provisions of ED-18

Under ED-18 the limitations of historical cost accounting under inflationary conditions are to be corrected in the following manner:

(1) Depreciation and cost of sales for the year is to be calculated on 'value to the business' of these assets, and not on their original cost. Thus, calculation of profits is based on *current cost of assets* consumed during the year.
(2) The balance sheet will show current values for most assets and will no longer show their historic cost. The current cost is based on the 'deprival value' of an asset.
(3) There will be a new statement in the annual accounts — the appropriation account — in which there will be brought together the current cost profit, the revaluation surpluses, the amount which the directors consider should be retained within the business having regard to their assessment of its needs, and dividends. Directors may transfer from this surplus to a capital maintenance reserve, amounts required to maintain the 'substance of the business'
(4) There will be a note to the accounts entitled 'The Statement of the Change in the Equity Interest after Allowing for Changes in the Value of Money' The statement will clearly show how the company has performed in relation to the rate of inflation and will also show its losses or gains from the holding of monetary items

It is hoped (vide para 5 of the report) that CCA will provide management, and the users of published accounts, with more realistic information on costs, profits, and value of assets, and the return on capital and on assets. It also provides a distinction between the profits earned from the operations of the business and the money gains resulting from changes in the price of a company's assets. Vide para 6, annual accounts prepared and presented on the basis set out in this draft should contain a profit and loss account, an appro-

priation account and a balance sheet. Except for wholly-owned subsidiaries there should be included in the notes to the accounts a statement of the change in shareholders' net equity interest after allowing for the change in the value of money.

In profit and loss account, the operating profit or loss is arrived at after charging depreciation and the cost of sales on the basis of current 'value to the business' of the physical assets consumed during the year. The guideline to determine the value to the business of different assets in the balance sheet is as follows.

Plant and Machinery: Plant and machinery in the balance sheet will be shown at their 'value to the business'. This will be their net replacement cost except where this is greater than both the economic value (which is, the present value of the income that will be earned from using the machine during the rest of its life) and the net realisable value in which case it will be the higher of the economic value and net realisable value.

The general rule of ED-18 is that the 'value to the business' is its 'deprival value' that is, the maximum loss accruing to the firm if it were to be deprived of its assets. This deprival value will depend upon the intentions of the firm with respect to its assets. The firm can replace it, sell it or hold it. In each situation, net replacement cost, net realisable value and economic value respectively becomes relevant. Depending on the circumstances, economic value or net realisable value could be the appropriate value to the business. For example, if asset's net replacement cost was Rs 10,000, and if the present value of the net income that will be earned from using the machine during the rest of its life is only Rs 8,000, then the firm would not seek to replace it. Although economic value and net realisable value are possible bases for value to the business, the ED-18 Guidance Manual stresses that in most situations the most appropriate value to the business will be net replacement cost. Sandilands report also supports this view.

Technological Change and the Use of Indices: The gross current cost of plant and machinery is the cost to be incurred to obtain and install a substantially identical replacement or the cost of modern equipment in case technological changes have taken place, whichever is lower. The value of the assets that the company has gets affected by the existence on the market of new, improved asset. The Sandilands report favoured the use of industry-wise indices in determining the value to the business of plant and machinery. Sandilands implied that such indices incorporate the effects of technological change, whereas in fact they are constructed to eliminate such effects. Sandilands' reliance on the use of official indices, while giving the impression of uniformity and accuracy, could in many cases be misleading. ED-18 recognises this, and it sensibly expresses a preference for asset-based indices rather than industry-based indices.

However, ED-18 introduces a considerable degree of subjectivity into fixed assets valuation by the way in which it recommends that if technological improvements reduce asset costs this should be reflected in the current cost of the asset. In doing so, the estimated cost of the 'modern equivalent asset' which would be deemed to replace the asset now owned by the firm, is to be adjusted to take account of (a) the present value of estimated differences in future operating costs, (b) differences in output capacity, and (c) the estimated life of the improved machine over a substantially identical replacement.

Where the gross current replacement cost of plant and machinery is estimated, by reference to the cost of a substantially identical asset, that cost should be calculated by reference to one or more of the following sources of data:

(a) Suppliers' official price lists, catalogues, etc, with appropriate deductions for the trade discounts.
(b) The company's own replacement cost estimates based on expert opinion.
(c) An index compiled by the Company from its own purchasing experiences.
(d) Authorised external price indices analysed by asset type.
(e) Authorised external price indices analysed by using industry.

It is envisaged that most companies will use a combination of methods, using the methods higher in the list for the more important and more expensive items of equipment, and the methods lower in the list for the less expensive and less important items of plant and machinery.

In the United States, where the FASB and the SEC are moving much more cautiously in introducing current value accounting, the expected difficulties likely to be associated with accounting for technological change are already receiving attention. The SEC Accounting Series Release No 190 (issued in 1976) requires only to disclose the estimated cost of stocks and of fixed assets in corporate annual reports. There is yet no requirement for replacement cost figures to be incorporated in income measurement, but an editorial in *Business Week* (August 9, 1976, p 80) commented on such possibility in the following words:

> In a world of rapidly changing technology no one replaces old equipment with an exact duplicate. Replacement will take the form of new machinery that costs more but produces more efficiently. And so, to calculate earnings on a replacement cost basis, accountants must not only charge more depreciation, they must also adjust for differences in output and operating costs. When they have done so, they wind up in a curious dream world where companies substract savings they did not realise from costs they did not incur to derive earnings they did not make.

Recognition of technological change in the manner proposed by ED-18 not only leads to subjectivity of assets valuations, it also raises the important theoretical issue as to whether resultant depreciation charges are in fact a measure of the current value of the costs actually incurred by the enterprise in the current period, or whether they entail an unwarranted anticipation of possible future cost saving.

Land and Building: Like plant and machinery, the land and buildings are to be carried at their 'value to the business' which in owner occupation will normally be their open market value for their existing use, plus estimated attributable acquisition costs. Open market values are to be supplied to the company by professionally qualified surveyors.

Professional valuations are to be carried out at least every five years unless there has been a substantial change in the market in that period. If such valuation cannot be made, the value to the business should be the total of the depreciated replacement cost of the buildings and the open market value plus estimated attributable acquisition costs of the bare land for its existing use. If economic value of such land and buildings is smaller than the value estimated as above, then the economic value would be the value to the business.

Depreciation: The charge to the profit and loss account for depreciation should be equal to the value to the business of the assets consumed during the period. Since, when assets are valued on the basis of their net current replacement cost, the value consumed increases as the replacement cost of the assets increases, the charge may be based on average value for the period. The charge is obtained by apportioning the asset's average value over a period equal to the expected remaining useful life of the assets at the beginning of the period.

The selection of the average asset value for computing depreciation is a departure from the recommended use of the end-year value by Sandilands Committee.

In times of rising prices, the amounts charged to the profit and loss account will not be sufficient to accumulate a

total provision for depreciation equal to the asset's gross current replacement cost at the end of its useful working life. The accumulated depreciation at the beginning of each year and the charge for depreciation for the year are both likely to be based on values which are lower than the value at the end of the year. The sum of the accumulated depreciation brought forward and the charge for the year will, therefore, not equal the accumulated depreciation required at the end of the year. The shortfall is called 'backlog depreciation'.

In using average value for charging depreciation, there will be two elements of backlog depreciation. One, prior-year backlog depreciation—the amount of additional accumulated depreciation required to keep the accumulated depreciation account in the same proportion as over the year the replacement cost has increased. Second, current year backlog depreciation—the amount needed to uplift the annual charge based on the average depreciable value to the depreciation charge really needed to cover the replacement cost at year-end.

Para 11 of ED-18 suggests that backlog depreciation should be charged against the related revaluation surpluses, rather than to the profit and loss account.

Inventories: Inventories are to be stated at the total of the 'value to the business' of the separate items of inventory, or of groups of similar items. This will generally be lower of replacement cost and net realisable value. The current replacement cost of stock and work-in-progress should include the cost of purchased items, together with the cost of manufacturing, processing and other expenses incurred in bringing the product to its present location and condition. This should include all related production overheads even though they accrue on a time basis.

The general principles in relation to stock and work-in-progress stated in ED-18 follow closely the recommendations made in the Sandilands report. One difference however is that ED-18 proposes that stock and work-in-progress be shown in the balance sheet at its 'value to the business', while Sandilands recommended such value to be shown only by way of a note.

The sources of data used in the calculation of the current replacement cost of stock, and the current cost of sales are in descending order of preferences as shown below (vide para 164).

(1) The costs currently being incurred by the company at the date of consumption for various cost elements.
(2) Suppliers' official price lists, catalogue, etc, in respect of purchased items with appropriate deductions for trade discounts.
(3) An in-house index compiled by the company from information on its own costs of purchases, labour and overheads.
(4) An authorised external price index for the costs of each type of stock used by the company, or for the costs of stocks of companies in the relevant industrial category.

The ED-18 does not prescribe any particular method to be employed to determine the current replacement cost; each company will need to develop the techniques appropriate to their business.

Cost of Sales: Para 15 states that "the amount charged to the profit and loss account for the period for stock and work-in-progress consumed should be the value to the business, at the date of consumption, of the stock and work-in-progress consumed during the period". The calculated cost of sales adjustment (COSA) would be added to or, where appropriate, deducted from the cost of sales charged to the profit and loss account for the period and included as part of the surplus or deficit arising on revaluation of stock.

The ideal would be to determine current cost of sales on an item by item basis, but it may be impractical. Generally, companies calculate cost of sales on a periodic basis. If a company has a fairly regular sales pattern and if prices have increased steadily during the period, ED-18 has recommended *averaging method* for calculation of the current cost of sales. The objective of averaging method is to charge stock consumed at the average current cost during the period.

Further, a number of circumstances have been listed in which it will not be necessary for companies to make cost of sales adjustment. These are:

(a) Work-in-progress which is being carried out as part of a contract, including stocks of materials ordered for a particular contract, and finished products not yet delivered.
(b) Assets which were purchased solely with a view to gaining the benefit of an increase in their market value, e g, the stock of a commodity dealer.
(c) Stocks which were increased significantly in order to avoid increase in price.
(d) Stocks which were purchased substantially below (or above) the market price.
(e) Seasonal agricultural products.

Contract Work-in-Progress: The most important of these exemptions where COSA is not required is contract work-in-progress. Morpeth Committee recommended that once a material had been allocated to a specific contract no further adjustment for increase in its cost should be made. This may appear to be a divergence from the strict theory of CCA. However, when allocated to a contract, materials cease to be part of general trading stock of the company and it is appropriate to provide for their replacement by charging to the contract their replacement cost at the date of such allocation.

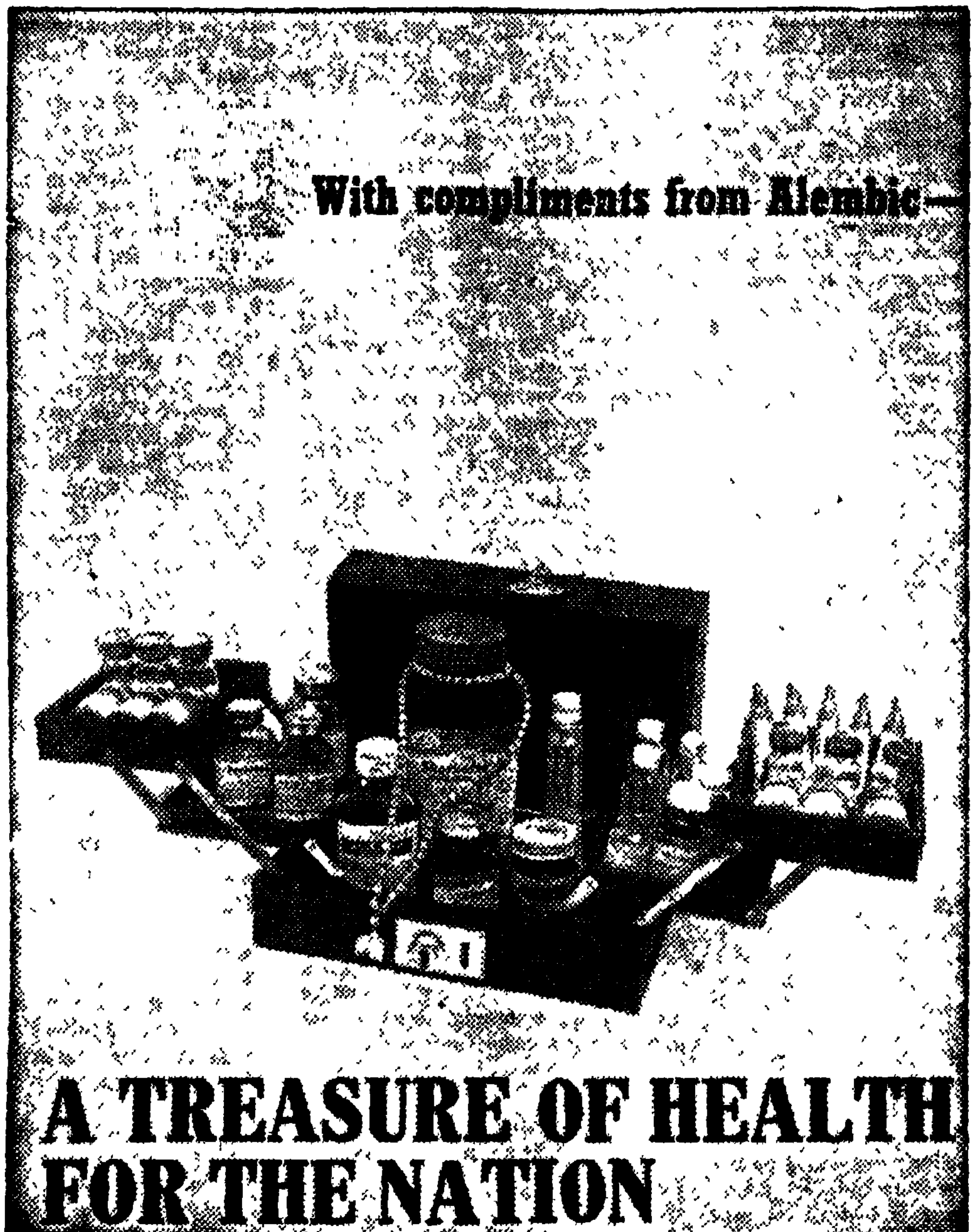
Another problem for contract work-in-progress is the question of financing of the cost of the contract by means of progress payments. Morpeth Committee decided that work-in-progress for a specific customer, less progress payments on this account, is more in the nature of a monetary asset than a physical asset and, therefore, needs no adjustment in cost of sales.

Gains due to Skilled Buying: One of the criticisms that was made of the Sandilands proposals is that the results of skilled buying would be shown as holding gain, whereas the results of skilled selling would be shown in the profit and loss account. Morpeth Committee has proposed that any profits made from skilled buying: (a) when a company make a significant departure from its normal buying pattern by purchasing stock in advance of normal requirements in order to avoid an expected increase in price, or (b) when stock is purchased at a price substantially below the relevant market buying price at the date of purchase, should be included in the profit and loss account and not in the appropriation account.

Capital-based Government Grants: An aspect of valuation not covered in the Sandilands report is the treatment of government grants. According to ED-18 (para 48), in arriving at a replacement cost of assets, the grant receivable from the government should be deducted from the gross current replacement cost as it is only the net outlay that the company would have to bear. Although this treatment is consistent with the theory of value to the business, it does have a rather odd consequence in that if the rate of grant falls, the 'value' of the asset will increase and the company will therefore show a holding gain.

Intangibles: In dealing with the valuation of intangibles ED-18 makes proposals which are both subjective and illogical.

In the case of goodwill only purchased goodwill is continued to be shown in the balance sheet at cost less amount written off. Such value at the time of purchase is to be determined by valuing the net assets acquired "at their value to the acquiring entity according to the principles of CCA". In order to avoid introducing "too great a degree


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of subjective judgment into the preparation of balance sheet", it is recommended that no account should be taken either of any subsequent increase in the value of purchased goodwill or of any internally generated goodwill. ED-18 is also indifferent as to whether the every year write-off goodwill is to be made to the profit and loss account or to the appropriation account.

Not only does this introduce confusion into the problem of income measurement, it is also inconsistent with the proposed treatment of other intangibles.

All other intangibles (including research and development expenditure) are to be recorded in the balance sheet at their current value, if such value can be established. If value to the business cannot be established the intangibles are to be written off in the profit and loss account. Such intangibles are not to be shown at their historical cost figure, since this figure "may bear no relationship to the current value".

It is difficult to understand why, ED-18 is so selective in its disapproval of subjective estimates in case of goodwill and of the use of historical cost as a proxy for current value where the latter is indeterminant.

Trade Investment: ED-18 draws no distinction between those held as current or as long-term assets. Quoted investments should be valued at their mid-market price (the average between 'bid' and 'asked'). Unquoted should be stated at their value to the business as determined by the directors; this would normally be related to (a) the net asset value to the company on a CCA basis; and/or (b) the present value of the expected stream of income from investment.

Investment in associated companies are to be shown at the applicable proportion of their net assets as shown by their CCA accounts. However, where the associated company is a quoted company, the investment may be valued at their mid-market value.

Liabilities and Deferred Tax: Deferred tax should be accounted for on the liability method in respect of all timing differences "other than any tax reduction which can be seen with *reasonable probability* to continue for the foreseeable future, either by reason of recurring or continuing timing differences or in the case of revalued assets by the continuing use of the assets or the postponement of liability on their sale". The potential deferred tax liability for all timing differences should be disclosed in a note.

Liabilities other than deferred tax should normally be shown at their face value. Discounting or the use of market values is not to be permitted. In case of quoted securities mid-market price at the balance sheet date should be shown by way of a note to the accounts.

The Exposure Draft introduces wide variations and inconsistencies into the use of market values and discounting in making valuations. Neither can be used for liabilities (even for quoted debentures, etc) except that a new kind of discounting (involving a notion of reasonable probability) is introduced into deferred tax accounting.

If quoted market values are to be used under ED-18 to produce current valuations of investments (vide para 63) and if discounting is acceptable in determining economic value and in valuing the impact of technological change on the value of plant and machinery, it is difficult to understand why the use of either basis is rejected in arriving at a valuation for liabilities. It is difficult to see what logical justification there is for excluding the use of discounting technique in valuing liabilities. Can it not be concluded that expediency rather than principle governed the decision to use 'reasonable probability' (discounting having been rejected) in dealing with the problem of deferred taxation?

The Appropriation Account: Under ED-18 the figure of current cost profit in the profit and loss account is the same as recommended by Sandilands report. Current cost profit is what is left over after charging against revenue the current value of the physical assets consumed during the year. One of the most significant and controversial departures which ED-18 makes from the recommendations of Sandilands comes

Appendix

SPECIMEN COMPUTATION OF INFLATION CHARGE

For fixed assets, the practice is to compute replacement values using inflation indices applicable to buildings and plant. These indices are cleared with the Chief Engineer of the company and reference is made to economic journals and Reserve Bank bulletins to decide on the index. In the computation of trading profit statistical depreciation on replacement value is calculated and, therefore, the charge to results includes the provision necessary for inflation in replacement of fixed assets.

For working capital, the procedure is to estimate the gross working capital at the end of the year and this is reduced to the extent of estimated bank borrowing, long term loans, provisions for taxation, etc. The difference gives you the uncovered working capital which is supposed to be financed from company's past and current year's retained profits. The assumed rate of inflation for the following year is applied to the uncovered working capital amount to arrive at the net inflation charge. This amount represents additional finance necessary to be found from within the business for maintaining the substance of the business. However, the amount needs to be grossed up at the applicable effective tax rate of the company to arrive at the gross inflation charge. This is essential as the company needs to earn that much extra pre-tax profit to be able to finance the additional net working capital necessary to cope with inflation. To this gross amount is also added all interest payment on short term and long term loans which is in excess of 6 per cent. The excess interest over 6 per cent is considered of inflationary nature and therefore added to the gross inflation charge. Since interest is a tax deductable expense in the company assessment it is not necessary to gross up the element of excess interest. The computation is done as under:

		Rupees Thousands
Gross working capital (stocks plus debtors less creditors) at end year		
Less:		
Bank Overdrafts	( )	
Long term loans	( )	
Tax Provisions	( )	
Deferred Dividends	( )	( )
Uncovered Working Capital		———
Inflation charge @ X per cent		———
Grossed up for tax		———
Add interest above 6 per cent		———
Total inflation charge		———

The total company inflation charge is allocated to the product groups in the ratio of average working capital employed by them.

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in the form of an appropriation account. The appropriation account should show (i) the current cost profits or loss for the year; (ii) the surpluses or deficit for the year arising from the revaluation of assets; (iii) the amount appropriated by directors to or from revaluation reserve; (iv) dividend distribution; and (v) balance being transferred to general reserve.

It is envisaged that, in deciding what amount to appropriate, the directors will have regard to two matters :

> What is the 'substance of the business' that they consider should be maintained (is it the physical assets, or all the assets, or the long-term capital, or the owners' capital, etc)?
> Should this substance be maintained in money terms, general purchasing power terms, or specific price terms?

Such transfer to revaluation reserve account is left at the discretion of directors. Sandilands was uncompromising in his refusal to allow any holding gains resulting from the revaluation of assets to be treated as part of distributable income. ED-18, on the other hand, recognises a number of situations which may lead the directors to appropriate more or less than the amount of revaluation surpluses. It suggests that appropriation to revaluation reserve in excess of holding gains may be necessary to provide for such items as backlog depreciation, the amount required to finance an increased volume of trade debtors, and stock as a result of inflation; or even an amount to maintain the purchasing power of stockholders' equity.

Directors also have discretion to provide less than revaluation surpluses, that is, to treat part of holding gains as distributable profits. ED-18 provides that, in general, holding gains are to be treated as capital. There are, however, three situations in which it is specified that holding gains should be treated as income. These are : (a) where the asset was purchased or held 'solely' with a view to gaining the benefit of an increase in its market value (the main example being in investment and commodity dealing activities); (b) where usually large purchases are made in anticipation of future price increases; and (c) where stock is purchased at a price substantially different from "the relevant buying price at the date of purchase".

Thus ED-18 blurs the whole concept of profit. The distinctions between capital and revenue charges are of arbitrary nature. This makes it all the more important for the profession to sharpen up its conceptual thinking on the question of what it means by 'profit'.

Change in Net Equity Interest: The decision by the Sandilands Committee to recommend current cost accounting (CCA) rather than the current purchasing power (CPP) basis advocated by the Accounting Standards Steering Committee in its earlier statement of Standard Accounting Practice No 7 has undoubtedly tended to confuse many people who were already bemused by the whole controversy. By recommending current cost profits on replacement cost basis ED-18 seems to be wholly consistent with Sandilands recommendation. However, the most heated argument in recent years within the area of inflation accounting has been over the treatment of the maintenance of purchasing power of the equity interest and also over the gain or loss resulting from monetary items. One may recall the controversy followed by the publication of Sandilands report, in which ASSC insisted that a current value accounting must take account of the changing value of money. This reaction found favour with ED-18 and a statement by way of notes to accounts has been recommended.

This "Statement of the Change in

Shareholders' Net Equity Interest after allowing for the Change in the Value of Money" shows whether the shareholders' net equity interest, value both at the beginning and end of the year in CCA terms, has been maintained in real terms. This statement converts the shareholders' net equity interest at the beginning of the year into uniform purchasing power units based on Retail Price Index (RPI) at the end of the year. This figure then is compared with net equity interest at the end of the year based on current cost accounts; so a comparison can be made whether shareholders' have been able to maintain the purchasing power of their interest in the company against the vagaries of inflation.

Also to be found in the notes to the accounts will be amount of gain or loss to the company as result of owing monetary liabilities or holding monetary assets It can be observed, in the words of Westwick, a member of the Morpeth Committee, "that the Steering Group decided to put the items about which there was the greatest measure of agreement, namely depreciation and cost of sales on a CCA basis into the profit and loss account. Those items about which there was still some controversy have been dealt with as non-mandatory transfers within the appropriation account, and finally those items which are the most controversial are to be shown as notes to the accounts."

Auditing Current Values: One of the most important criticisms of the CCA method as proposed in ED-18 is that in determining the value to the business of the fixed assets such as building, plant and machinery, reliance will have to be placed to a considerable degree on the subjective judgment of officers of the company and on the opinions of professional valuers who may be called in. It can be seen that ED-18 will make life much more difficult for auditors and will greatly increase the subjectivity of accounting measurement and scope for errors therein. And then, there are conceptual problems with regard to concept of profit and capital. It is evident that the more we blur the distinction between profit and capital, and between capital charges and revenue charges, the more scope we shall be giving to management to indulge in what Americans have stigmatised as 'imaginative accounting' on the lines of "Unaccountable Accounting", by Briloff (Harper and Row, New York, 1972).

Post ED-18 Developments: To the surprise of most, ED-18 was rejected by a majority of British Chartered Accountants on July 6, 1977. One of the accountants' chief criticism of both Sandilands and Morpeth was that they focused on adjustments to physical assets and ignored the effects of inflation on monetary assets and liabilities. If a company holds net monetary liabilities, the argument runs, a company gains purchasing power during inflation because it will be able to pay off its liabilities in cheaper pounds or rupees. One can make a similar argument for replacement calculations. To the extent that higher replacement-based cost of sales and depreciation can be financed by debt, there is no real replacement problem.

The Consultative Committee of Accounting Bodies (CCAB), on rejection of ED-18, appointed Hyde Committee (headed by William Hyde, Chief Accountant of Oxford University) to 'come up with a quick solution so that investors would have access to some kind of information of inflation adjusted data. The committee's report known as "An Interim Recommendation" dated 4th November has been adopted by Accounting Standards Committee (ASC). The 'Interim Recommendation' is a short and fairly simple statement. It leaves balance sheet values untouched, and recommends only adjustment to income. The information is to be inpluled as "a prominent separate statement" and would not affect the ordinarily published financial statement.

It is recommended that three adjustments should be made to the financial results as computed on historical cost convention. The adjustments are: (1) depreciation, (2) cost of sales, and (3) gearing. The first two adjustments are aimed to raise the historical cost to current cost, while the third adjustment is to account for purchasing power loss or gain on net monetary assets and liabilities.

Depreciation Adjustment: An adjustment should be made for the difference between depreciation based upon the current cost of fixed assets and the depreciation charged in computing historical cost results. Where the company already has 'appropriate' ways of determining cost depreciation, these should be used. Otherwise, the company may correct the historical cost with specific index factor—either to the industry or the type of asset. To find the correction, the assets need to be grouped according to the year of purchase; the more recent the purchase, the smaller the factor.

Cost of Sales Adjustment: Here also, where the business has already developed appropriate methods of computing the current cost of sales, it may continue to use so. For instance, standard costs, the base stock method or LIFO will also be acceptable. The companies which do not have appropriate method of computing current cost, the cost of sales adjustment (COSA) should be computed using specific index factor. They will be used to revise the historical costs of both opening and closing stocks to the average current cost of the year to compute the cost of sales.

Gearing Adjustment: Its suggested rule vary according to whether the figure for net monetary assets is positive or negative; that is, whether company has net monetary assets or net monetary liabilities position.

Where monetary assets exceeds monetary liabilities, the profits should be charged with an adjustment for the purchasing power loss in value over the year. The charge is to be found by applying an "appropriate" index factor to the net balance of monetary assets (on a verge of the opening and closing balances, unless some other averaging method would give a better view).

Where monetary liabilities exceed monetary assets, inflation accounting aims to show the benefit of gearing. The guidelines state that "where the total liabilities of the business, including preference share capital, exceeds its total monetary assets, a calculation should be made of the proportion of the net monetary liabilities to the net balance of monetary liabilities plus the equity share capital and reserves (including asset revaluation surplus). An amount equal to this proportion of the depreciation and cost of sales adjustments should be credited as a separate adjustment in the statement".

The concept behind these adjustments seems to be fairly simple. In a business either of the two possibilities are there: a (a) company has fixed assets, inventory, and net monetary assets; all these three are financed by equity; or a (b) company has fixed assets and inventory; financed partly by equity and partly by net monetary liabilities. In case (a) where the assets of the company are fully financed by equity, all inflation related cost (that is, current cost adjustment) is charged to the profit and loss account. Current cost adjustment is provided using respective specific indices for different assets. In case of net monetary assets the specific index would naturally be the index reflecting the purchasing power of monetary unit. Therefore, the use of general price index seems to be appropriate to account for loss in value of net monetary assets holding. In case (b) where the company's fixed assets and inventory are financed partly by equity and partly by net monetary lia-

bilities, then only part of its additional inflation-related costs for sales and depreciation will be charged to its income statement. For example, if a company's debt-equity ratio is 1 to 1, then only half of its additional inflation-related costs will be charged to profit and loss account.

III

Managerial Use of CCA : A Case Study

Surprisingly, we find that in India, one company (Hindustan Lever) has been using such procedure for quite some time. To retain 'substance of the business', the company management, in evaluating departmental performance, feel that each product group must make necessary provision for inflation in arriving at the trading profits of the group. The basis of computing total inflationary charge for the company and allocating it to the product groups is given in the Appendix.

For fixed assets, the management provide for an additional depreciation charge which is a differential between current cost depreciation (they call it statistical depreciation) and historic cost depreciation. For inventory, they do not make any cost of sales adjustment as in this case the turnover of inventory, being mostly consumer items, is too fast to recognise any price change during inventory holding period. Nevertheless, in computing cost of sales the company is using some sort of replacement values. An acceptable surrogate of replacement values in computing cost of sales may be LIFO or base stock method.

To compute inflationary charge on monetary items, for no justifiable reasons (at least conceptually), the company is treating inventory as monetary asset to compute inflationary charge (see Appendix). With this treatment of inventory, one may notice from the company's past balance sheet data that it holds a net monetary asset position, which they term as uncovered working capital. On this uncovered working capital they make an inflation charge using general price index Further, the excess of interest over 6 per cent per annum is also considered to be of inflationary nature, and therefore, is added to the gross inflation charge This total inflation charge is then allocated to the product groups in the ratio of average working capital employed by them.

The practice of making inflationary charge seems to be roughly in accordance with 'An Interim Recommendation'. The company must be given credit for initiating the practice well before anybody else. It is yet to be seen, however, whether the management would take the next logical step and publish the results.

Economics of Steel Technology in India

S V Char

The policy implications of the necessary major criteria for choice of technology in steel making include autonomous growth of the iron and steel industry, with a heavy reliance on the integrated BF + LD units. Large investments cannot be avoided. Computations in this article show that, for India to attain its objectives in steel, the ratio of BF + LD to DR + EF capacity would have to be approximately 70 : 30, if not higher.

One could begin long-term planning on such a broad premise, and periodically revise it in the light of new developments such as the discovery of new coking coal mines in Dhanbad and Birbhum districts, discovery and availability of natural gas, electric power generation and availability, etc. It will, of course have to be ensured that vested interests of the one or the other route do not foreclose a periodic review of the choice of technology.

THE Draft Sixth Five-Year Plan (1978-83) envisages a growth rate of 8 45 per cent in the iron and steel sector (metal and ferro-alloys, No 57). To attain this rate, steel ingot capacity would have to be stepped up from 13 30 million tonnes in 1977-78 to 17.60 million tonnes by the end of the Plan. In fact, the existing capacity for crude steel production, including a capacity of about 3.9 million tonnes in mini steel units, adds up to 14 67 million tonnes.

Other projections have placed the required crude steel production at about 25 million tonnes by 1988. The White Paper on the Steel Industry (1976) had set a tentative target of 75 million tonnes by the end of the century. It is against such a background that the Government is attempting to forge collaboration with, Germany, USSR, UK, US and others for establishing new capacity—both by way of expansion, of Bhilai, Bokaro, and other plants as well as by way of greenfield sites. The sites for the new plants already selected or likely to be selected are: Vizag, Vijayanagaram, Goa, Mangalore, Nayagarh, Paradip, Bailadilla, etc.

In the discussion about steel targets, two major lacunae are evident. First, it is not widely understood that the development of steelmaking capacity and the supportive ironmaking capacity have to be in step, and in style, with each other. No discussion can be considered complete or meaningful without an equally elaborate discussion about ironmaking facilities which would, after all, feed the steelmaking units. Secondly, a conspicuous lacuna relates to the selection of a relevant technology. This note, therefore, attempts to discuss briefly the choice of technologies available and the major criteria that should govern technology selection.

Basically, there are two iron and steelmaking processes. One is the conventional route, based on coke metallurgy, i e, Blast Furnace + Linz Donowitz (BF + LD) converters. Instead of the converters, more recently Q-BOP (Quick, Quality, Quantity — Bottom-Blowing Oxygen Process) is also coming into vogue. Under the coke-metallurgy route, it is necessary to make lumpy investments in a coke oven battery complex in addition to heavy investments in certain indivisibilities such as BFs, LDs, post-ingot facilities, auxiliary work-shops, power systems, and townships. The route also presupposes adequate resource support—particularly the existence of adequate coking coal deposits in the region.

A second route which is not so conventional is the Direct Reduction + Electric Furnace (DR + EF) route. The chief attractions of this combination of processes are: that it can do without coking coal which is a very scarce item and that capital costs per tonne of capacity created on greenfield sites would be far less than under the BF + LD. It could be even slightly less than the per tonne capacity created on a brownfield site through expansion. DR of iron-ore into sponge iron, which is the feedstock (along with ferrous scrap) of electric furnaces, is possible with ordinary coal and may be possible even with lignite abundantly available in the country. However, where it is desired to undertake DR with the help of natural gas, it is necessary to ensure that not only are natural gas supplies available but also that they are permitted by government to be used for sponge-making. The price of gas should also be, calorie for calorie, as attractive as that of coal.

More recently, however, synthetic gas from coal gasification is being considered as a dependable fuel for DR. Studies have shown that, in favourable circumstances, the manufacture and use of synthetic gas can be economical as an alternative fuel. The major hitch here,—as in the case of DR itself—is the technological immaturity of the processes for making synthetic gas on a commercial scale.

There are several other variations in the processes of making iron and steel. For instance, where power availability is assured at a low tariff rate, it is possible to smelt iron-ore into pig iron in Tysland Hole or Elkem furnaces which can be vertically integrated with an LD converter. In steelmaking, there are the open hearth, twin-hearth, LD-AC, rotar, Kaldo and other processes. For practical purposes, as well as for the limited objectives of this note, we can choose to ignore them and concentrate on the two basic routes mentioned above — *viz*, the BF + LD and the DR + EF.

Technology or route selection needs to receive much more attention than it has received hitherto. Studies by us have indicated that, for a long time to come, the country would have to rely, to a very large extent, on the BF + LD route or the BF + Q-BOP route—both of which would be based on our limited stocks of coking coal. There can be only marginal increases in electric furnace steel-making capacity. We shall presently see how these tentative conclusions are suggested by certain key considerations.

A comparative study, of the economics of available alternatives in technology, is of overwhelming importance because heavy investments are involved — as high as Rs 8,000 per tonne of ingot capacity even within the battery limits in the case of the BF + LD route. For the DR + EF alternative, this would be considerably less — Rs 3,000 to Rs 4,000, depending on whether the unit is gas-based or solid-fuel-based and whether additional facilities of power and rolling have been provided for within the battery limits. While, therefore, one may instinctively wish to go

in for this lower capital cost technology, in respect of operating costs, the main steel plants have a definite edge over the DR + EF plants which are generally known as 'mini steel units'. But again, it can be established that, the cost of production and fixed overheads in greenfield site DR + EF plant — assuming favourable factors such as adequate power supplies at special rates as in the case of aluminium units, and reasonable prices of coal or gas, scrap, graphite electrodes, refractories and so forth — can be lower than the cost of production in a greenfield site BF + LD steel plant, complete with a coke-making complex. As for the resources support for the two routes, our computations show that, at a relatively high level of steel production of about 60 million tonnes employing only the BF + LD route, the existing deposits of prime coking coal which can be won at reasonable costs, would have a life-time of as long as 43 years. This assumes, reasonably enough, that coke requirements are reduced from around 800 kg/t at present to, say, 600 kg/t (Bokaro's blast furnaces are close to such a level of consumption). A second assumption is that the coking coal/coke ratio would be at a high level of 2:1. If prime and medium coking coals are taken together, their deposits, at the same consumption rates, would last 90 years or more than three times the life-time of a steel plant. Thus it is possible to maintain high levels of hot metal production in BFs — such as 50 to 60 million tonnes per annum for extended periods of upto 100 years or more — by using a judicious mix of prime, medium, and blendable coking coals.

Improvements in BF operations such as tuyere-injection of auxiliary fuel can bring down coke consumption significantly to levels found in the advanced countries (400 to 500 kg) and contribute to the conservation of reserves. If there is a breakthrough in the production of formed coke with the help of blendable coals and inferior coking coals, the life-times would be much longer. However, arduous R & D problems have to be overcome, particularly in respect of the high ash content (27-28 per cent at present as against 23-24 per cent a decade ago). The major bottleneck appears to be inadequate coal washery capacity which even at present needs to be augmented. What is called for are: techniques such as beneficiation of high ash coals won from lower seams, oil agglomeration for upgrading the quality of inferior coking coals and other more commonly known measures.

Coming to the resource support aspect of the DR + EF route, it needs to be understood that the further development of EF units based on ferrous scrap alone is not possible on account of the non-availability of scrap in the market and the soaring price for it. Although imports can temporarily, alleviate the position, the sponge substitute alone can provide a lasting solution to the present difficult situation.

In respect of gas-based DR, as noted above, the major problem so far in the way of setting up units has been one of not only obtaining adequate allocation of gas from Bombay High, but also of obtaining it at a reasonable price. There are other priority consuming sectors which compete for the limited volume, *viz*, fertilisers, power generation, domestic consumers, and others.

To be economical, gas thus made available would also have to bear a price that has some relationship with the price per calorie of coal. If gas is priced at about the replacement value of coal, it would be too cheap at 20 paise per cubic metre and the gas cost alone per tonne (assuming a consumption of 3.2 Gcal/t as under the Midrex process) would be as little as Rs 64.00/t. On the other hand, if it is priced at the replacement value of fuel oil (which is much more likely), the gas cost alone would be Rs 320/t. Gas would thus appear to be pricing itself beyond the reach of the proposed DR units along the West Coast.

It should be noted, too, that even if an entire quarter of the Bombay High gas production of 2.2 million m^3/day is earmarked for gas, it can sustain sponge production of about 500,000 t/year for a period of only 15 years by which time the gas wells may be fully depleted.

In this setting, the recent conclusion of an agreement with Indonesia for production of sponge iron in that country, making use of its ample volumes of natural gas should be welcome. Production arrangements of this kind augur well for augmenting the quantum of feedstock available for the existing EF steel units in the country which are not only starved of good quality ferrous scrap but have also to pay an increasingly prohibitive price for it. At current levels of scrap prices (April 1979) or even at three-fourths thereof, the substitution of scrap by sponge should prove to be economical. It would also have a salutary effect on scrap prices. One can even reckon with a better control of the quality of steel produced.

In respect of solid reductant DR, which has been attracting for the last few years the interest of state industrial development corporations as well as the Ministry of Steel, unless there is a measure of success in the case of a couple of units to begin with, there may not be any desirable demonstration effect. As yet, in India, there has been no sponge production except on a pilot plant scale. As such, there has been no proven commercial success with any of the several available DR processes using solid reductants, in particular with the well known SL/RN, Krupp, NML process, TISCO process, or any other. Therefore, the sooner a breakthrough is achieved in this respect, the brighter would be the prospects for the coal-based DR + EF route. The Kothagudam (AP) plant based on Lurgi knowhow and the Nayagarh (Orissa) plant based on Allis-Chalmer's technology, can therefore be deemed to be bellwether plants on whose success so much of the future of solid reductant based sponge-making in India squarely depends.

In the case of the DR + EF route, one would also have to take due account of the present unsatisfactory electric power supplies. Power is one of the basic inputs for melting ferrous scrap in EF. This should be worrisome, no doubt. What one is concerned with, however, is the future position in this respect — say, 15 to 20 years hence. In planning the facilities, it is but natural to make an intelligent guess whether there would be adequate inter-sectoral balanced growth, such that, there would be no power inadequacy for electric furnaces, making a claim of not more than, say, 1 to 2 per cent of the entire power generated.

The present trends in technological choice, in both the developed and the developing countries, are more or less in favour of cautious adoption of the DR. But the developed countries have been rather chary to take up this frontier technology as enthusiastically as have the developing countries — in particular, Mexico, Brazil, oil-rich countries and others. In the case of Spain, Italy, and a few others including India, in which the share of EFs in overall steel capacity range from 27 per cent (India) to 37 per cent (Spain), there are hardly any DR plants of proven commercial success. The feedstock for EFs happens to be ferrous scrap. In Spain, domestic availability is substantially augmented by imports and also by undertaking ship-breaking activities. In Japan, where EFs account for about 20 per cent of steel production, there have been encouraging results with the forerunner DR plants.

Most of the EFs, anywhere in the world, are unsupported by DR; but they serve to recycle scrap arisings within a steel plant, in engineering industries and on account of obsolescence and wearing out and junking of capital equipment and vehicles. In the coming years, EF capacity can expand practically everywhere only if there is a simultaneous growth of DR capacity — scrap availability not matching the needs even as of now. In contrast with such difficult circumstances obtaining in respect of the basic inputs of the EFs, it would be safe to assume that the old iron horse BF would continue to be the most dependable process for bringing about sizeable increases in the hot metal-making capacity to feed the LD and Q-BOP steelmaking facilities.

The global process-wise data for steelmaking indicate that there is an inexorable trend towards giving up the outdated open hearth furnaces and for employing LD converters where bulk steelmaking is called for as well as towards resorting to EFs where it is a question of only meeting the incremental demand for steel. At present, world steelmaking capacity is approaching the 1000 million-tonne mark. The processwise break-up, going by trends hitherto, is likely to be Basic Oxygen Furnace (BOF or LD converter) 60 per cent, EF 19 per cent, and OH and others 21 per cent.

Several joint ventures, tying-up resources and finances, are coming into vogue. There is also a tendency towards semi-integrated units : mining iron-ore and other raw materials in a region well-endowed in them, producing sponge iron in a gas-rich area, making steel in yet another place, and may be rolling and shaping them at an altogether different location. A pre-requisite for such production-sharing and tying-up arrangements is the availability of all the necessary inputs and services at the lowest possible comparative cost. The loss in economies due to non-integrated production and long haulages can be compensated, theoretically at least, by the lower prices of inputs.

Four more important criteria governing the choice of technology need to be underscored here :

First, in deference to the fact that India is long on labour and short on capital, every attempt should be made to ensure that the technology selected, other things being equal, gives employment to a larger complement of the work force and at the same time makes a relatively smaller claim on the limited capital resources. At the same time, one cannot ignore the fact that, by its very nature, the steel industry, particularly the coke metallurgy route, calls for considerable capital deepening and as such, one cannot expect steel plants to create jobs to any large extent.

A second criterion relates to the requirements of funds to establish steel capacity. This is, in fact, a more relevant criterion to govern the choice of technology in iron and steelmaking. The DR + EF would definitely be the choice, provided the location has the necessary resource support to sustain such technology, and it is available cheap.

Thirdly, discussions about new steel capacity to be meaningful have invariably to be informed of size-related economies. One should exercise sufficient caution to ensure that the economies of scale, which are very sizeable in the BF + LD route, thanks to the indivisibilities and capital deepening, are achieved to a large extent. Our computations show that about 90 to 95 per cent of the economies can be achieved at a minimum economic size of about 5-6 million tonnes. There are economies of scale, even in the case of the DR + EF, but at a relatively small scale of about 250,000 tonnes. The economies based on scale are soon exhausted and replicated units or modules under this route have almost the same capital cost. The DR + EF would enable establishment of additional capacity within a short time, merely by the addition of modules, so that incremental demand for steel can be easily met. Where, however, large increases are called for over any given period and there is an assured supply of coking coal, the BF + LD route, notwithstanding its higher capital costs, can prove to be attractive. The economics of BF + LD can be vastly improved by achieving size related economies, individual pieces of equipment themselves being of the largest technically feasible size such as 7-metre high coke oven batteries, 10,000 tonnes per day BFs, 250 tonnes per day LD converters, and so forth. Such technical economies are available for DR + EF also, but as stated only to a smaller extent. Against this techno-economic guideline, one is concerned to note that the sizes of the proposed new steel plants at Vizag, Vijayanagaram, Goa, Mangalore, Nayagarh or elsewhere have been decided upon without reference to the minimum economic sizes of the plants as a whole or individual pieces of equipment. This would invariably involve loss of size-related economics. Secondly, fragmentation of future capacity in several plants at different locations are proposed mainly on the basis of extra-economic considerations, and would handicap them in techno-economic viability. Such a development would have far-reaching significance for public policy.

A fourth criterion, which in recent years is being granted considerable weightage, is energy. From the iron-ore to the ingot stage, the energy required under the BF + LD route is 5.34 Gcal, whereas under the DR + EF the requirement is significantly less at 4.5 Gcal. But one would also have to take particular note of the fact that, the DR + EF requires such energy to a considerable extent, in the form of hydrocarbons which is fast getting depleted and becoming scarce. The BF + LD on the other hand requires them in the form of fossil fuel, *viz*, coking coals and other coals in which the country is placed in a more comfortable position. Electric power is another important scarce form of energy without which steelmaking cannot take place under the DR + EF route. While it is admitted that Indian coking coal is not of good quality and is also not adequate, a measure of optimism in the life-spans of such deposits, is not unjustified, even at high levels of pig-iron production by means of blending them with other coals and producing formed coke and adopting new techniques in blast furnace operations. For purposes of conservation of domestic coking coal it would be worthwhile also to import coking coal of superior quality provided the price/quality trade-off justifies it. The present experiment with Australian low-ash (7-10 per cent) coking coal at an average price of about Rs 700/t should therefore be followed with interest.

The policy implications of these major criteria for choice of technology are mainly that there would have to be continued autonomous growth of the iron and steel industry with a heavy reliance on the integrated BF + LD units. Large investments cannot be avoided. Our computations show that for India to attain any objectives in steel, the ratio of BF + LD to DR + EF capacity would have to be approximately 70:30, if not higher. One could begin long-term planning on such a broad premise and periodically revise it in the light of new developments such as the discovery of new coking coal mines in Dhanbad and Birbhum districts, discovery and availability of natural gas, electric power generation and availability, and so forth. It should always be ensured that the vested interests of the one or the other route do not foreclose a periodic review and discussion of those aspects of the long-term development of iron and steel industry that relate to choice of technology.

Organisation of the Carpet Industry of Bhadohi

Sheobahal Singh

The present paper attempts to describe the organisation of the carpet industry in Bhadohi. Though it is a cottage industry, many characteristics of the capitalist system of production are manifest. The present discussion, however, confines itself to explaining how the organisational structure is connected with entrepreneurial activity, and what sort of activity determines entrepreneurial success and economic development. Some of the activities expected of the entrepreneur are universal and standardised.

The present analysis is based on the field observations carried out in the woollen carpet industry of Bhadohi. The entrepreneurs in our study are the carpet manufacturers in the town.

BHADOHI is a flourishing class III town of Varanasi district with a population of 24,000 people. It is situated in the eastern part of Uttar Pradesh. The town is located on Varanasi-Delhi railway line, about 70 km to the West of Varanasi — a city known for its religious importance. The town is well connected by road and rail to other parts of the country. It is even internationally known exclusively for the carpets manufactured there. No other industry or business exists in the town. Although carpets are manufactured in the entire area known as the 'Mirjapur-Bhadohi belt' Bhadohi is the main trade centre. Woollen carpets are a luxury commodity to be sold at an exorbitant price. The carpet industry has played a big role in the economic development of the town.

Carpet weaving, in the area, has been the traditional occupation of Muslims.[1] But it is no longer their exclusive monopoly. A considerably large number of non-Muslims have now entered the trade Data gathered from the field in fact reveal that religion as such has not played any significant role in determining entrepreneurial involvement. Muslims were probably the most successful in carpet manufacturing because of the relations between the *weavers* and the *manufacturers*. But the Hindu entrepreneurs are not only larger in number but are also more successful in the carpet *business*. This reflects that local artisans cannot easily rise to the *position* of entrepreneur.[2] That the majority in the trade are Hindus is also a definite mark of change in their occupational outlook. We also found that, although caste plays no role in entrepreneurial involvement, yet Banias are more adaptable to occupational opportunity.[3]

While many Indian handicrafts succumbed to the challenges of technological modernisation, the carpet industry — one of the urban handicrafts[4] — has not only successfully withstood the onslaught of technological development but has flourished over the years. This is due to the adaptability that the industry has shown to new situations.

The carpet industry of Bhadohi manufactures artistic floor carpets and rugs of fascinating designs, which are a big attraction in the foreign markets. The tradition of carpet manufacture in Bhadohi goes back to at least 400 years. *"Ain-Akabari"* (1600 AD) by Abul Fazle is the oldest record in which reference appears to carpet weaving in the area.[5] The hand-knotted carpets of Bhadohi constitute 95 per cent of the total carpet export from India. Moreover, only about 10 per cent of the total carpet produced in India is locally consumed. The remaining 90 per cent is exported to foreign countries. The export of Indian carpets has increased from Rs 3.22 crores in 1947-48 to Rs 36.05 crores in 1974-75.[6]

Process of Carpet Manufacture

Carpet manufacturing involves a good deal of specialisation. The whole organisation opens up employment opportunities to a large number of workers, and represents a tightly knit nexus of interrelationships among the people engaged in the industry at different levels.

The carpets manufactured in Bhadohi are not all woollen. The warp is made of cotton twisted thread and knots of woollen yarn. The wool is procured from different parts of the country — such as Jhansi, Agra, Kanpur, Fatehpur, Rajasthan, Punjab, and Gwalior. The local names of the cotton thread and woollen yarn are *soot* and *aanga*, respectively.

The different processes in carpet manufacture include picking and sorting of wool, carding, spinning, dyeing, weaving, trimming and washing. The tasks of picking and sorting of wool, and carding and spinning, are not much in vogue today. Some people still do this work in their own homes. A rough quality of yarn is supplied to the small manufacturers. These works were previously significant when the industry was not so developed. Today, however, the manufacturers are supplied with ready-made woollen yarn by different woollen mills.

Woollen yarn is dyed in different colours as required in the design of the carpet. Previously, wool was dyed by indigenous methods. Few big manufacturing units have installed mechanised dyeing plants while many others have established kilns for the purpose of dyeing. The lower rank manufacturers do not have their own plants and manage to buy coloured yarn from yarn shops.

A major part of carpet manufacture is weaving. Carpet weaving is carried out on looms by weavers in their own homes. Most weavers have their own looms. Only a few do not own their looms and weave on looms owned by master-weavers or commission agents. Usually, commission agents or manufacturers advance some money to weavers to instal looms. Such weavers are contractually bound to weave the carpet for those, who have given them the money in advance. This contract is only socially sanctioned and there is no formal legal agreement.

The loom on which the woollen carpet is woven is of a vertical type consisting of two rollers — one for rolling the woven carpets and the other for holding the warps. In Bhadohi, the lower roller is generally placed in a trench, half a foot or so, in the ground. The length of the trench varies with the length of the roller which also depends on the size of the carpet.

The weavers hand over the woven carpet to the manufacturer who gets it trimmed or 'clipped' by the clippers Clippers are permanently employed by the manufacturers Small manufacturers do not employ these clippers permanently. They engage, professionally independent clippers, on daily wages,

according to their need. Like weaving, clipping is a skilled work.

Although clipping is the last stage in the process of carpet manufacturing, yet good-quality carpets have to pass through another stage before they are put for sale. This stage is that of washing and it comes after clipping.

ORGANISATION AND ENTREPRENEURSHIP

Since all the processes of carpet manufacturing are not carried out in the workshop of the manufacturer, he has to keep himself busy for a longer time than is normally required of entrepreneurs in general. The manufacturer has to get all the stages properly linked with one another in order to have a well-knit system of production.

The organisational set-up of the carpet industry has a peculiar nature It is a cottage industry but, unlike many cottage and small-scale industries, it has some characteristics of the medium-scale industrial system if evaluated in terms of the level of investment and the number of employees in the firm.

All the manufacturers have their established workshops either in their residential complexes or in a separate building in the town, where work such as dyeing, clipping, washing, and business correspondence is done Weavers are not employed in the firm. This is possibly because, such a large number of weavers cannot work under one roof. The manufacturers, however, reported that they would not like to employ the weavers permanently. This is for three basic reasons: paucity of the accommodation, payment of higher wage if weavers are directly employed in the firm and fear of unionisation of the weavers.

The weavers also do not want to be full-time employees in the firm. In the present situation, the weaver is a 'free' worker. He does his weaving in his own house where he is able to look after his family affairs simultaneously. He continues with his work on the piece of land he owns, which he would not be able to carry on if he were a permanent employee in the firm. The weavers' economic calculation is that, even if he would get an additional wage if employed in the firm, he would not be better off because he would not be able to cultivate the land. The weaver's lot in the present system is much better than it would otherwise be This reflects the prevailing economic situation, and hence outlook, of the people in the villages.

The style of entrepreneurial activity differs from manufacturer to manufacturer. As the scale of the manufacturing unit grows, the activity becomes more systematic and sophisticated. But the overall style of work is similar in all the industrial concerns whatever their size.

Most of the firms have export licences. Non-exporting firms either prepare carpets for local consumption or manage to supply them to foreign markets through the big exporters. The big firms usually get the carpets manufactured against orders placed with them by the buyers. How many orders there are with the manufacturer depends on the demonstration effect and the credibility he manages to earn The manufacturer has direct dealing with the buyers through correspondence. Big manufacturers sometimes visit foreign markets and also invite the buyers to their firms. Since the bulk of the carpets are made to order, entrepreneurship involves lower risk than in other export business. However, the manufacturer has to be time-conscious as he has to arrange the shipment in time. Failure to do so sometimes leads to cancellation of the orders or to awful delay in the shipment whereby the circulation of the capital is blocked.

In order to supplement the capital for investment the manufacturer has to take loans from banks. The banks extend loan to the manufacturer against LC (Letter of Credit). Therefore, the orders are helpful in procuring loans. Although there is a definite procedure for advancing loans by banks, some discretion is left to bank officials. The big manufacturers are favoured and given heavy loans on easy terms— which the small manufacturers are deprived of.

The manufacturers have to establish contact with different agencies, which provide them with different types of raw materials such as woollen yarn, cotton thread, and chemical dyes. The agents dealing with these materials, who have opened their offices in the town, are found to be more liberal and considerate in their dealings with upper and middle class manufacturers. They supply them raw material on credit for longer terms

The most important aspect of entrepreneurial activity in the carpet industry is the manufacturers' attempt to establish contact with weavers. This requires a great deal of talent, leadership and sociability on the part of the manufacturer. The industry is flourishing as a result of the demand for carpets from foreign countries. This has led to an increase in the demand for weavers whose number is more or less limited. Upper-caste people, particularly Brahmins and Rajputs of the area, have not generally taken to weaving so far In their opinion, weaving would downgrade their social position, as it is traditionally associated with Muslims and at present only lower caste people are engaged in this work. This has been an added factor in the shortage of weavers. In view of the situation a large number of training centres have been opened under the control of All India Handicraft Board at different places in the area. The institution imparts six months' training and provides trainees with a stipend of Rs 60 per month But still the supply of weavers is not commensurate with their demand. The situation has resulted in cut-throat competition among the manufacturers for engaging as many weavers as possible. The mode of approach to weavers, depending upon the personal style of work differs from manufacturer to manufacturer. However, a commonly noticeable style of approach is as follows. We may divide the manufacturers into big, medium, and small.

Mostly, big manufacturers get their carpets woven through commission agents. The commission agent is a middle man who keeps some looms and weavers at his command, either by giving some money in advance to the weavers or through personal influence Weavers thus engaged are locally called *asamis* (tenants). The relationship between weavers and commission agents or manufacturers is feudal to some extent. But there is an element of the democratic and the contractual and no case of bondage or serfdom prevalent in the strictly feudal system is seen. Weavers stop weaving for a manufacturer and start weaving for other manufacturer if they get a bigger amount of money in advance. The big manufacturers take full advantage of this and have managed to engage a large number of weavers because they are affluent enough to advance more money to weavers. Commission agents work for the manufacturer. They are supposed to transport the raw material to weavers, and subsequently transport woven carpets to the manufacturers They establish liaison between weavers and manufacturer and are paid by the manufacturer around 10 per cent of the total cost of weaving.

The middle class of manufacturers operate through commission agents as well as through direct contact with weavers. Manufacturers of this category have a more cordial relationship with the weavers.

The small manufacturers do not engage commission agents. They have personal contact with weavers, and since they are unable to make heavy investment because of inadequate capital in their possession, they do not engage highly skilled weavers. They get only a rough quality of carpets manufactured.

In the course of trade, manufacturers have to face many problems posed by government officials. They are required to please personnel connected with different departments, such as income-tax, sales tax, quality control, and labour department. We found the lower category of manufacturers more unhappy with the behaviour of these officials than the others. Medium and big manufactures do not feel harassed so much because they can bribe them and also establish good relations with them. Unlike other industrial concerns, the organisational set-up of the carpet industry is wide and fragmentary. This imparts on the manufacturers not only a managerial and bureaucratic responsibility but also requires him to be industrious and social, and to have leadership qualities.

In the carpet industry of Bhadohi, those manufacturers have proved to be more successful who are less authoritarian towards workers especially weavers and more friendly with bank officials and commission agents who supply raw materials. Formal relations do not help much. The industry at present has a profit-investment position which is so promising that there has developed cut-throat competition among manufacturers. Some manufacturers try to establish good relation with government officials and the political elite who are helpful in the course of their trade in one way or the other. But this type of network can only be supplementary. What matters most is the proper management and successful operation of the concern.

In the carpet industry of Bhadohi the immigrant manufacturers have been found to be more successful than the native manufacturers. These immigrant manufacturers, because their social position in the area is not established, neither have a relationship with local politicians nor are able to attract government officials. What has helped them is their devotion to and insight into entrepreneurial work.

In the carpet industry of Bhadohi internal network,[7] i e, the relationship with weavers, commission agents, different agents who supply raw material, and bank agents, is more significant than the external network, i e, the relationship with government officials or politicians. Panini, in his study of entrepreneurs in Faridabad, observes: "the entrepreneurs who become more successful and prominent are those who spend more time outside their workshops and factories and participate in cocktail culture.....The style that succeeds is one which lays stress on building and articulating a powerful network". His overemphasis on the network of relationships, i e, establishing relationship with politicians and officials, undermines the basic postulates of entrepreneurial theory. Maintaining a network of relationship with the personnel outside the industrial organisation may to some extent be necessary in business but it is in no way a substitute for enterprise in organisation.

The success of entrepreneurship depends on how skilfully an entrepreneur operates his business undertaking itself. The rest is useful only after considerable economic achievement has been made. Accessibility to high officials and the use of cocktail culture, referred to by Panini, is possible only for those who have become big entrepreneurs.

Notes

1 Ahmad Mukhtar: Report on Labour Conditions of Carpet Weavers in India, Government of India Publication, 1942, p 7.

2 Berna also observes that local artisans are slow in rising to medium scale of entrepreneurs. See James J Berna, "Industrial Entrepreneurship in Madras State", Bombay, Asia Publishing House, 1960.

3 Our finding is in consonance with the findings of Berna 'Patterns of Entrepreneurship in South India', *op cit* and Hoselitz' Entrepreneurship and Capital Formation in "Capital Formation and Economic Growth", Princeton: 1955 p 324.

4 The distinction between urban and rural industry has been made by Gadgil. The main feature that distinguishes the urban from the village industry is the presence of a capitalist who provides credit to the artisans. See D R Gadgil "Industrial Evolution in India in Recent Times 1860-1939", Delhi: Oxford University Press, 1972.

5 Census Report on Carpet Looms and Weavers of Varanasi, Mirjapur, Allahabad and Jaunpur districts of Uttar Pradesh, Bhadohi: All India Carpet Manufacturers Association, Bhadohi UP, p 7.

6 *Ibid*, p 3.

7 M N Panini 'Networks and Styles: Industrial Entrepreneurs in Faridabad' *Contributions to Indian Sociology*, (NS) Volume II No I 1977 pp 113-114.

UGANDA

Fall of Idi Amin

TO many, Idi Amin's end was incomprehensibly anti-climactic. He was the tyrant who had smashed even a murmur of protest with brute force. Medieval savagery with modern weapons—that was his style. Now the very dictator who had brazenly flaunted his military prowess had simply melted away as the hour of reckoning approached, without so much as a fight. The most militarised regime in the region thus failed to survive a military confrontation.

To understand the source of Amin's weakness at the final hour requires understanding the source of his strength at its prime, his local base, his foreign support, the nature of the military machine he built up, and the character of the opposition that he faced. For, by the time he fell, his local base had disintegrated; his principal foreign supporters had deserted him; the pride of place in his fascist regime, the military machine, was riddled with factionalism and indiscipline; and Amin himself had succeeded in multiplying and unifying the ranks of the opposition, both internal and external.

Paradoxically, the regime that consolidated itself through the gun was weakened by the same gun. Many an observer was content to compile statistics of the regime's brutality and then wonder why it continued to survive in spite of such a staggering record. What such observers never understood was the social character of violence, that at every point violence is directed towards specific socio-economic ends. Should its use accord with dominant economic interests, foreign and local, it will be supported by them. Should it not, it will have to confront these, sooner or later. As the brutality of the Amin regime passed from the first category to the second, the regime became increasingly isolated and vulnerable.

Local Base

Local support for the 1971 coup ranged from Ugandan capitalists estranged by Obote's nationalisations to a section of the popular classes who momentarily welcomed any change from a regime that had muffled them. Technocrats and bureaucrats, the mechanics of a private enterprise economy, staffed Amin's first cabinet. Propertied interests, foreign and local, applauded. Both turned a blind eye to the first wave of massacres of thousands of Acholi and Langi soldiers towards the end of 1971.

But Ugandan capitalists have had a historical weakness which was to have a telling effect on their relations with the regime. They share the weakness of their counterparts elsewhere—they grew up in a colonial economy and continue to be dominated by foreign capital, there also exist sharp internal divisions within this class, a product of Uganda's specific colonial history Its strongest section, the Asian capitalists (for instance, the Madhvanis and Mehtas) came from a minority nationality and were closely identified with British colonial interest. The rest have also failed to coalesce as a unified force politically. Unable to form a single party to champion the interest of property, they formed several. Each section tried to rally behind it a segment of the people on a religious, regional, or tribal platform. Because of its organisational weakness, this class has often had to act by proxy, as at the time of the Amin coup.

In 1972, Amin took advantage of this division within the capitalist class. Also, like other fascists before him, he tried to channel the anti-imperialism of the people into a racist mould. He expelled the Asian capitalists (along with Asians of other classes) and promised paradise to the rest.

But only so long as this Paradise remained a promised land could it be shared by the multitude. Once the spoils had actually to be divided, only the fittest could survive. Now, Amin's officers were not about to queue up behind the big businessmen for a share of the loot. In no time, the cabinet of technocrats and bureaucrats was sent packing on a long vacation. The first predominantly military cabinet was formed. The most ambitious of the businessmen were either killed (for instance, Michael Kawalya Kaggwa and Augustine Kamya) or they simply ran away. The rest of them, to continue to function, became extreme opportunists ignoring all else so long as some money came their way. It was then that the military-capitalists, such as Ali Fadhul and Nassur (not to speak of Amin himself), were born as a group. The people baptised them the *Mafuta Mingis* (men of much oil) after *Operation Mafuta Mingi*, the name Amin gave to the Asian expulsion. Brought to life by Amin, the main local beneficiaries of the coup and the expulsion, the *Mafuta Mingis*, prospered under him but in time found him the main obstacle to their continued growth.

Foreign Support

Britain, Israel and the US were delighted with the turn of events in 1971, and they showed it. In fact, the first two had actively participated in the coup that realised their good fortune.

But soon these two were in trouble. To deprive the Obote forces of the base they had been granted in neighbouring Sudan—and to benefit from Libya's promises of aid—Amin expelled the Israelis who had used Northern Uganda as a base to supply Anyanya guerillas in Southern Sudan. That same year (1972) he expelled the Asian minority, the capitalists among whom were intermediaries for British commercial interests in Uganda. In retaliation, Britain and Israel tried to cut the regime's lifeline to the international market through an economic embargo. For an effective embargo, however, they needed superpower co-operation.

Now, no neo-colonial regime (let alone a fascist one) can survive if opposed by a united front of imperialist powers. Amin's regime survived as long as it did in part because it always found one or another imperialist power to patronise it. In 1972, the British-Israeli embargo failed because neither the superpowers nor other imperialist powers were willing to support it.

In fact, beginning 1973, both the US and the USSR stepped up their presence in Uganda. The US purchased the coffee that Britain would not. (Coffee sales accounted for over 90 per cent of Uganda's foreign exchange under Amin.) From buying a-fifth (20.6 per cent) of Uganda's crop in 1973, it took a-third (33.5 per cent) in 1976, emerging as the regime's principal trading partner. In time, relations between the two became even cosier—though covert—as US firms supplied Amin with much needed intelligence support.

The main external training ground for the dreaded State Research Bureau was the US and, later, also the UK. According to information that surfaced at the US congressional hearings on US-Uganda relations, in 1977-78 alone over 70 agents of the regime were trained in the US. Most of them were members of the State Research Bureau and many were trained as helicopter pilots or as 'communication specialists'. For example, the Harris Corporation, which sold Amin 'tactical trucks' and installed earth satellite stations and 'mass communication systems', signed a four-year contract on April 17, 1977 to train the necessary personnel. Bell Helicopter Textron, which sold helicopters to the regime, trained 21 pilots and mechanics at its Fort Worth, Texas facilities in 1977.

The Soviet Union, on the other hand, became the regime's principal arms supplier. Following the visit of a Soviet military mission in November 1973, MiG-19s and TU-54 tanks rolled in. By 1975, the fascist regime had received an estimated $12 million in economic 'aid' and $48 million in military 'aid' from the Soviet Union. According to the Soviet

Ambassador to Uganda, the "aid" was "in the interest of peace and security of all peoples"!

Once convinced that the regime was no passing affair, the peddlars of yens, marks, liras and francs—as those of dollars and rubles—rushed in. Japan came into road construction and transport, West Germany in mining and prospecting, Italy to shore up manufacturing and electricity generation, and Belgium to provide railway maintenance.

Its economic blockade having failed, Britain also made the best of the new situation, soon becoming the regime's second largest coffee purchaser (20.5 per cent in 1976). Barclays Bank returned to Kampala. Israel came in through the back-door, using front agencies like ATASCO (jointly owned by the Israeli Ministry of Defence, the US Export-Import Bank and an Israeli tycoon called Eisenberg) and Zimex-Aviation (a Zurich-based front for the Israeli intelligence, Mossad) to supply aircrafts and crew for Uganda Airways, established in 1977.

It is only in the context of this imperialist jamboree in Uganda that we can assess support from regimes such as Libya, Saudi Arabia, India, Pakistan, and Bangladesh. Whereas the latter three made available much-needed technical personnel, the reactionary Arab regimes gave Amin financial contributions at critical moments, such as at the time of the 1975 OAU summit in Kampala. The Libyan connection was by far the most important: investments channelled through the Libyan-Arab Development Bank in such spheres as sugar, transport and cement production were valued at $25.5 million in 1976.

So long as it was business as usual in Uganda, bankers and merchants were willing to turn a blind eye to all else. This was the first source of Amin's strength. Whatever the exposures of the regime's brutality, business came before politics.

RESISTANCE AND ECONOMIC CRISIS

Having consolidated its control over the State machinery, the regime tried to gear all economic activity towards building up a mighty war machine. Fully mechanised battalions, complete with tanks and armour, was the goal. Expenditure to maintain the social and economic infrastructure, let alone to develop it, was reduced to a trickle. Scarcity and inflation were the harvest the regime reaped in a short period.

The effect on the town population was immediate. Workers went on strike, in 1974, at the Lugazi Sugar Works, and in 1975, at the Kilembe Copper Mines. But every open manifestation of protest was suppressed. Strike leaders were killed and unions were banned.

The combination of repression and economic hardship also stirred student opposition. Makerere students' demonstrations of early and late 1976 evoked favourable response from the lower and middle strata of Kampala. But civilian protest, without clarity of long-run vision and a correspondingly high level of organisation, could not withstand the baton and the bullet the soldiers let loose against it.

In the countryside, matters stood somewhat differently. In a predominantly rural society, the effect of economic crisis moves from the town to the countryside. Because peasants grow their own food and build their own shelter, the effect on the countryside is necessarily limited. Subsistence production was the peasant's response to urban tyranny. And it was indeed a devastating response.

Faced with the inflation of industria prices (of textiles, sugar, soap, salt), while agricultural prices remained stagnant, peasants simply stopped growing cotton and began uprooting coffee trees. In his budget speech of 1974-75, the Minister of Finance estimated that cotton production had declined by 60 per cent. That minister was heard of no more. It was also the last budget speech under Amin. Meanwhile, a spiral movement had begun: repression coupled with harsh economic conditions fuelled the peoples' resistance which in turn deepened the economic crisis and made the regime even more repressive.

Under such conditions of tyranny and massacre, however, the opposition of an unorganised people could only be silent and sullen. Open defiance was sporadic and spontaneous. The few who could vote voted with their feet. This is why the first and for a long time the only manifestation of organised opposition was among exiles—particularly those in neighbouring Tanzania—who faced far more favourable conditions for organisation. But exile politics also had its drawback. Removed from the actual situation at home—and, therefore, from conditions which would have had a unifying effect on any opposition—exile politics was shaped by secondary questions, question far more divisive. Exile organisations were many and weak. This absence of an all-round organisation that could harness, concentrate and direct the entire opposition was the second source of Amin's strength.

WARLORDISM AND DISINTEGRATION

No organism is immune from its environment. The economic crisis could not but have an effect on Amin's army. A shrinking pie intensified squabbles among those who wanted a share of the spoils. It also affected the very character of the State power.

Amin's newly-rich officers knew the one sure way of making money—through the gun. Over the years, any civilian authority that could exercise a measure of control over the armed forces, in the name of preserving law and order to ensure regular trade, was done away with. When in 1972, the civilian cabinet was replaced by a military cabinet, a few of the civilians survived as members of later military cabinets. In 1977, those remaining also left Oboth Ofumbi for the grave and Henry Kyamba for the US.

The same tendency was evident at the local level. In 1975-76, the administrative map of the country was redrawn to create 10 provinces, each with its own military governor. Every one of Amin's top officers now acquired his 'own' province. He treated it more like the fiefdom of a feudal lord than the responsibility of a local administrator. From the revenue and the produce of 'his' province, the military governor could now enlarge his personal booty. Less and less of coffee, sugar, tobacco and tea found its way to Kampala for export. More and more was smuggled to neighbouring countries such as Kenya, Sudan and Zaire by the military governors.

The central treasury now looked more like a provincial chest. Amin found it difficult to ensure for his troops the sumptuous living to which they had become accustomed. The 'whisky run' to London's Standsted Airport could only suffice for a select few. Soon, Amin found it difficult even to pay soldiers' salaries in time.

This calamity had a two-fold result. On the one hand, in a situation where each military governor had his own domain, Amin himself began to resemble a warlord. He could no longer physically eliminate top military brass such as Colonel Moses Ali, the Minister of Finance, until July, 1978. He could only dismiss them, if even that. On the other hand, with soldiers increasingly exposed to economic hardships civilians had long known discontent spread within the lower ranks of the army.

The ground was rife for coups and mutinies, as in fact it was the case during the last years of the régime. In response, Amin relied more on non-national mercenary elements in the army—those from Southern Sudan and Eastern Zaire. He then cut off the rest of the army from access to the armoury. Thus, when Israeli commandos landed at Entebbe in July 1976, it is most likely that the soldiers at the airport were limited to the ammunition they had in hand and to no more. Also, the raid exposed to the outside world Amin's military weakness. Finally, those disgruntled officers whom Amin found difficult to eliminate for fear of their support in the army were transferred, demoted, or dismissed.

The round of coup attempts reached a

climax with the one in mid-1978 led by none other than Amin's second-in-command, Vice-President and Minister of Defence, Mustapha Adrisi. Sent to Egypt for recovery, Adrisi had to be returned to pacify troops loyal to him—though now stripped of his Defence portfolio. Such was the background to the widespread mutinies of late 1978 in the Simba (Lion) Battalion in Mbarara and the Chui (Leopord) Battalion in Gulu.

Kagera Invasion

By then, Amin's army was seething with internal feuds. The little discipline it could have boasted of earlier had melted away. Why then did Amin embark on an adventure such as the Kagera invasion?

Incredible as it may sound, Amin must have seen the invasion as a solution to his dilemma. The battalions that participated in the invasion were precisely those that were the most problematic to Amin, the Chui and the Simba battalions. The predatory character of the invasion—that the invading troops took with them all forms of movable property while destroying the rest—provided the disgruntled troops with new pastures for pillage and plunder. Finally and, probably most significantly, through the invasion and through his threat that the next time around he would permanently annex the Kagera salient, Amin hoped that Tanzania would permanently neutralise the Ugandan anti-Amin forces on its territory. For what Amin dreaded most was the possibility of a connection between the exile opposition in Tanzania and the mutinous battalions in Uganda.

But the invasion precipitated the very situation it was designed to avoid. Tanzania was determined not to get involved in the diplomatic quagmire Amin had prepared for it: a recipe designed to neutralise the Ugandan opposition inside Tanzania, to cast the whole question of fascism in Uganda and the fascist invasion of Tanzania in terms of the single issue of the territorial inviolability of all State boundaries and to shift the question from the battlefield to the conference table. It was a recipe designed to not only let Amin off the hook in exchange for no more than some pious proclamations but also to paralyse the exile opposition.

Instead, Tanzania gave free rein to Ugandan anti-fascist forces. It carefully and methodically prepared the groundwork—internally and internationally, militarily and diplomatically—for countering Amin's forces. Finally, Tanzania launched its own counter-attack.

The new situation provided the impetus for the entire gamut of Ugandan opposition forces, who understandably sought to take advantage of Amin's weakness, to come together at a conference in Moshi and coalesce into a single organisation: the Uganda National Liberation Front. As Julius Nyerere argued: "There are two wars going on in Uganda: one, by Ugandans fighting to free themselves from a fascist dictator; the other, by Tanzanians fighting to defend their national sovereignty". The point, though, was that both wars had the same target: the regime of Idi Amin Dada.

Ironically, it was none other than Amin himself who had played a central role in bringing together all forces, internal and external, opposed to him. And that too, at a time when his regime was wrecked with internal divisions and his margin of manoeuvre in the international arena was rapidly narrowing.

Foreign Powers

For the superpowers, the October War was one they had not initiated. But like other local conflicts around the globe, they had to reckon with it; if possible, by turning it to advantage. For the Western powers and the racist regimes they support in Southern Africa, the Kagera invasion was immediately a blessing from above. For some time, the racist regimes had sought to implement in Southern Africa the strategy Israel had perfected in West Asia: attack the Frontline States, one by one, make it appear as an inter-State conflict and neutralise them, also one by one. Thus the round of invasions against Mozambique, Zambia, Botswana, Angola. But there was a problem: neither South Africa nor Rhodesia shared a border with Tanzania. Now Amin, the man who was already training Sithole's private army, had presented them with a solution: a war by proxy. The most reactionary forces on the continent began to crowd around Amin.

Whereas the smaller reactionary powers are incapable of looking beyond their noses, the vision of the imperialist powers necessarily embraces the whole world. But no matter what their strength, the superpowers do not act on a blank State. It is objective reality, 'the facts of the matter', as they say, that compelled the US to shift its stance. Already by 1978, it had been aware of the weakness of the Amin regime, of both the necessity of law and order in Uganda to facilitate regular trade and profits and of the risks of political exposure—in the context of Carter's 'Human Rights'—if open relations with a regime as oppressive as Amin's continued. Of course, the US embargo on trade with Uganda did not put a stop either to covert relations or to indirect trade (to the purchase of Uganda coffee either smuggled through Kenya or flown to Djibouti and shipped to New York by French merchants). But now, it had to contend with a new factor: that while it could not openly support Amin, the possibility of his being overthrown was becoming a real one. A change of position was required to be on the right side of the wind. The US sought a foothold in the anti-Amin camp.

The USSR, on the other hand, had openly armed the fascist regime ever since 1973. Its options were far more limited. In this hour of Amin's crisis, the time had come for the USSR to support its ally. To do so, however, would be to risk political exposure without compensating gains. The USSR was paralysed. Soviet officialdom looked the other way as Ugandan students demonstrated against Libya in Moscow. Its official news agency, TASS, although with one of the few correspondents in Kampala during Amin's fall, could write no more than two short paragraphs on the fall—and that, too, anaesthetic quotes taken from the Western press.

This left Amin with his secondary allies, mainly the reactionary Arab regimes. Unlike the superpowers, Libya had less room for manoeuvre. It sought a middle ground—mediation—but could find none in a polarised conflict. Seeing the world mainly in terms of the Arab-Israeli conflict, Gaddafi came to the rescue of the demagogic anti-Zionist Amin with troops and equipment. But in a terrain they did not know and in a war whose meaning they did not understand, these young and aged sons of the earth—cannon-fodder in every reactionary army—faced a walloping defeat at the Battle of Entebbe. Those not captured were soon withdrawn. Amin's last days had begun.

Defeat

We return to our original question. Though left in the lurch by superpowers who had patronised him all along, with none but secondary allies to support him, why did Amin's military machine, built with all the resources the dictator could muster, disintegrate after the first test of battle? We can now bring together the threads of our analysis to answer the question.

First, the character of Amin's army. From the massacres of late 1971 and more so from 1975-76, the core of Amin's army were southern Sudanese and Eastern Ziarois, mercenary elements who remained to gather hay while the sun shone. The Ugandan elements in the army were predominantly recruited from the riff-raff of the towns, mainly Nubian. A marauding force used to medieval savagery to silence and strip a defenceless civilian population, it had no battle experience. At Masaka and Mbarara, and particularly at the Battle of Lukaya, Amin's army found out that it was one thing to harass unarmed civilians, quite another to face the armed forces of another State.

But that was not all. The army was

wrought with internal divisions from 1976 on. Officers had been recklessly transferred, demoted, dismissed and killed. Such a state of affairs hardly augured well for the discipline of the troops. It was a ragtag army that entered battle against the anti-Amin forces.

What Amin did have was military hardware, a lot of it new and very impressive. As many a field commander remarked, with their tanks and armoured cars Amin forces were confined to roads. Against long-range Tanzanian artillery, as against the ambush of infantry in bush country, Amin's army turned out to be as specialised as a dinosaur. At the first sign of defeat, the soldiers abandoned their new equipment and fled the Ugandan elements to shed their uniform and melt away in the local population, and the non-Ugandan mercenaries to roam the countryside as bandits until finally rounded up or killed.

The medieval savagery which had been the hallmark of the regime all along was also characteristic of its dying gasp. Not only that. When the anti-Amin troops entered Kampala, they found huge caches of arms from the USSR, Britain, Israel and Spain—all unused. In the final analysis, it was not the quantity of weapons but the quality of the organisation wielding them that mattered. Amin had demonstrated an important truth, though by negative example. In war as in all realms of social activity, it is not the technical but the political factor which is decisive.

REVIEW ARTICLE

Grand Conceptions of Supply-Demand Theory

A K Mallik

Classical Political Economy and the Rise to Dominance of Supply-Demand Theory by Krishna Bharadwaj; Orient Longmans, New Delhi, 1978; pp 106, Rs 14.

RECENT revival of interest in classical political economy challenging the neo-classical orthodoxy started on the analytical issues in value-distribution theory. Krishna Bharadwaj, in this series of lectures, attempts to view the two schools of thought in a much wider perspective. The transition from classical political economy to the demand-supply theory is viewed as a fundamental change in the vision of how the economic system works, ie, a transition at the level of ideology having its roots in the broader history of social movements. The methodological implications of this shift are then viewed with respect to the ability of the new theories to deal with a greater or lesser variety of observable change. On the one hand, theory as ideology and on the other, theory in relation to the problem of change, provide the overall perspective — the former for locating the origin or history of two streams of thought and the latter for evaluating their analytical power. Analytical problems in value-distribution theory are seen to fall into their proper places within this broader frame.

Appreciation of Krishna Bharadwaj's effort is not intended to suggest that the recent works on the logical foundations of classical value theory are without any sense of perspective. As acknowledged by the author, the present book owes a lot to Piero Sraffa's writings. The suggestion of an overall perspective, especially in regard to the point of view of change, was implied in Sraffas work. Nevertheless, an explicit discussion on the classical method of dealing with change was not within Sraffa's immediate interest in the analytical frame of value-distribution theory. The present book with its explicit concern for a total perspective, therefore, looks useful.

While agreeing with the basic theme of Krishna Bharadwaj's lectures, a few comments may be relevant on some of the points of detail raised in course of her discussion. The first lecture tries to bring out the difference between the two theories at the level of ideology and to trace their historical roots. The dividing line is drawn in the beginning (p 11) in terms of "production-relations" *vis-a-vis* "market-relations". "The primacy of production-relation in classical political economy" was replaced by "market-relations (or relations in circulation)". The discussion which follows centres upon 'the major problems and conceptualisation' of classical political economy where one gets the following picture. The concept of labour as the source of production enables one to make the distinction between labour and different forms of property as qualitatively distinct bases for claims on the social produce. The recognition of alternative bases of income leads to the concept of social class as the unit of analysis. Finally, class-relations are viewed as essentially antagonistic in nature. The demand-supply theory, on the other hand, views production as a process of transformation of factors of production the supply of all of which involves some subjective cost on the part of their owners. The concept of subjective-cost puts all types of claims on the social produce on a uniform basis and thus, eradicates the grounds for any class-distinction. The individual emerges as the unit of analysis with market as the only institution relating the anonymous individuals.

A question which arises is whether any mode of expression of antagonistic class-relations can be viewed as equivalent to production-relations. In Smith, for instance, the master-worker relation is viewed as bargaining relations. The bargain for wages is between unequal social classes and not between equal individuals. This inequality, Smith locates, in specific property bases. There is also the recognition that the dominant classes manipulate the state policies in their favour. But in Smith, there is no concept of 'production relations' in the sense of relations viewed from the standpoint of organisation of labour process within a production unit. While the basis of wage-labour is rightly located in property, the essence of wage-relation is not located in the capitalist's control over labour-process, ie, in the technology and work organisation of factory production. Social organisation of production is discussed in a general frame of division of labour. The sequence is from division of labour to the necessity of stocks in production to privately-owned stock or capital. Capital labour relation thus manifests only at the level of bargaining that determines the distribution of social produce. State power is viewed as strengthening the bargaining position of the masters.

One can, of course, understand the author's position. She is viewing theoretical development from Petty to Marx as a single tradition. The common concepts of labour-based production, property, social class and antagonistic class-relations are sufficient in differentiating the work of all these economists from the demand-supply approach. But her frequent and un-

qualified use of the term 'production-relation', perhaps, opens up a potential source of confusion. Antagonistic class-relation as a generic category with production-relations as a specific way of looking at class-relations, is useful in relating the works of different classical economists to their immediate historical context and purpose. Smith and Ricardo, for instance, were writing in the period of the emergence and consolidation of the capitalist order. Capital-labour relation was not their immediate concern. Dominance of older form of class-interest was manifest in state-policies like the mercantile regulations or the corn law. The main concern of political economy was to analyse the proper role of the state for the functioning and growth of the new production-economy. The relation between the stages of production, property and State was discussed at length by Smith. The functioning of a feudal agrarian economy requires that the propertied class must control the rest of the population through the use of political-power. But in the commercial stage of production, the state is needed only to protect property. The functioning of the economy can be left to the self-regulatory principles of commerce. The overall picture that emerges is that in a class-divided economy, either the dominant class must have a control-instrument at the political level or that it does not require any explicit control mechanism once the self-regulatory principles of commerce emerge. The stress is on the element of personal freedom under capitalism, although the basic background of an unequal class structure is not denied.

Marx, on the other hand, was focusing on the capital-labour relation in the post-Factory Acts phase. The Factory Acts were a progressive state legislation. But along with it, intensification of labour through the use of improved machinery emerged as the main instrument of labour-exploitation at the level of production. The concept of production-relations was meant to demystify the nature of class-relations by dislodging the state from its position of primacy in relation to class control and domination. The emphasis was on the autonomy of the capitalist production-economy with the instrument of control and command embedded at the level of production. 'Capital' was in this sense, a critique of 'Political Economy'.

At the level of ideology, the transition to a demand-supply theory is viewed as an effort to legitimise the claims of capital on social produce and to present a harmonious picture of the capitalist order against the trend of socialist movement. The labour theory of value, which the socialists used in their campaign was chosen as the explicit target of attack. The author cites numerous passages from the writings of the new economists which contain a clear expression of their motivation. In the context of ideology, she might as well have included a point that she discusses in the lecture on method: the resemblance between the theories of classical mechanics and the demand supply theory as a consciously chosen element in theory construction. Ideology, in the broadest sense of the term, implies a viewpoint When the tools and methods employed in one field of science are transplanted as a viewpoint in other fields, the scientific method becomes hardly distinguishable from ideology. This viewpoint method distinction might have been clear to a serious thinker like Marshall. He clearly recognises that mechanics cannot yield a viewpoint in economics but can only be used in the logical exposition of a viewpoint.

The same attitude, on the other hand, might not have been shared by others and it is very likely that the methods of méchanics provided the viewpoint in fixing the range of problems amenable to 'scientific' treatment in economics Enthusiasm for this kind of 'scientific' ideology, probably played an important role in the case of a Walras and his modern followers. As a result, the logical apparatus operates as a self-sufficient and neutral model while its real basis in a particular viewpoint is effectively disguised.

Coming to the problem of change, the author makes a distinction between 'quantitative' and 'qualitative' change. By this, she probably means the distinction between change within a system, more specifically, change within 'capitalism' (correspondingly, the market system in neo-classical theory) and change in the relational structure of society or social transformation. The treatment of the first type of change in the two theories is posed around the respective value theories. Neo-classical economics with its marginalist approach to value theory is required to introduce hypothetical change within the realm of the value problem, and also to put restrictions on the direction of these changes, in order to build up a consistent theory of price-equilibrium. Logical difficulties in accommodating phenomena like increasing return or re-switching of techniques arise precisely from this source. The classical theory of 'natural prices' or 'prices of production', on the other hand, looks for a set of prices consistent with a uniform rate of profit in all sectors on the assumption of given levels of sectoral output, given methods of production and a given real wage-rate. Changes in the variables treated as parameters for the value problem are analysed at a different level, because the forces governing them are different from forces governing the price-equilibrium. The problem of change thus provides the proper perspective for locating the formal analysis of the logical inconsistencies of neo-classical theory as well as of the logical foundations of the classical theory of value.

In identifying the location of forces of change in classical political economy, Krishna Bharadwaj has drawn mainly upon Marx. Unfortunately, there appears to be a misspecification of forces as one goes on. She relies primarily upon the Introduction to the "Grundrisse" for her purpose. But the primacy of production in the organic unity of production, distribution, circulation and consumption is too general a theme to throw light on the specific forces and the nature of changes within capitalism. The really relevant discussion for this is to be found in the chapters on accumulation in 'Capital' which the author, unfortunately, does not exploit. The primacy of production thesis, on the other hand, can serve as the basis for analysing changes in the relational

structure of society, or for economic history in general, which is Krishna Bharadwaj's concern in her last lecture.

Returning to the question of changes within capitalism, it is proper to start with capital. Capital as a form of private property is defined by the unity of the process — capital-profit-accumulation. In capitalism, the process operates on the basis of wage-labour and logically leads to definite changes in the scales and methods of social production and in the wage-rate. The force of accumulation governing these changes is different from the force which governs prices of production. A system defined by capital and wage-labour is thus a system of endogenous change. A system defined by the market, on the other hand, does not have an internal force of change. The force of change is replaced by choice, and the investigation centres on how exogenous forces lead to the displacement of variables in an interrelated system.

The last lecture deals with the problem of social change. Change in circulation-relations and change in production-relations are posed as alternative frames of analysis. The production-relations approach is considered to be a more general approach, because the sphere of circulation is secondary to that of production. Circulation requires as a precondition a well-developed system of division of labour, and any potential extension of the circulation network is effective only *via* a proper response from the sphere of production. While the primacy of production over circulation can be argued in general terms, social change without any specification of time and space is, perhaps, too complex and varied to be organised within such a general frame. Consistent with the theme of the book, the author could have centred the discussion around the transformation of medieval Europe into an industrial society. The significant point is whether one characterises industrial society as capitalism or as a market-system. The logical basis of the concept of capitalism, generalised as production-relation, fixes a certain way of looking at the medieval economy from the point of view of the internal organisation of its production-units. The process of transformation is, then, the transformation of the medieval-type production organisations into capitalistic units of production. On the other hand, the logical basis of the concept of the market, generalised as circulation-relation, gives the corresponding category of revenue-economy and the corresponding frame for viewing the process of transformation. The analytical abilities of the contending frames can, then, be judged in terms of their flexibility in interpreting a wider variety of historical experience for the relevant period. In this context, it is also to be noted that the specific concept of production-relations gives a complete frame of the transition from feudalism to industrial revolution. Smith's theory of transition based on the growth of manufacture and the consequent division of labour between the town and the country concentrates solely on the dissolution of feudal bondages and the rise of free commercial relations.

The works of Karl Polanyi and J R Hicks are specifically focused as illustrations of approaches to economic history from the point of view of the institutional aspects of trade and market. Hicks in his "Theory of Economic History" attempts to build up a connected story or a process leading upto the industrial revolution. The basic limitation of Hick's approach has been correctly pointed out. It recognises only one type of social conflict, that between merchants and the non-mercantile authority, as the dynamic force in the process of transformation. The conflict between landlord and serf, that between production and mercantile capital, and the position of the state in relation to these conflicts, are totally glossed over. As a consequence, the approach fails to explain different patterns of evolution in different economies integrated with developed systems of trade and commerce.

Polanyi appears less important from the author's viewpoint, for he abstracts totally from the process of change. But Polanyi, perhaps, is more consistent within his own objectives. The rules governing livelihood activities, or the processes of production, distribution and circulation, give the analytical category of the economy as an instituted process. Polanyi's concern is to locate the place of the economy in society as reflected in the consciousness of the participants in the social process. The market, and economising or money-making, are how people in industrial society perceive the economy. The separation between economy and society is not only analytical but also real. The distinction appears more analytical and less real as one moves back in history. Mercantile or capitalist trade is important in the sense that it marks the origin of the attitude of money-making that finally leads to the real separation between economy and society. This way of linking trade and industrial society is, perhaps, less objectionable than over-stretching the link to yield a dynamic process of change.

One may sum up the position as follows. In the present book, Krishna Bharadwaj's main concern is to view critically the grand conceptions of the supply-demand theory. The most important points that distinguish the demand-supply approach from its preceding theoretical tradition have been discussed very clearly. First of all, the approach attempts to eradicate the labour-property distinction on the basis of the concept of subjective-cost. Secondly, equilibrium-constructions based on the marginalist technique unnecessarily constrains the analysis of change. The present reviewer has difficulties mainly on two points with respect to the organisation of the theme of the book. The author has not been sufficiently careful to avoid the possible sources of confusion regarding the relation of Marx's conceptual frame to the rest of classical political economy Secondly, no clear-cut demarcation is made between the specific forces of change within capitalism and the theory of social change. Needless to add that these point are of a minor order from the point of view of the core-theme of the book. The author had to cover a 'vast territory' and the method of organisation can never look totally closed. This openness around a core-theme is what makes the book stipulating to readers.

Small Farmer Development

Raj Krishna

The economic philosophy which led up to the launching of the Small Farmer Development Agency (SFDA) scheme in 1971 is simply that special preferential arrangements are necessary for the supply of inputs to small farmers because the markets for inputs (and particularly credit which is the precondition for access to all material inputs and equipment) are imperfect and non-neutral. They discriminate systematically against the small producers both in respect of the quantity of inputs (credit) supplied to them as well as the price at which (or more generally the terms on which) they are made available to them in comparison with larger farmers.

Even the establishment of a vast State-supported co-operative network, and the nationalisation of commercial banks did not automatically reduce this discrimination. Therefore, the planners concluded eight years ago that special agencies of small farmers were needed to lobby for them even with nationalised and co-operative institutions.

Since seven years of experimentation have elapsed, it is essential to review the philosophy and the performance of the SFDA set-up. This paper offers some evaluative reflections on the SFDA approach and some suggestions for its further evolution.

THE economic philosophy which led up to the launching of the Small Farmer Development Agency scheme[1] in 1971 is simply that special preferential arrangements are necessary for the supply of inputs to small farmers because the markets for inputs (and particularly credit which is the precondition for access to all material inputs and equipment) are imperfect and non-neutral. They discriminate systematically against the small producers both in respect of the quantity of inputs (credit) supplied to them as well as the price at which (or more generally the terms on which) they are made available to them in comparison with larger farmers.[2]

Even the establishment of a vast State-supported co-operative network, and the nationalisation of commercial banks did not automatically reduce this discrimination. Therefore, the planners concluded eight years ago that special agencies of small farmers were needed to lobby for them even with nationalised and co-operative institutions. In order to induce institutional lenders to lend to small farmers the agencies were to operate not only as lobbies but also as guarantee agencies. And to reduce the cost of asset acquisition by small borrowers the agencies were also to administer asset purchase subsidies (to the extent of 25 to 33 per cent of the value of assets).

Since seven years of experimentation have elapsed, it is essential to review the philosophy and the performance of the SFDA set-up. This paper offers some evaluative reflections on the SFDA approach and some suggestions for its further evolution.

THE SMALL FARM SECTOR

For a proper assessment of the scheme it is essential to bear in mind the contours of the whole small farm sector. The share of this sector in the total availability of vital inputs needs to be examined.

According to the Agricultural Census of 1970-71 nearly 70 per cent of rural households had operational holdings of 5 acres or less, and 51 per cent had 2.5 acres or less. Since the number of holdings reported by the Census was 70.49 million, these ratios imply that about 49 million holdings belonged to the category of small farms, of which 36 million were marginal farms. As for landless workers their number has been estimated in the Draft Plan 1978-83 as 50.4 million in 1971.

But whereas 70 per cent of operational holdings were small, they accounted for only 21 per cent of the operated area.

However, we find that their share in the net irrigated area (31.4 per cent) was higher than their share in the total cultivated area (20.9 per cent)

NSS[3] data, collected in the 26th Round, also show that the share of small farms in total fertiliser use was 32 per cent.

As regards credit, if we combine the data about the distribution of agricultural credit given by commercial banks, co-operative societies and land development banks, the share of small farms in total short-term, medium-term and long-term agricultural credit turns out to be 33 per cent in 1975-76

In the totality of farm assets, the share of small farmers is found to be 34.5 per cent according to the Reserve Bank Debt and Investment Survey data for 1971-72.

Thus, it is remarkable that though the share of the small farm sector in cultivated area is only 21 per cent, its share in all the important inputs, namely, irrigated area, fertiliser consumption, institutional credit, and total assets is around one-third in each case. This means that small farmers, as a class, command more productive assets and inputs per unit of land than large farmers. But, of course, since they constitute 70 per cent of agricultural households, assets and input availability *per household* is less in the small farm sector than in the large farm sector. As a result, income per household, and even more, income per capita, is less in the small farm sector.

These macro relationships are consistent with the findings of micro studies suggesting that small farmers apply more input per unit of land than large farmers. But poverty persists in the small farms because they support a much larger population per unit of land.

The fact that input per hectare is already larger on the small farms than on large farms is no cause for complacency. We cannot use this fact to argue that further intensification of input per hectare is not necessary. On the contrary, input per hectare has to be increased until the gain in productivity per hectare permits income per head to be raised to the poverty line or above it. This must be the main policy for reducing poverty in the small farm sector because a substantial enlargement of the average holding size is ruled out by overall demographic pressure and the difficulty of reducing the share of agriculture in the labour force. This share has remained stuck around 74 per cent for at least 56 years (1921 to 1978) in spite of considerable industrialisation since the 50s. Even during the decade 1961-62/1971-72, population pressure reduced the average size of the operational holding in India from 2.6 hectares to 2.2 hectares. Thus the small farm structure is destined to remain with us in India for a very long time. And there

is simply no alternative to the maximisation of productivity per hectare, and hence per capita, within this structure, through increasing input intensification. The enormous unrealised productivity potentials of small farm agriculture have to be realised in the shortest possible time.

This policy imperative requires that a programme concentrating on the supply of credit, inputs and knowledge exclusively to small farmers should get the highest priority in the anti-poverty strategy.

COVERAGE

When the coverage of the SFDA scheme is examined in relation to the size of the whole small farm sector, it appears that the participants identified over 8 years up to September 1977 (13.056 million) comprise a little over a quarter of the small farm households.[4] The number of beneficiaries was much less: 6.448 million, or about one-eighth of the number of small farm households, even if we assume that every beneficiary registered as a member of a co-operative obtained credit, and there was no double-counting of beneficiaries under different programmes. It is clear that the proportion of small farm households identified remained small, and half of even the identified households were yet to receive any benefit. If the number of beneficiaries grows by 1 million a year, the programme would require 43 years to cover the present target population of small farmers, not to mention the increase in it. Therefore, an additional annual coverage of the order of 4 million seems to be necessary if the bulk of small farmers are to be reached within a decade. This would, of course, require that the SFDA scheme be extended to all the districts of the country in a short period of time, and its operations accelerated everywhere.

The definition of small and marginal farmers involves important theoretical and practical issues. The present definition specifies 5 acres of dry land as the cut-off point for identifying small farmers and 2.5 acres of dry land for identifying marginal farmers. Equivalents of these areas in terms of irrigated land are supposed to be computed by the agencies by using the conversion factors specified in the land ceiling legislation of every state. Many questions can be raised about *any* definition. But the present definition seems to me to be acceptable for practical purposes. There are two main questions we have to ask about any definition: (1) Does the definition bring within the scope of the scheme the major part of the universe of small farm poverty? (2) Does the farm as defined provide the minimum land base which can be made to yield the poverty-line income to the operating household with adequate technical and financial assistance for crop production as well as supplementary activities? The answer to both these questions is clearly affirmative. Landless labourers and farmers with dry land less than 5 acres do constitute the hard core of the rural poverty population. And it has been demonstrated by the SFDA as well as other schemes that irrigated agriculture, even on a one-hectare land base, combined with animal husbandry, fishing, forestry and/or rural industry can support a small farm family at or even above the poverty line income.

The total budgetary amount released for the scheme since its inception up to September 1977 was Rs 134.31 crores, the amount utilised being Rs 123.59 crores. Budgetary support, however, is not the main indicator of the magnitude of the scheme. The more important indicator is the additional credit which the agencies were able to secure for small farmers. The amount sanctioned up to September 1977 was Rs 243 crores, the amount released Rs 131 crores and the amount utilised Rs 124 crores (MAI 1978). The amount released averages only about Rs 200 per beneficiary. But without the lobby-guarantee-subsidy system of the scheme, the small farmers, on their own, could not have secured even this much additional credit.

It is also significant that only 14 per cent of the total credit disbursement has been short-term crop credit. The remaining 86 per cent has been medium and long-term credit for the purchase of productive assets. It cannot be overemphasised that a small farmer programme must be an asset delivery programme rather than a mere short-term relief or credit arrangement. For only the acquisition of new assets will yield a permanent flow of additional income to the poor, and bring about some redistribution of the means of production at the margin. From this point of view the dominance of asset credit in loan disbursement is a welcome development and must be maintained.

INCOME

The most significant test of the success of any scheme of preferential and subsidised supply of assets and inputs to weaker sections of the population is the additional net income per household generated by the supply.

Some evidence about the additional income generated by the scheme for beneficiary households has been collected at an aggregative level by the Programme Evaluation Organisation of the Planning Commission (PEO 1978) for the early years of the scheme, and at the micro level by other institutions.

PEO data show that in the 34 projects studied assistance under the scheme generated an additional annual income of Rs 1017 per beneficiary family in 1973-74. Minor irrigation assistance yielded Rs 1670 and dairy assistance Rs 829 as extra income per household. Income increases of this order are significant if we recall that the rural poverty line in 1973-74 prices would be about Rs 3000 per household. The additional income is nearly one-third to one-half of the target income. The income effect of agricultural and irrigation assistance was positive in 32 projects and of dairy assistance in 30 projects out of the 34 surveyed.

There is one project district (Vishakhapatnam) in which the reported income of non-beneficiary households was found to be higher than that of the beneficiary households. In that district, beneficiary households earned Rs 2580 and non-beneficiary households Rs 3480 per annum (in 1973-74).

Apart from the PEO study, a study of the Cannanore project by George and Chirayath (1978) concluded that:

> the average annual income of a beneficiary household was higher by 34 per cent, the household income being Rs 3447 in the case of beneficiaries and Rs 2580 for non-beneficiaries ... The average annual net income of beneficiary small farmers increased from Rs 1951 before implementation of SFDA scheme to Rs 3447 after implementation, registering an increase of 77 per cent.

S M Pandey (1974) has reported that in Mathura district (UP), only 5 per cent of beneficiary marginal farmers remained below the poverty line after the implementation of the scheme whereas among non-beneficiaries one-third were below the poverty line.

In one village (Nishana) in the Surat district of Gujarat SFDA assistance enabled 73 members of a milk society to acquire 103 buffaloes at a subsidised price. These members received a net sum (value of milk delivered minus loan adjustment) ranging between Rs 1600 and Rs 4100 per year. The members were given one or two buffaloes each. (72 per cent of the population of this village is tribal.) (NWSF/N1978.)

In another village (Mubarakpur) in Haryana, the SFDA scheme enabled 7 landless artisan families to increase their net combined income from Rs 9800 a year to Rs 21000 a year from the manufacture of *moodhas* on a co-operative basis. Thus the average income per beneficiary family from rural industry alone increased from Rs 1400 to Rs 3000. This industry employed beneficiaries for 200 days in a year. (NWSF/M 1978.)

A few other bits of income increase data derived from case studies are given in the Table.

The evidence leaves no doubt that wherever irrigation and dairy assistance is given, with access to technical help and

TABLE: ADDITIONAL BENEFICIARY INCOME DUE TO SFDA SCHEME

No	District/State	Year	Assistance	Additional Annual Income/ Beneficiary Household (Rupees)	Total Income After Receiving SFDA Assistance (Rupees)	Source of Data
1	Mathura (UP)	1971-73	Irrigation	588	—	Pandey (1974)
2	Village Mubarakpur, District Gurgaon (Haryana)	1976-77	Cottage Industry	1600	—	NWSF/M (1978)
3	Village Velanpur, District Surat (Gujarat)	1976-77 1977-78	Lift Irrigation	1200 to 2000	—	NWSF/V (1978)
4	Village Nakhrola, District Gurgaon (Haryana)	1976-77	Dairying	1200	—	NWSF/G (1978)
5	Village Sikanderpur, District Gurgaon (Haryana)	1977-78	Poultry	200*	1766*	NWSF/P (1978)
6	Village Arangipeta, District Srikakulam (AP)	1974-75	Irrigation	8000	9000	Pachauri (1978)
7	Village Cheemalavalsa, District Srikakulam (AP)	—	Irrigation	3000	5000	Pachauri (1978)
8	Village (NA) District Srikakulam (AP)	—	Irrigation	5500	8000	Pachauri (1978)
9	Village Kondamulagam, District Srikakulam (AP)	—	Irrigation	2000	4500	Pachauri (1978)
10	Village Thallavalsa, District Srikakulam (AP)	—	Irrigation	4000	5000	Pachauri (1978)
11	Village Laveru, District Srikakulam (AP)	—	(1) Irrigation	2500	4500	Pachauri (1978)
12	Village Laveru, District Srikakulam (AP)	—	(2) Irrigation	2000	3000	Pachauri (1978)
13	Village Laveru, District Srikakulam (AP)	—	(3) Irrigation + Livestock	N A	3000	Pachauri (1978)

*Calculated by dividing the aggregate income of 7 beneficiary households.
N A: Not Available.

marketing, increases in income per beneficiary household of the order of 75 to 300 per cent have been achieved. And the beneficiaries have either crossed or risen close to the poverty line. Thus the two programmes of minor irrigation assistance and animal husbandry assistance have proved their merit as sure income-raisers for small and marginal farmers. These results have validated the essential concept of the SFDA scheme that small farm households can be relieved of poverty if productive assets are delivered to them, and their new activities are linked with support systems. The main problems, then, which need to be attended to are problems of inadequate coverage, administrative apathy and laxity, and the failure to organise support activities.

SOME ORGANISATIONAL ISSUES

So far as coverage is concerned we have already noted that the SFDA scheme deserves to be extended to all districts over the next few years.

However, the extension of the scheme to other districts should be a part of a larger process, namely, the merger of all area-oriented schemes (the DPAP,[5] the CADP,[6] and the Desert, Hill and Tribal Area programmes) into a single Area Development Programme. The aggregate provision for all these programmes in the Draft Plan 1978-83 is Rs 2800 crores, excluding institutional finance. (Planning Commission 1978, p 20.) A look at the list of activities for which assistance is available, as well as the pattern of assistance for each activity, under these various schemes, would show that the differences are insignificant and the unification of all schemes can be easily achieved. (MFA 1978.) This would pool large resources, and simplify the task of the aid-givers as well as the aid-seekers. The particular mix of activities promoted will, of course, differ from area to area.

The area orientation and the target-group orientation are inseparable. The area orientation has been necessitated by the deficiencies of a purely sectoral approach to rural development. Similarly, the target-group orientation is essential because of the general tendency of untargeted programmes to carry benefits mainly to the large farmers. Thus, ideally, all rural development programmes in the coming years should become area-oriented as well as target group-oriented.

A major limitation of the present SFDA programme is that it places an additional burden on the extension staff on account of the additional servicing of small farms. Since the extension staff has not been increased for this purpose, the present staff neglect SFDA work or give it only partial and irregular attention. In areas where the main assistance given is for wells, pumps, tanks, etc, extension assistance is critical for enabling the beneficiaries to shift from dry to wet agriculture and to new crop combinations. But the problem does not require a mere expansion of the extension staff, though expansion should be provided for wherever necessary. Partly the solution lies in rescheduling the work of the present extension staff itself. It is obvious that if the present staff can give no attention or very little attention to small farmers, they must be devoting most of their time helping big and medium farmers. This division of their time is clearly irrational in view of the new priorities. And we must consider directing the extension staff to devote at least half of their time to the servicing of small farmers.

Since credit is the key to small farm development, the ratio of institutional agricultural credit going to small farms (which is currently one-third) also needs to be raised to at least 50 per cent in the coming years. In principle, large farmers should have very little claim on the institutional credit provided by the public sector. They should draw most of their credit needs from their own substantial surpluses (which are usually lightly taxed, if at all) or from fully commercial private credit.

One of the most welcome recent developments is the expansion of rural credit by the commercial bank system. The data show that on June 30, 1977 the commercial banks accounted for about 29 per cent of the total institutional finance to agriculture (Rs 4596 crores outstanding). (Desai Committee 1978, p 10.) The number of commercial bank accounts for small farmers had risen to 2 2 million by 1977. In fact, 67 per cent of all agricultural accounts are now small farmer accounts. (Ministry of Finance, 1978.)

The importance of this development arises from the desideratum that in an agricultural country agricultural lending should not remain a marginal system; it should rather be an integral part of the mainstream of banking. Although lending to agriculture brings lower returns than

lending to industry and trade, rural lending should not be kept segregated in a subsector. For institutions with a large high-return turnover can bear some low-return turnover more easily than institutions forced to specialise in low-return turnover.

Since many orthodox bankers continue to be hesitant about small farm lending they need to be reminded that yield increases of the order of 100 to 200 per cent above present levels are feasible with the modern seed-water-fertiliser technology. (Singh 1978.) Cereal yields can be raised from less than 1,000 kgs per hectare to 2,500 kgs in the case of rice, and 4,000 to 5,000 kgs in the case of wheat. And pulses and oilseed yields can be raised from 600-700 kgs per hectare to 1,000-1,500 kgs per hectare. Also, there is considerable evidence that the technology adoption rates in the small farm sector are very high if research, extension and input delivery systems perform. Moreover, under irrigated conditions marginal physical output-input ratios of the order of 10 or more, for fertiliser nutrient inputs, are quite common. Financial return-cost ratios for fertiliser use lie between 2 and 3.7 for paddy and 2.9 to 4 for wheat. (FAI 1978.) These facts make investments in modern seed-water-fertiliser technology fully justified from a strictly financial point of view. In fact, small-scale irrigated agriculture, with contemporary technology, yields higher returns than many small-scale non-agricultural enterprises.

When medium and long-term investments are considered, the return prospects are equally attractive. On the basis of a large number of professional studies of returns to net farm investments, the Agricultural Refinance and Development Corporation of India (ARDC) has found that the financial return to minor irrigation investments ranges between 20 and 50 per cent. The return to land development in command areas of irrigation systems exceeds 50 per cent. The return to dairy-buffalo units also exceeds 50 per cent. The return to mechanised fishing boats ranges between 20 and 25 per cent and the return to investment in citrus, coconut, pepper, cashew and rubber investments ranges between 18 and 49 per cent. The social return is of course much higher in all these cases. Because of these high returns the ARDC has been able to double its refinance disbursements within three years (1974-75 to 1977-78) from Rs 1 billion to Rs 2.3 billion and is now programmed to increase disbursements to more than Rs 9 billion by 1982-83. More than half of ARDC refinance is intended for small farmers. (ARDC 1978.)

It is thus clear that the financial profitability of medium-term and long-term investments on small farms is no less than that of current input investments.

One cannot help thinking that the credit starvation of the small-farm sector symptomises a vicious circle. The sector is considered unproductive and therefore sufficient investment is not made in it. But it remains unproductive because sufficient investment is not made in it in spite of the fact that substantial productivity and profitability potentials exist and remain unexploited.

It seems that a vicious circle exists not only with regard to the deficiency of total investment in small farms but also in respect of the riskiness of investment. Riskiness of small-farm investments is mainly due to yield instability. Yield instability is in turn mainly due to inadequate inputs of HY seeds, irrigation, water control, pest control and fertilisers, and the absence of multiple cropping. Optimal investment in these inputs can stabilise yields. Again, therefore, we observe investment remaining inadequate because of its riskiness, and riskiness remaining high because of inadequate investment. Only a big investment thrust, with a matching technological, extension and delivery back-up, can break the vicious circle.

The recent relaxation of the terms on which credit is given to small farmers by the banking system is also a very welcome development. The new concessions include the grant of small loans up to Rs 5,000 against personal security and/or simple hypothecation of assets created out of the loans, a crop guarantee system to deal with cases in which landed or personal security is not available, extended periods of repayment for small and marginal farmers, the elimination of the margin money requirements, and a lower rate of interest between 8½ per cent and 11 per cent on loans up to Rs 2,500. (Ministry of Finance, 1978.)

These concessionary terms of lending embody the two principles which have been canvassed by researchers for a long time, namely, (1) that in the case of short-term credit to buy modern inputs the expected additional income itself should be the basis and the security of the credit given, and (2) that in the case of medium-term and long-term credit for the purchase of assets, the hypothecation of assets, rather than landed security, should be acceptable as collateral.

But there are many reports to the effect that in spite of the clear-cut policy laid down by the Reserve Bank the field officers of banks in many areas are still insisting on landed security. It is to be hoped that the Reserve Bank would make the new policy effective throughout India.

Many studies have brought out the fact that the success of a credit operation to develop any rural activity requires a minimum simultaneous development of other activities which are linked with the main activity on the input side and the output side. To stress this point one cannot do better than to quote R K Hazari, an ex-Deputy Governor of the Reserve Bank of India:

> We financed ... fishing boats ... the project nearly came to grief because there were no ice plants and no cold storage facilities. There were no trucks to transport fish ... When it came to financing of market yards the earlier view was that ... all we had to do was to ... finance the construction of buildings ... Now, we also go into the question of fixing market fees, the kind of building material to be used for the market yards, as also the proper management of the market committee ... [In a] scheme for plantations, ... material ... readily available [was to be used] ... This would have meant ... that for the next sixty to eighty years the small planters would have been burdened with sub-standard bush. We insisted that the plantation programme would have to be delayed till first class planting material could be made available ... When one is financing dairies, one is not just financing the distribution of animals or the setting up of dairy plants ... One should ... know that cattle are going to be good and that cattle are available and that the same cattle are not being passed on from one farmer to another ... There has to be adequate veterinary care, ... adequate feed ... and ... the milk has to be sold ... and the money collected ... and returned to the lender ... In the case of poultry there is the celebrated case ... where very recently born chicks were distributed to farmers with the inevitable consequence that the chicks died. (Hazari 1976.)

Every credit executive can recall scores of such instances in which insufficient provision for the availability of linked inputs, and knowledge, results in failure. The cases cited by Hazari relate to loans for fishing, market-yards, plantations, dairies and poultry units. But the argument applies equally to crop loans, irrigation loans and equipment loans. Successful crop credit and irrigation credit require effective extension and input deliveries. In command areas the return from heavy investments in dams and canals cannot be realised without complementary investments in field channels, drainage and infrastructure. If credit is supplied for equipment, diesel supplies and/or electricity connections, repair services and the supply of spare parts must follow. And, in general, lending for any bankable productive activity can fructify only if three basic infrastructure facilities—water supply, energy and transport—are available.

All these linkage requirements point to the need for rural credit programmes being tied to integrated area planning. Where an area-oriented credit programme is undertaken, and linked facilities become available, the overriding objective of financial institutions should be "Saturation Lending". This concept simply implies that every single feasible, bankable scheme of every single poor household or establishment in the target area should be concretely formulated and financed. The radical content of this

concept is that instead of giving *some* loans in *some* areas to *some* people who apply for them, the financial institution redefines its function as that of reaching out, on its own initiative, to formulate, to finance and to secure necessary complementary help for all the viable schemes of all the poor households of an area. In other words, the role of the lender is not to lend passively to applicant borrowers but to chase all the potential small borrowers of an area and to see that they get all the credit they can use productively.

This notion can be seen as the transplantation on to the national scene of a principle with which international development banks already try to operate. They do not wait for projects to come from applicant governments. They send out their own expert technical teams to prepare projects for the borrowers, using their expertise as well as all available local knowledge, appraise and process the projects; and negotiate and deliver the loans. Banking for the poor within every developing country will also have to become borrower-chasing banking in a similar way. It has to be realised that if the poor knew all the technical possibilities, knew how to prepare feasible, bankable schemes, and knew how to do the paper-work, the leg-work, the lobbying and the bribing required to get loans, they would not be poor. Therefore, whatever needs to be done to get a loan has to be done for them by the lenders themselves. This concept often shocks bankers who are used to sitting in cosy offices and leisurely receiving and processing the loan applications of the affluent. But without a revolution in their attitude which makes them act almost as borrowers as well as lenders, sufficient credit would never reach the poverty-stricken masses.

Once the new attitude is imbibed by bankers, they would have to re-examine and refashion all their procedures to suit the small man. Branch expansion would have to be accelerated. Co-operatives or service associations or informal groups will have to be set up and used as agents, so that the cost of rural credit administration is kept down. Paper-work will have to be simplified. Procedures to obtain land title certificates, encumbrance certificates, other liability certificates, mortgage registrations etc, will have to be streamlined. In fact, all the paper-work for small borrowers will have to be done either by the credit staff themselves or other official and non-official agencies acting as lobbies for them. Much better inter-agency co-ordination will be required so that all agencies deliver and/or register the required documents with speed. Staff selection criteria and incentives will have to be redefined so that the field staff are either locally recruited or find it attractive to stay close to the rural areas they serve. They would have to be retrained so as to acquire adequate knowledge about the technology of the activities for which they lend, the practice of scheme-formulation and appraisal, as well as the lending procedures. Above all, they must be helped to imbibe a deep empathy for the poor by observing the work of dedicated social workers in "success" areas.

In order to reduce risks, both for borrowers and lenders, increasing experimentation is necessary with crop, cattle and asset insurance schemes, particularly in areas where the development of irrigation and pest-control has reduced the variance of yields to an acceptable level.

Perhaps the most critical determinant of the success of a credit programme is the techno-economic quality of the schemes for which money is loaned. The biggest continuing lacuna in our administrative system is the absence of competent techno-economic scheme-formulation bureaus at the smallest administrative unit levels. Wherever government agencies have failed to establish such bureaus, the banks themselves will have to set them up. In addition, a whole profession of private rural consultants needs to be created and expanded. These will be certified agencies who specialise in making techno-economically sound, small schemes for specified areas and sectors or groups of households for reasonable fees.

For an efficient credit system, as for any other "system", constant feedback is necessary to facilitate course correction or "learning by doing". At present our rural development reporting system only produces some statistics of input or credit deliveries. These statistics are manifestly inadequate. What policy-makers want to know, most of all, is the income and employment effect of individual schemes, and groups of related schemes, in each area. It is, therefore, urgently necessary that standard NSS schedules be used for surveying and reporting on the consumer expenditure and employment status of rural households on a two-yearly or three-yearly basis in all blocks where intensive credit programmes and/or related rural development programmes are operating. In addition, academic institutions must be mobilised everywhere to take up the qualitative as well as the quantitative evaluation of important development programmes in the neighbouring rural areas on a continuing basis.

The low repayment rates for small-farm loans is a matter of continuing anxiety. The principal fact to be remembered in this connection is that a low recovery rate is not a necessary concomitant of small-farmer lending as such. There is evidence to show that the overdue rate of small farmers is only slightly higher than that of large farmers. In a 1972 official survey overdues of large farmers were found to be 63 per cent of their outstanding borrowings from co-operatives. The ratio for small farmers was 71 per cent. (Desai, January 1978.) If commercial bank lending is added, the overdue rate was lower, about 40 per cent. It is also remarkable that in some well-administered programmes, the overdue rates of share-croppers, marginal farmers and small farmers have been found to be lower than those of others. In the West Bengal CADP[7] operation, for example, as much as 87 per cent of the total lending in 1974-75 was channelled to these weaker sections with a strong technical and delivery back-up, and their overdue rate was only 18.25 per cent as compared to 45 per cent for other categories of borrowers. (See CADP 1978.) High overdue rates should not, therefore, be regarded as an inherent peculiarity of every small-farm lending operation. If the operation itself is efficient in raising borrower income substantially with adequate technological and input supply support, there is no reason at all why the delinquency of small farmers should be larger than that of large farmers. In fact there is some basis for the presumption that large-farmer delinquency should be higher because they wield greater political influence. They manage to get repeated loans in spite of default because they can control or influence the lending institutions themselves. The small farmers on the other hand have every reason to repay their loans to be able to get new loans; they have no other leverage. Thus, the main answer to the repayment problem lies in maximising the income effect and increasing the structural efficiency of the credit operation itself. The other answers are wellknown: insurance of risks, flexible rescheduling when justified, recoveries through marketing institutions, and firm legal actions undertaken impartially against large as well as small borrowers when default is deliberate and unjustified.

I would like to conclude with a plea for the organisation of all identified beneficiaries of every district into a small farmer association. I find it very strange that the present constitution of the governing bodies of the SFD agencies provides for the membership of a few non-officials who may or may not truly represent the interests of small farmers. It is essential that the governing body be made answerable to the general body of all the beneficiaries of the district organised as an association. This association should also be a registered society. And the governing body should have adequate representation of (at least five members elected by) the general body of the small farmers' association. Such an association should act as the trade union of small farmers. It will ensure that the scheme is

vigorously and efficiently implemented, and benefits intended for small farmers do not leak to other classes. The association will also help identify all bonafide small farmers not yet registered in the district so far, and weed out wrongly identified beneficiaries.

This proposal emanates from a basic conviction that in the final analysis every class will get its due share of the national cake only if it politicises and unionises itself and demands what it deserves.

Notes

1 In this paper this term is used as inclusive of the Marginal Farmers and Agricultural Labours Scheme also. The two schemes were merged in the Fifth Plan period.

2 The term 'small farmers' includes 'marginal farmers' except where the two categories are specifically distinguished. The term 'large farmers' includes 'medium farmers'—in fact all farmers other than small farmers.

3 National Sample Survey.

4 The scheme was in effect in 160 districts in 1977-78.

5 The Drought-Prone Area Programme.

6 The Command Area Development Programme.

7 Comprehensive Area Development Programme.

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Flying All Over

THE Soviet Union's ambitious plans of expanding its air links with other countries were unveiled at a recent press conference by the USSR Deputy Minister of Civil Aviation Sergei Pavlov, who said :

Three years ago the airlines of the countries associated with the Council of Mutual Economic Assistance launched an emulation campaign to improve service in the air and on the ground. The flights between the CMEA capitals have now become a model of service. This experience is being extended to other cities. A special long-term programme in the transport field is now being drawn up. Aeroflot, Balkan, CSA, LOT, MALEV, Interflung and other airlines will operate under general agreements they have co-ordinated among themselves and with different types of transport for the period ending 1990.

A new Aeroflot line, to Gdansk in Poland, was inaugurated on April 1. Air communications are being extended between the Soviet Union and Vietnam; the number of flights between Moscow and Hanoi has been increased to three a week and a new line, between Moscow and Ho Chi Minh City, will start functioning this summer.

Co-operation with Western airlines is constantly expanding and the number of flights and their frequency are increasing Aeroflot has been co-operating with the FRG for only seven years and a new line, between Kiev and Dusseldorf, was added on May 7 to the three already in operation — Moscow-Frankfurt (there will be daily flights starting this summer), Moscow-Munich and Leningrad-Hamburg

Regular flights on the Kiev-Paris-Kiev line, jointly operated by Aeroflot and Air France, were started on April 7. Before that Aeroflot operated jointly with Western companies two cargo lines — between Moscow and Paris and between Moscow and Amsterdam.

This summer Aeroflot planes will fly from Moscow to three new countries — Zaire, Kuwait and Jamaica. A new line will be inaugurated between Erevan and Aleppo in Syria. At public request more planes will be put into service on overloaded lines — to Addis Ababa, Athens, and Frankfurt-on-the-Main Economic, cultural and tourist ties are expanding so fast that more flights have to be added to the newly-inaugurated lines to Mexico City and Lima.

Aeroflot, this summer, will be operating 370 international flights a week, or 50 more than in the summer of 1978. The Soviet Union is now linked by air with 84 countries.

Nature of Class Struggle in Bangladesh

A Comment

Khondker Habibul Haque

B K JAHANGIR's 'Nature of Class Struggle in Bangladesh' (December 10, 1977) is an interesting contribution and merits a critical response. The present critique is not an overall review of Jahangir's article. It is only an attempt at closer examination, from a Marxist perspective of the salient points of his arguments.

The salient points may be summarised as follows :

(1) The creation of classes is linked with the introduction of capitalistic relations of production in Bangladesh.

(2) Class differentiation in Bangladesh is due not only to unequal access to the means of production but also to unequal access of political power.

(3) There is an alliance of the dominant classes of both rural and urban areas, such as the rich peasants, rural entrepreneurs, urban investors in agriculture, bureaucracy, and the dominant political party. This alliance not only leads to a continued exploitation but also helps to disorganise the poor peasants.

(4) The State contributes to the competition among the rich peasants. Class solidarity and struggles in the rural areas are often responses to the stimuli of government policies etc. Class solidarity and struggle depend on these factors (a) the state of the national economy, (b) the mediating role of the political parties and political elites, and (c) the characteristics of the specific local situations.

(5) The social basis of the Awami League was an alliance between the urban and the kulak interests. Sheikh Mujib's government strengthened the rich peasants and, in so doing, antagonised the urban interests.

(6) The new rulers are supporters of the urban interests, and have subordinated the agricultural (rural) power. Economically the rich peasants are still dominant, and are structurally aligned with the bureaucracy, etc.

(7) The poor peasants continue to be disorganised and the failure of the Left-wing parties has made them passive.

It is almost uncontestable that the class structure in Bangladesh is rooted in the capitalistic production relations. But it is exceedingly important to qualify this statement, tracing the gradual incorporation of Bangladesh society in the orbit of world capitalist economy or the world system (Wallerestein, 1974), from the colonial period of the eighteenth century onwards. This might spark off another, but related debate on the mode of production in Bangladesh. One might tend to see the dominance of the feudal mode of production or other precapitalist formations (or modes) in the rural society of Bangladesh. On an *ad hoc* basis we might sum up this debate saying that pre-capitalist modes of production may exist in Bangladesh but that these are articulated within the capitalist mode which is dominant. This provisional solution of a rather tricky question is made in the light of the Frank-Laclau debate (1973).

Jahangir rightly takes into account the political dimension as a basis of class differentiation in Bangladesh. Taking into account the political factor in class differentiation is very pertinent—especially in the context of the peripheral, or the so-called third world, societies. Poulantzas (1973), among others, has stressed this in greater detail in order to counter the positions of economistic Marxism. His analysis, though, concerned with the 'advanced' Western societies sheds light on other societies too. Economy, as a basis of class, is determinant but not sufficient. Political and ideological forces also play a significant role in the formation of classes.

The alliance of the dominant classes, such as, rich peasants, rural entrepreneurs, urban investors in agriculture, bureaucracy, etc, poses a theoretical problem. The basis of this alliance is not elaborated. What is implied is that they, together, constitute the dominant exploitative classes with the exploitation of the poor peasants as the focal point of their unity.

First, this alliance does not account for the contribution of the State institutions (presumably, bureaucracy) of throwing the rich peasants into competition. When the rich peasants in their alliance with the bureaucracy and the dominant political party become the basis of State power there is no apparent reason for the bureaucracy to create competition among the rich peasants. These arguments not only lack theoretical support but also lack logical content and become merely assertions. The bureaucracy may, however, be linked with factional competition among the rich peasants on political grounds—allocating resources to one peasant rather than to another—but this is not even implied in Jahangir's arguments. The State's contribution to the factional competition among the rich peasants can be attributed also to the contradictions of the post-colonial State apparatuses.

Secondly, the alliance of the dominant, exploitative, classes does not at least theoretically preclude the class unity of the exploitative classes with the notable exception of the 'Labour Aristocracy' as exemplified by Lenin. The 'polarisation thesis', which fell apart in the context of the Western industrialised countries, is much more of a reality in the rural situation of the peripheral societies. Jahangir appreciates this polarisation, but he does not see the promises this polarisation brings—i e, revolutionary upsurge. The present disunity of the polarised, exploited, classes may be attributed to the lack of communication (both in the physical, i e, role transformation as well as in the interactional sense). Marx-Engels stressed this point in the "Communist Manifesto". Insofar as the peasants are concerned, this problem seems to be rather perennial.

In discussing the nature of the class struggle, Jahangir at one point argues: "Different classes in the rural area will evaluate the programmes of development from their own perspectives, assessing whether the programme will strengthen their power, and enlarge their social base, etc.... These conflicting *outlooks* (emphasis added) affect class solidarity and the nature of the class struggle" (P 2064). This seems to be a rather weak argument. How could 'outlook' affect struggle? If he is implying class consciousness, in making reference to outlook, it becomes a different issue. Interestingly enough, the term 'class consciousness' seems to be absent from the content of his article. In the tradition of Althusser, many neo-Marxist writers have underplayed the concept of class consciousness and also argued that the notion of 'class in itself' (class without class consciousness) and 'class for itself' (class imbibed with class consciousness and ready to wage struggle) are Lukacsian rather than Marxian notions. The polemic against the division of an inactive 'class in itself' and an active 'class for itself' has also been provided by Poulantzas (1973) who interprets the Marxian notion, saying that classes have existence only in the class struggle. Jahangir's views do not fit in any of these contending interpretations, nor

does he advance a new interpretation.

The mediating role of the political party and political elites in the class *struggle poses another serious theoretical* problem. Jahangir quotes other writers showing a correspondence between economic and political power in the orthodox Marxian sense. "As a social class, it is the rich peasants who control the means of production. They are the main decision-makers in the rural areas (Rashiduzzaman, 68, Jahan, 72). They also control the sources of economic and political power." (Jahangir, 77; p 2063). But again, when he talks about the mediating role of the political party or bureaucracy, he swings to a different position. There is a position in contemporary Marxism that the State—taken in its broadest sense to comprise political party as well as bureaucracy—mediates the conflicting interests of the bourgeoisie and the working class, dissipating the decisive struggle. Here, I allude to the Miliband-Poulantzas debate on the relationship between State and the economically dominant classes, which seems to have recently ended (1976). By making reference to the mediating role of the political parties and political elites, Jahangir touches on a problematic but only gives it casual treatment. The relationship between the State and the dominant economic classes, in the *peripheral societies, is to be explored in* greater detail.

In discussing the class basis of the Awami League, Jahangir has used vague terminology such as, 'urban interests', etc. He does not explain what he means by the alliance of 'urban and kulak interest'. Kulak may be a self-explanatory concept, but what does he mean by 'urban interest' which is rather recurrent in his article? Surely, he does not want us to believe that the urban population is a homogenous group (or class) in Bangladesh He does not refer, nor does he seem to agree, to the petty-bourgeois background of the Awami League (Abdullah, 1972, Khondker, 1978). He also ignores the struggle between the rising bourgeoisie and the ruling petty-bourgeoisie, which culminated in a series of military coups and the establishment of a new rule in 1975 in Bangladesh (Lindquist, 1977) Jahangir remains rather vague in analysing the class character of the new rulers in Bangladesh and says, "The new rulers are basically supporters of urban interests" (p 2065).

Jahangir remains silent on the inflow of foreign capital, in terms of aid, etc, in Bangladesh. Positing Bangladesh in the world capitalist system and examining the role of the State apparatus, in Alavi's words 'the military-bureaucratic oligarchy', (1972) and their position in the class struggle in Bangladesh are *long overdue. A study into the nature* of the class struggle would remain incomplete unless these factors are taken into account.

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CORPORATION BANK, one of the leading scheduled commercial banks in the private sector, has proposed an equity dividend of 15 per cent for the financial year 1978 on the increased capital of 62.50 lakhs and 9 per cent and 8½ per cent on the two classes of preference shares, subject to deduction of income-tax. The year's operations resulted in a profit of Rs 22.38 lakhs as against Rs 19.68 lakhs in 1977. After transferring Rs 13.21 lakhs to reserves, the Directors have proposed the above dividends. The equity rights shares issued during 1978, will be eligible for proportionate dividend for three months from October 1, 1978. The Directors have also proposed to issue during 1979 Rights Equity Shares to the extent of Rs 25 lakhs in the ratio of one share for every three equity or preference shares held. This is the fourth Rights Issue the Bank is making since 1974 and, with this, the paid-up capital will reach Rs 1 crore. The Bank has recorded significant growth in both deposits and advances. As at the end of 1978, aggregate deposits stood at Rs 208 crores and advances at Rs 118 crores, recording an increase of 43 4 per cent and 54.3 per cent respectively over the previous year. The total outstanding credit to priority sector including food credit as at the year end constituted 35 9 per cent of the total advances. The percentage increase in export advances was from 8 3 per cent in 1977 to 21.7 per cent in 1978 The Bank opened 18 Branches during 1978, taking the total number of branches to 293 as at the year-end.

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STATEMENT OF POSITION

LIABILITIES

31st December 1977		31st December 1978
Rs.		Rs.
2,00,00,000	Capital : Paid up Capital	2,00,00,000
11,80,38,000	Reserve Fund etc.	12,74,30,000
1410,55,70,036	Deposits and other Accounts	1717,16,41,080
60,91,80,450	Borrowings from Banks and Agents etc.	38,12,77,704
17,28,40,806	Bills Payable	29,48,71,211
88,04,37,596	Bills for Collection per contra	98,17,95,077
20,48,36,300	Other Liabilities	36,13,82,320
128,87,84,185	Acceptances,Endorsements etc.	200,70,83,360

PROFIT & LOSS ACCOUNT

31st December 1977				31st December 1978
	3,40,50,136	Profit for the year	3,40,00,483	
		Less : Transferred to		
	68,50,000	(i) Reserve Fund	85,00,000	
	2,05,00,000	(ii) Contingency Reserve	1,88,00,000	
67,00,136		Balance transferred to Central Government		67,00,483
1747,06,77,223				2135,23,81,083

ASSETS

31st December 1977		31st December 1978
150,29,08,217	Cash in hand and with banks	190,34,96,714
8,00,00,000	Money at Call and Short Notice	1,27,00,000
462,18,34,271	Investments (at or below cost)	530,27,76,700
870,88,88,352	Advances	1021,06,90,371
88,04,37,596	Bills for collection per contra	98,17,95,077
128,87,84,185	Acceptances,Endorsements etc.	200,70,83,360
2,18,05,636	Premises	2,41,06,062
5,31,05,501	Furniture & Fixture	6,43,01,026
34,01,88,298	Other Assets	66,00,31,776
80,778	Non-Banking Assets	98,234
1747,06,77,223		2135,28,91,083

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Whistling in the Dark

WITH its attention too much engaged elsewhere, authoritative pronouncements on behalf of the government on the state of the economy have been few and far between. One such came recently from the Secretary to the Department of Economic Affairs when, deputising for the Finance Minister who had been suddenly taken ill, he talked to members of the Forum of Financial Writers in Delhi. Among his major propositions were that (i) the current rise in prices was partly seasonal and partly a matter of deliberate government policy to help industries subject to price control; (ii) there had been a revival of investment in the economy; and (iii) the rate of growth of employment in the organised sector had gone up.

On inflation, the 7.5 per cent rise in the wholesale price index since the end of February was attributed to "reversal of the earlier policies" and the application of necessary correctives to the administered prices of certain commodities In this regard, the examples of sugar, cement and steel were cited. In the government's view, the prices of these commodities had been unduly depressed and it was necessary to make a correction. In addition, there were also seasonal factors responsible for the pressure on commodity prices.

A closer look will show this to be a superficial appreciation of the price situation. First, it is true that administered prices of cement and steel have been raised and as a result there has been a rise in their wholesale price indices Their total weight in the official index of wholesale prices is, however, no more than 6 2 per cent. On the subject of sugar prices, the Secretary to the Department of Economic Affairs sought to argue that "nearly 35 per cent of the recent increase in the index was accounted for by sugar, gur and khandsari" which, according to him, was justified because "sugar prices had dipped to a point where the mills were not getting even their cost of production" Now, the wholesale price index for sugar (base : 1970-71 = 100) was 158 6 at the end of March 1978 and it came down to 150.7 about a month and half later, on May 13, 1978, but during the same period the gur price index came down from 150 to 133.7. The separate indices for sugar and gur are not available for the corresponding point of the current year (i e, May 12, 1979) but the index for the sub-group sugar, khandsari and gur as on May 12, 1979 had gone up to 175.4 as against 139.4 a year ago on May 13, 1978, showing a rise of 25.8 per cent over the year. The rise, it is certain, had taken place in the price of sugar and not in that of gur, though it is the latter that had earlier shown a sharp fall. More important, what explanations can possibly be offered for the large increases, ranging from 7 per cent to 20 per cent, in the prices of a wide range of manufactured goods? In their case, neither the argument of seasonality nor that of correcting earlier imbalances can hold water.

Government's view of current investment trends, it appears, is equally over-optimistic Here the evidence cited in support of the official claim is that of the disbursements of term-financing institutions, which have gone up from Rs 435 crores in 1975-76 to Rs 891 crores in 1978-79. Disbursements of term-lending institutions are, however, an unreliable indicator of investment in the private corporate sector. Official statistics themselves bear this out. Thus disbursements of all term-lending institutions went up from Rs 435 crores in 1975-76 to Rs 591 crores in 1976-77 and further to Rs 694 crores the following year, but the CSO's estimate of gross fixed capital formation by the private corporate sector (including the co-operative sector) declined from Rs 2,002 crores in 1975-76 to Rs 1,405 crores in 1976-77 and rose but slightly to Rs 1,525 crores the following year. Thus though disbursements increased by about Rs 250 crores between 1975-76 and 1977-78, gross fixed capital formation declined by a little less than Rs 500 crores

Besides disbursements of term-financing institutions increasingly substituting for other sources of investible funds, another aspect of the pattern of project financing which has emerged in recent years is significant This is the tendency for progressively larger proportions of project costs to be appropriated for purposes other than physical asset formation (i e, other than investment in land and buildings and plant and machinery) According to the data put out by the Department of Company Affairs, 73 6 per cent of the project costs of companies issuing capital in 1975-76 was deployed for (i) land and buildings, (ii) plant and machinery and (iii) miscellaneous fixed assets. However, by 1977-78 this proportion had gone down to 58 4 per cent In other words, in 1977-78, as much as 41 6 per cent of the total project costs were eaten up by such items as (i) working capital, (ii) technical knowhow,

(iii) issue, pre-incorporation, etc, expenses, and (iv) contingencies. The corresponding proportion in 1975-76 had been only 26.3 per cent.

The argument that the emerging shortages of items like steel and cement indicate growth of genuine investment demand also needs to be viewed with some caution. Output of both cement and steel increased only marginally in 1978-79. No doubt there have been some imports Nevertheless it would be useful to examine what proportion of the demand for steel and cement is of a speculative nature, creating artificial scarcities as happened in 1973-75. Further, prices of investment goods have gone up very sharply during the past year. Between May 13, 1978 and May 12, 1979, the wholesale price index for 'machinery and transport equipment' rose by 11.3 per cent, for 'iron and steel and ferro alloys' by 31.5 per cent, and for 'cement, lime and plaster' by 22.6 per cent. So even if investment outlays do show a rise in financial terms, a significant part of the rise would have been accounted for by increased investment cost. The investment demand for such goods as cement and steel cannot, therefore, be as high as the apparent scarcities suggest. If black market premiums have emerged, they do not necessarily indicate higher investment demand; *they could as well as be signs of speculative demand.*

This brings us to the third point—the alleged larger absorption of labour in the organised sector. The increase in employment in organised industries may indeed have been 3.4 per cent in 1977-78, compared with a rise of 2.7 per cent in 1976-77—a small enough improvement. Official data themselves, however, suggest that the employment situation in the organised industrial sector did not undergo any marked change in 1978-79. According to Employment Exchange statistics, for instance, the average number of applicants placed in employment remained unchanged at about 38,000 in 1977 and 1978; it had been slightly higher at around 41,000 in 1976. And the number of applicants on the live registers of employment exchanges went up from 109.24 lakhs in December 1977 to 126.75 lakhs in December 1978, i e, by 17.54 lakhs, compared to a rise of 11.52 lakhs in the previous year.

Export Subsidy

Dubious Basis

FOR the last few years, one item in the Central government's accounts which has unfailingly attracted the unfavourable attention of the Comptroller and Auditor General of India is the payment of cash assistance to exporters. The Comptroller and Auditor General's report for 1976-77 has singled out for criticism the disbursement of cash assistance on export of transmission line towers (TLT). There never was, it transpires, any quantifiable basis for the levels of cash assistance fixed from time to time or for the revival of the scheme after it had been decided to discontinue it. The Comptroller and Auditor General's comments on the subject are also the theme of the 129th report of the Public Accounts Committee (Sixth Lok Sabha) presented to Parliament recently.

The rate of cash assistance on export of TLT was 20 per cent of f o b realisation from June 6, 1966 to March 31, 1970. Additional assistance of 5 per cent was granted from March 1, 1968 *if* an exporter raised *his* exports beyond a specified level and from April 1, 1969 a further 5 per cent was granted for exports to North and South America and New Zealand. With effect from April 1, 1970 the rate of cash assistance was raised from 20 per cent to 25 per cent with an additional 5 per cent on exports to North and South America and New Zealand. From April 1, 1973 cash assistance was granted on a sliding scale ranging from 10 to 25 per cent, depending upon the percentage of production exported. Cash assistance on export of TLT was abolished with effect from February 23, 1974, but was reintroduced at the rate of 10 per cent with effect from October 1, 1975.

The Ministry of Commerce admitted to the Auditor and Comptroller General that no study of cost of production and f o b realisation had been carried out before it was decided to reintroduce cash assistance on export of TLT. Instead the Ministry claimed that cash assistance had been reintroduced "as a promotional measure taking into account the various factors, such as export prospects, production capability in the country, the competitive strength of our products *vis-a-vis* the international prices and other relevant factors". The Ministry further explained that the decision to restore export assistance had been taken "in the face of acute foreign exchange shortage obtaining in the country" and pleaded that "a detailed examination of financial aspects, namely, marginal costing and trend in f o b realisation of a large number of engineering products would have taken a long time and defeated the very purpose for which the reintroduction [of cash assistance] was resorted to".

The long and short of it is quite simply that there was no quantifiable basis for the fixing the level of cash assistance or for deciding to revive it after having discontinued it. And in the absence of such a basis, it is impossible to objectively assess the reasonableness of the level of assistance granted to any particular export. In effect, the very large amount of cash assistance for export paid out by the government every year—it was Rs 381 crores last year—is the cumulative result of a series of such *ad hoc* decisions based on, in the words of the Public Accounts Committee, "extraneous factors and dubious considerations". Not only that, in the case of TLT, the decision to revive cash assistance had been based on downright false information fed to the Commerce Ministry by exporters.

The Ministry claimed that TLT had been identified as a commodity for which reintroduction of cash compensatory support was "eminently called for" on the ground that during the period (October 1974 to September 1975) following the withdrawal of cash support in February 1974 there had been a decline in exports According to the Ministry's figures, exports had dropped from Rs 135 lakhs during April-September 1974 to Rs 112 lakhs during October 1974-March 1975 The Comptroller and Auditor General, however, pointed out that according to statistics published by the DGCIS, exports of TLT had actually gone up during the same period (from 3,952 tonnes during April-September 1974 to 4,264 tonnes during October 1974-March 1975). In value terms, exports rose from Rs 1 27 crores in 1973-74 to Rs 2.47 crores in 1974-75. Confronted with the discrepancy between its own figures and those of the DGCIS, the Ministry of Commerce was content merely to admit that "it has not been possible for us to reconcile the figures obtained from individual exporters and those published by DGCIS". That in the first instance, before making a major policy change on their strength, it ought to have cross-checked the figures supplied by exporters did not evidently occur to it

The Comptroller and Auditor General also carried out certain exercises to compare the f o b realisation of TLT exporters with the cost of production. The net Joint Plant Committee (JPC) prices (excluding excise duty, since duty drawback was admissible) at which steel, which constitutes the bulk of the raw material requirement for TLT, was being supplied to exporters from April 1973 onwards were consistently far below the international prices of steel, giving Indian manufacturers of TLT a price advantage varying from Rs 267 to Rs 1,078 per tonne of TLT. Further, the average f o b unit value per tonne realised on exports was consistently rising and the rise was maintained also during the period following the withdrawal of cash assistance. A test check by the Comptroller and Auditor General of the production returns of the

major manufacturer-exporter of TLT showed that the average ex-factory value less duty drawback had left, with reference to the average f o b unit value realisation of Rs 4,020 per tonne, a sufficient profit margin. And yet cash assistance was revived in October 1975 and has been *continuously extended since then and still* remains in force. The Public Accounts Committee concludes, "The foregoing facts amply prove that the cash compensatory support for export of TLT was reintroduced w e f October 1975 without adequate examination of its justification and that *in taking the decision the government relied* largely on the case built up and the data supplied by the manufacturer-exporters without bothering to cross-check them from other data collecting agencies inside or outside government. Once it was introduced in October 1975, the decisions for its continuance from time to time were also taken on *ad hoc* basis without at any stage going into the justification for its continuance".

How the boondoggle of export is used to extract concessions for which there is no justification at all is further illustrated by the government's decision to extend all export incentives, including cash compensatory assistance, to supplies made by Indian firms to IDA-aided projects in India "provided the orders were won by them in the context of global tenders". The benefit of this was naturally extended to Indian manufacturers of TLT to ensure that they "were not ploughed under by competition from better organised manufacturers abroad". While the principle of it may be unexceptionable, what the government had not done was to check whether Indian manufacturers of TLT were actually facing any competition from foreign manufacturers. In the event, a check by the Comptroller and Auditor General showed that although global tenders has been invited in all cases of TLT supplies for IDA-aided projects, and these supplies had qualified for all forms of export assistance, in no case had a single bid been received from any foreign supplier.

Clearly, cash assistance for export of transmission line towers has no justification in terms either of improving the competitiveness of the Indian manufacturer or of making up for the relative lack of profitability of the export market. How representative the case of TLT is of the entire range of exports which qualify for generous export assistance, is, of course, impossible to say. But what is true, it is evident from the Ministry of Commerce's responses to the Comptroller and Auditor General as well as the Public Accounts Committee, is that as in the case of TLT, the decision to grant export assistance as well as the rates of such assistance are not as a rule based on dependable calculations of cost of production and export realisation. What then are they based on?

L N Mishra Case

Police at Work

FOLLOWING some recent fresh revelations about the background and circumstances of the murder of Lalit Narain Mishra in January 1975, questions are again being asked whether the whole affair was not part of a much larger conspiracy involving some of the closest political colleagues of the murdered minister. The reports in *Indian Express*, based on a detailed study of the available documents undertaken at the instance of Karpoori Thakur in January this year, when he was chief minister of Bihar, make a strong case for a fresh investigation. Whether or not there is ground to believe that very powerful colleagues of Lalit Narain Mishra were involved in his murder has of course to be established by a fresh inquiry, hopefully less infirm than the previous one which singularly failed to give any finding in respect of the facts and circumstances pertaining to the explosion that occurred on January 2, 1975 at Samastipur. And it is for the courts to say whether indeed the murder was part of a conspiracy, that is, in the event the state withdraws its present brief and presents a new chargesheet.

But one thing is certain, though, and indeed gets overwhelming support in the findings of the unofficial investigation into the circumstances and facts of the murder of Mishra. The Indian police are quite sophisticated: the organisation is not in the least slack, and generally has a fair idea of what is what in any crime: it is known to conceal and destroy evidence and indeed fabricate a wholly new set of facts to suit the convenience of its masters; it is quite an expert in the art of creating scapegoats and fall guys; and so on.

It is true that the police, given the nature of their jobs, have to have constant links with the 'underworld'. The daily routine of police investigation involves constant interplay of the forces of law and order and the criminals, and without the stool pigeon and the informer, police would not even be able to begin investigation into a case. But what is notable about the revelation of the Mishra murder case is the use of these contacts, not so much to break a case, but to cloud one which had all the appearance of having been solved; lines of inquiry which were glaringly illuminated were abandoned in a most incomprehensible manner, and a whole set of new suspects were found—and in once cases actually given a wholly new identity—tutored and tortured, offered threats and blandishments, all with a view to making them confess that they, in the company of some known Anand Margis, had taken part in the attacks on Lalit Narain Mishra and, later, in the attack on the car of the Chief Justice of India. Here again, what is relevant is not whether the 'reconstruction' attempted in the *Indian Express* reports are correct in all details, or even whether they are broadly correct; what is more material is that the practices of the police, especially the methodology of the fabrication of a case unto its last and most minute detail, involving long sessions with a potential suspect who is induced, cajoled, or coerced to confess to a variety of very serious crimes, is not in the least a novel revelation. Indeed, as regularly as a suspect confesses before a magistrate, equally regularly he retracts the confession before a superior magistrate when once he is freed of the dread of police custody and secured of the relatively less dreaded judicial custody, though of course it is a moot point whether even such retractions are not part of some labyrinthine play involving both the police and criminals.

Such deals and counterdeals involving petty crimes might be entirely determined by the appreciation of a given situation at the local level by the thana officer; but they acquire a completely different dimension when the case involves the murder of a senior and controversial political leader. Whatever unorthodox methods of investigation the police might have adopted in the Mishra murder case should have followed specific (though naturally verbal) orders from very highly placed police officers who themselves also could not have taken any initiative one way or the other without similar direction from their political masters.

Another feature of the revelations about the Mishra murder case is the extraordinary *esprit de corps* and sense of unbroken permanency that marks the higher levels of our various bureaucracies. The myth of the neutral service is of course one of those serviceable myths that are encouraged by the rulers; but leave alone its avowed 'class neutrality', powerful sections of the Indian bureaucracy are apparently incapable of being neutral even between contending political groups. For nothing else can explain the extraordinary obstructions and false trails and red herrings laid in the way of attempts by the new administration to investigate afresh the mysterious circumstances of the murder of Lalit Narain Mishra.

Because of a strike at the States' People Press, the size of the issues has to be restricted till normal printing arrangements are restored.

Gold

Another Round of Laundering?

IN May 1978, the government commenced auctioning gold from out of its non-monetary stocks, estimated at 86 tonnes at the end of 1977, ostensibly to keep the domestic price of gold under control. It took only 14 auctions spread over six months for the government to shift ground and claim that the objective of the auctions was not to hold down the price of gold or stabilise it but to garner revenue. Since the domestic price of gold continued to zoom despite auctioned supplies amounting to about thirteen tonnes, the government was finally forced to suspend the auctions. The fact that this volume of gold, valued around Rs 90 crores, helped to bleach number two (black) money of about a half to a third of the estimate of number one money value of the auctioned gold was of course glossed over. (Between the first and the fourteenth auction, the domestic price had risen from Rs 695 to Rs 850 per ten grammes! In a virtually free market, it could be claimed that purchases made at the time of an earlier auction were sold later; and, naturally, bleaching involved payment of number two in excess of the ruling price in number one money.)

Those were the days when there was little hesitation in conceding that generation of number two money was necessary for growth, so much so that the belief got round that tax administrators had been told to pull their punches. At any rate, little attention was paid in October 1978 to the fact that the government had not abandoned gold auctions but only suspended them. It was assumed at that time that the government only wanted to save face by resorting to 'suspension' of auctions and by a appointing review committee on the subject, including import of gold for sale in the domestic market. Now it seems that that assumption was simplistic. Options had been retained for exercise at the opportune time. The opportune time is apparently now.

The international price of gold is rising rapidly. The prevailing price is in the $ 255-60 range (against $ 175-180 a year ago) and the reckoning of the price trend is extremely bullish ($ 270 in a matter of weeks) in view of expectations of rapid inflation stemming from the hike in oil prices. Restoration of auctions would be therefore propitious for bleaching. (Incidentally, since the abandonment of gold auctions the domestic price of gold has risen by about 15 per cent; the international price rose during the period by 10 per cent.)

Clearly, pressures have been built up—what the review committee, of which the Reserve Bank Governor is chairman, has recommended is not known—to such an extent as to have provoked the Planning Commission into coming out against resumption of auctions and import of gold. The latter is being advocated not only by the Zaveri Bazar lobby but by certain economists as a revenue measure. Bleaching apart, if the international price of gold continues to scale new peaks, after payment of import duty (to garner revenue) the domestic price of gold would be truly formidable. The assumption of gold sales at an exorbitant price of course is that our incomes policy would continue to support burgeoning incomes of a highly select section of society so as to enable these income earners to contribute to growth and welfare through revenue contribution *via* gold purchases.

Banks

Dissecting Priority Sector Credit

WITH much fanfare the Reserve Bank had launched in 1972 the system of Basic Statistical Returns (BSR) with the objective of "systematic reporting of banking data to ensure the availability of fairly comprehensive information with a minimum of time-lag". Through the BSR it was sought to collect data on advances (BSR 1), deposits (BSR 2), advances against sensitive commodities (BSR 3), ownership of deposits (BSR 4), and investments in government, semi-government and corporate securities (BSR 5). Unfortunately, the Reserve Bank has been extremely tardy in processing the data and publishing them. As of mid-1979, the latest volume presenting comprehensive data as per the BSR pertains to December 1975, while summary results have been published for December 1976. One of the important objectives of the BSR system was to provide the necessary feedback to commercial banks so that they would refine their own methods of credit planning and performance budgeting. But as banks have not been getting this feedback from the Reserve Bank, they seem to be losing interest in the whole exercise and are themselves becoming slow in submitting the required statistical returns.

There are exceptions, however. Some banks have even taken the initiative to process their own BSR data and to publish them. The Syndicate Bank, for instance, has published its Basic Statistical Tables for December 1977. This is the second volume of Basic Statistical Tables published by the bank and presents the age-wise distribution of the bank's branches, different types of deposits and advances, separately for different population groups such as rural, semi-urban, urban and metropolitan/port towns. It also presents data on bank credit, classified by different sectors (or what the bank calls 'occupations') and by population groups, which makes it possible to know what proportion of, say, the bank's agricultural advances come from its rural or semi-urban branches. Also significant are the data on the distribution of the bank's priority sector advances by (a) population groups, (b) size of credit limit, (c) interest rate ranges and (d) type of credit accounts.

The Syndicate Bank has reason to be happy with its performance since nationalisation. In 1969 the bank ranked eighth among the 14 nationalised banks in terms of credit and ninth in terms of deposits; in 1977 (and in 1978) it had improved its rank to sixth in terms of both deposits and credit. Its share of deposits of all scheduled commercial banks rose from 1.63 per cent in December 1969 to 3.98 per cent in December 1977 and of credit from 2.85 per cent to 3.92 per cent. The bank's performance was noteworthy also in respect

of advances to the 'priority sectors'. In 1969, with 31 per cent of credit for priority sectors, it ranked third; by December 1977 this proportion had reached 40 per cent and the bank ranked first.

A disaggregated view of the Syndicate Bank's advances to the priority sectors brings out a number of noteworthy features. First, only 17.5 per cent (or Rs 48 crores out of Rs 262 crores) of the total credit for priority sectors in December 1977 was granted from the bank's rural branches; another 23.2 per cent (Rs 61 crores) had come from semi-urban branches. The balance of approximately 60 per cent of priority sector advances had been made by urban and metropolitan branches. Even taking only direct agricultural advances of Rs 46.3 crores outstanding as at end-December, 1977, rural branches accounted for only Rs 19.6 crores (i e, 42 per cent). To look at it differently, of the total advances of Rs 63.3 crores in respect of the bank's rural branches, agricultural advances accounted for only Rs 22.7 crores or 36 per cent. These data thus suggest that a good portion of agricultural advances are really granted in respect of farm operations undertaken near semi-urban and urban centres. These advances are unlikely to be for marginal and small farmers who are not likely to be able to approach urban or, even semi-urban branches.

This is corroborated by the data on the distribution of priority sector advances by size of credit limit. Out of total outstanding credit of Rs 262 crores to the priority sectors, only 22 per cent was in respect of credit limits of Rs 10,000 and below. At the other extreme, about 23 per cent of outstanding priority sector credit was in favour of those with credit limits of Rs 10 lakhs and above. Thus about Rs 59.75 crores out of a total of Rs 262 crores of priority sector credit was accounted for by credit limits of Rs 10 lakhs and above. Among them, 15 parties had credit limits in the range of Rs 1 crore to Rs 2 crores, three parties in the range of Rs 2 crores to Rs 5 crores and another two parties Rs 5 crores and above. And yet all these are considered part of priority sector advances. Credit limits in the middle ranges of Rs 1 lakh to Rs 10 lakhs accounted for Rs 67 crores or over one-fourth of total priority sector advances. In other words, if Rs 1 lakh is considered the outer limit for designation as 'priority sector', nearly 50 per cent of existing priority sector advances would get excluded.

The data on distribution of the Syndicate Bank's priority sector advances by interest rate ranges show that in December 1977, when the minimum lending rate was at 16.5 per cent except for priority sectors with limits upto Rs 2 lakhs, only 32.8 per cent of priority sector advances was at rates upto 13 per cent. It is, of course, possible that it was the bigger parties in the priority sectors who were charged higher rates of interest. On the other hand, field surveys have shown that except in respect of DIR advances, commercial banks have in fact been charging almost the same rates for priority sector advances as for other advances. In addition, as a recent NCAER study has brought out, banks make a series of other charges such as stamp duties, registration charges, and documentation expenses which work out to roughly 2 to 3 per cent of the amount of the loan.

Southern Africa

'New Reality?'

ON May 23, the US Secretary of State, Cyrus Vance, and his counterpart in the new British government, Lord Carrington, told a joint news conference in London that "There is a new reality [in Rhodesia] and we must recognise that there is a new reality". This urge to recognise the 'new reality' followed the Rhodesian 'elections', which were described by an independent member of the British House of Lords who was deputed to observe them as a "gigantic confidence trick designed to foist on a cowed and indoctrinated black electorate a settlement and a constitution which were formulated without its consent and which are being implemented without its approval".

It is not as if the infirmities of that election or even the fact that these infirmities were deliberately built into the every aspect of the elections—the non-existent electoral rolls; the progressively diminishing official assessment of the number of eligible voters which in the course of less than a year came down from 4.8 million to 2.8 million; the novel constitutional provisions according to which a group of people forming less than four per cent of the population would have 28 seats out of a total of 100 reserved for them; the other 'entrenched provisions' which guarantee special privileges to this section of the population including complete dominance in the sphere of the administration of judiciary, the executive, army and the police—have not been widely recognised. Indeed, Abel Muzorewa's own partner in the transitional government, Ndabaningi Sithole, described the polls as having been riddled with "gross irregularities", and has refused to join the new government.

That the policy of the United States and Britain towards the rebel regime in Rhodesia was due for some serious reconsideration has never been in doubt. Indeed, the whole thrust of Anglo-American diplomacy since the Carter administration took over have been towards effecting such a transfer of power in Rhodesia as would ensure continued white dominance in one form or another in that country and, more importantly, also ensure that the territory would serve as a stable and dependable buffer between independent African countries and South Africa, materially and strategically a most important country. British policy on this question has of course been thoroughly bipartisan, as correctly maintained by James Callaghan the day before he was voted out of office, and one of the last acts of the Labour government was to instruct the British delegation to abstain on a Security Council resolution on May 1 which declared that the 'elections' in Rhodesia "held under the auspices of the illegal racist regime and the results thereof as null and void".

Anglo-American policy on Rhodesia too has been marked by a fine identity of views, whatever be the complexion of the administrations in the two countries at any given time. It was surely not accidental that the very day when the new British Prime Minister was telling the House of Commons that her government "welcomed the major change that has taken place in Rhodesia as a result of elections and the emergence of an African majority government", the US Senate was also voting overwhelmingly in favour of a resolution calling upon the US President to lift the economic sanctions within ten days of the installation of the new government in Salisbury. The British government, still taking its constitutional responsibilities for Rhodesia seriously, has also despatched a senior official at the Foreign and Commonwealth Office to Salisbury where he is to have "preliminary and exploratory" talks with Muzorewa, no doubt taking into account the existence of the 'new reality'.

It is, however, not certain that the impending lifting of the sanctions, or even the possible recognition of the regime by some Western countries following the lead given by Britain and the US, can affect the actual situation on the ground in Rhodesia itself. With about 85 per cent of the area of the country under Martial Law (that is, under guerilla control), with the government's 'overkill ratio' getting less and less satisfactory and, more significantly, with more and more whites leaving Rhodesia than entering it—more than 9,000 whites are reported to have left Rhodesia in the past six months—the situation has long been past when one could still think of sanctions (which, in any case, never really worked and were perhaps not even intended to work, if one were to go by the revelations of the Bingham Report) as a weapon against the rebel regime.

Jute Workers' Empty 'Victory'

TIMIR BASU's remarks on the recent 50-day jute workers' strike struggle (March 24-31) are a travesty of the facts, history and experience of the jute workers' repeated general strike struggles. This 50-day old general strike is the fifth one within a decade. A firm and factual rebuttal has, therefore, become necessary.

Timir Basu writes that "all other central unions expressed their unhappiness over the 'agreed' points, as well as the manner of conducting the conciliation proceedings". Is this correct? No, it is not.

Apart from CITU and AITUC, Basu chooses to dismiss UTUC, TUCC and HMS as mere CITU allies. Then what about the INTUC union, RCMU, which is happy about the outcome of the strike struggle? Basu does not deign to notice it at all, obviously because that would explode his entire anti-CITU approach.

To proceed, what is the character of these "all other central unions"? In 1974, barring UTUC (Lenin Sarani) and BMS which did not exist at that time, Basu's "all other central unions" signed a treacherous agreement at midnight, before the general strike scheduled to start next day, at the behest of IJMA and Gopaldas Nag, the then state Congress Labour Minister. The 33-day general strike started on the scheduled date against this black agreement and continued against heavy repression and strike-breaking activities of these "all other central unions". As a result "these other central unions" almost wholly lost whatever little credibility they had with the jute workers.

To proceed further. Basu opines, "the most unsatisfactory aspect of the agreement is the complete negation of the Raghunath Reddy Award on badli workers". I could appreciate his concern for the Raghunath Reddy Award, if he did not gloss over the fact that the issue of badli relief was raised by CITU, supported by all other unions, in the 1970 general strike which was prolonged by a week in order to get it incorporated in 1970 strike agreement; that in the 1974 black agreement the 'other central unions' dropped the issue of badli relief, i e, repudiated the 1970 agreement in favour of the employers; that the 1974 general strike was conducted by CITU, AITUC and others against this gross betrayal; and that as a result of this determined strike struggle in 1974, the Raghunath Reddy Award followed even though IJMA informed Raghunath Reddy that the "other central unions" had already dropped the issue in a signed agreement. Why does Basu hide all these well known facts? And with what purpose?

Again to proceed. How do matters stand in respect of the 1979 strike on this issue? IJMA threw the 1974 black agreement (though repudiated by the workers) by the "other central unions" repeatedly in our face when CITU, AITUC and others stubbornly insisted upon the implementation of the Reddy Award. It is also an established fact that the present strike was prolonged particularly because CITU, AITUC and others resolutely stood firm that the question of badli relief and gratuity must be settled before the strike could be called off. The Raghunath Reddy Award could not be clinched because IJMA made it a breaking point. And it was not possible to prolong the strike for another 30 days or more. It is a gift of "all other central unions" whom Basu lauds to the skies, that the issue of badli relief could not be clinched even in this strike. But the issue is not dead as Basu implies, but very much a live one, CITU and others have not agreed to drop the issue, as done by the "other central unions" in this strike also. The struggle will continue. And IJMA knows that.

Now to the other points.

(1) As regards retrospective effect of the agreement. Unions insisted that it should have retrospective effect from the date of submission of the charter of demands. Hence the issue did not go by default, as alleged by Basu. Further, the CITU would have tried to continue the strike after 50 days, if there was any tangible prospect of clinching the issue.

I wonder how Basu could conclude that CITU was in no mood to go on strike after the 40th Annual Conference? Actually CITU wanted to go on strike in November 1978. But it had to be postponed due to the devastating floods. CITU, of course, did not want to go on strike in 1977 or in the early part of 1978, because the time for a general strike should be carefully chosen, i e, workers should go on strike when the employers are literally afraid of strike and not when employers invite a strike as they did in 1975 and there was the 48-day fruitless general strike. CITU at that time had pleaded for a postponement of strike, because the employers welcomed a strike in the face of a sagging market, but others did not heed its advice. But CITU joined the strike and fought most doggedly. CITU did not want to repeat that Himalayan blunder this time. The time of the 1979 strike was well chosen and under booming market conditions IJMA had to give in.

(2) Evidently, Basu does not know the simple fact that even if the Left Front government revokes the Ray Ministry's orders under DIR on the Bhattacharya Commission's recommendation on DA, it has no legal powers to enforce the same and knowing this the employers flatly rejected the demand for its implementation.

(3) Instead of recognising that the workers won a victory in winning the demand for House Rent Allowance—which was nullified in the 1972 agreement under the Ray Ministry by including the "element of House Rent Allowance" in the then wage rise of Rs 45.60, to which Basu's 'other central unions' were a party and against which only CITU and its allies registered a protest—Basu wants to belittle the victory. In whose interest?

(4) *Status quo* on workload till the Workload Committee makes its recommendations is a gain, since workload was being continuously increased even after the lifting of the Emergency.

(5) Basu does not know that CITU, AITUC, etc, fought in the 1974 general strike against his "other central unions" for grades and scales and got an assurance which was dishonoured by the Congress state government. He also seems to be unaware that grades and scales, where these do not exist, cannot be fixed overnight and a Committee has to go into the issue.

Basu is also blissfully unaware that the employers were not prepared to accept the proposition that the Labour Minister would finalise the workload and grades and scales after the Committee's recommendations are submitted and that the strike had to be prolonged to make the employers accept this position as also payment of gratuity for 15 days instead of 13 as was in vogue.

(6) Let me put it on record that it is only due to the CITU that shifts have not yet been increased to 19-20 in a week and that unless proper safeguards are provided and agreement reached, CITU will not agree to increase of shifts according to arrangements made by the employers.

NIREN GHOSH

President,
Bengal Chatkal Mazdoor Union (CITU),
Calcutta,
May 14.

The Police Take the Lid Off

Romesh Thapar

THE story goes the rounds that if Morarji Desai's government continues to perform at its present level of incompetence, there'll be a move to import foreign expertise—and then, probably, the lobbies will get to work to decide which expertise! It is incredible how the present state of break-down gets buried under a thick veneer of normality. Only the striking policemen have suddenly taken the lid off, as it were.

The leadership is not doing its job. The limited, tired, old men who rule in Delhi with the help of jaded, lack-lustre members of the IAS, do not have any idea of how to tackle the spreading breakdown. They live in some dream-world, passing strictures on those who are even more incompetent than them. A Morarji Desai can lecture the Akali leader, Badal, about "wider issues" when he is seeking a panicky settlement with the Punjab police, or attempt to advise the confused Madhya Pradesh ruling caucus obsessed with a local election, but the central fact of a national problem is lost in delays, in prevarication, in juggling with priorities.

A Police Commission, assigned a multitude of tasks, has been functioning for some time. It has been reporting to the Government of India. One would have thought that agitations could wait. Now it appears that the police "leaders" are merely using the interregnum to establish some kind of influence on the force, and to rouse public opinion about a long-neglected problem. Clearly, it needs working out—but with the assurance that the Police Commission's recommendations will be implemented. No such confidence exists in the force. The states of India, which control the police, have failed in every respect to attend to simple complaints about family housing, promotions and protection against political harassment.

The Janata government, with the active connivance of senior civil servants who imagine that they are know-alls, is making a mockery of its commissions and committees. At considerable cost, these bodies perform their task, moving over the sub-continent, interviewing hundreds of people and submitting carefully considered reports. Invariably, these documents are made a point of controversy in Parliament, referred to Cabinet sub-committees and the like, and emerge unrecognisable as bills. This is very far from democratic procedure, whatever the MPs think about it. It is a farce, subscribed to by all political parties—Right, Left, Centre.

Can we expect the aged leadership which holds the Janata party to ransom to reverse these procedures. Not at all. They nourish them in the interests of a continuing *status quo*. Take, for example, the vital and very special question of the autonomy of the radio and television. The PM is solidly opposed to the idea (in private, naturally). This Gandhian cannot change his ideas. Such a change would be a sign of weakness! The issue is not seen in the kind of strengthened democratic frame we wish to establish in the sub-continent. Radio and TV are equated to machine tools or hoteliering. It is a wall difficult to penetrate without some rather solid pressure exerted by the people.

And so it is with the Police Commission. Old IAS animosities are bound to puncture the proposals the Commission makes (Home Minister Patel's interventions, notwithstanding). The police demonstrations could well be designed to show who holds the aces. Are not Dharam Vira and Rustamji of the Police Commission being quoted by the angry policemen? When the full story emerges, it will be the ministers and bureaucrats who will be indicted, not the police.

Meanwhile, prices are rising. Some rise is inevitable in growth, but Minister Mohan Dharia (one of the younger ones!) needs to take a look at his own performance. At so many points, blackmarkets in essentials flourish and no effort is made to stamp them out. Does this government really believe that its job is to play it soft whenever any confrontation develops with the black-marketeer (small and big), the communal incendiary (both Muslim and Hindu), the striker-disruptor (of all parties), the protector of corruption (from Ministers downward), and the gangster in town and village (taking lessons from the sons and sons-in-law of various netas)? You would think that, like the politicians of the Cong(I), the Janata luminaries are seeking cheap popularity in the same circles. This is the truth—and represents populism with a disaster perspective.

At this rate of moral decline, deluged by the empty invocations of Morarji Desai, it will not be long before we begin to see the principled citizen as some kind of "nut". It is beginning to happen. When you protest the crazy harassment of even petty officials, the seniors smile a knowing smile. Justice Shah was absolutely in focus when he made the point recently that we are being ruled at bureaucratic level by rather inferior people. So much of our present crisis develops here and cannot be corrected by politicians who don't know what is what.

As an illustration, the government effort to curb wasteful expenditure is most instructive. Daily, statements are made about where the curbing is to be done or should be done. No one issues the orders to ban outriders, cut touring by half, cancel travel by air (and visits abroad!) for a large number of categories, put ceilings on telephone and electricity usage, restrict drastically the use of staff cars and forbid conferences in hill stations. The cost of all these inflated activities must be phenomenal. Or has all this become the over-and-above earning of our ruling "elite"?

And while we are engaged on these tasks, I think the police agitation should persuade us to start work on a wage structuring which will be relevant to our development needs. The only people who seem to look after themselves are the civil servants—and this is no advertisement for a government which has a huge finger in almost every pie. Great resentments are piling up among doctors, engineers and specialised cadres who have to spend several years in training when the "generalists" are chalking up seniorities. It is a decision which will have to be taken at political level.

These are the issues, but we continue obsessed with prohibition and cows, with the calculations of Indira Gandhi as to whose shoulders would help to fight an election, with Raj Narain's stupidities and the like. Actually, the mix is as always. But the condition of India is running down and may not for long provide us the familiar opportunities for political doodling.

Gloomy? Yes. But the situation now developing in Nepal provides a silver lining. At last, detentism is paying off, despite the warnings of the local "imperialists". Peking Radio should be interesting on the subject.

May 26

Keltron

KELTRON has introduced an all solid state 12 channel Keltron Television in the Bombay market. The all-solid state Keltron television set uses the latest modular construction for easy servicing, 80 semi-conductor devices, 51 cm picture tube with a high resolution capability by virtue of superior circuit design. The set incorporating 12 channels can be used anywhere in India where there is television transmission, with the selector switch put in the appropriate channel position. About 20,000 TV sets manufactured by Keltron in the last five years are already in Bombay homes.

New Pastures

Hansavivek

ORISSA CEMENT achieved 120 per cent of installed capacity utilisation during 1978 as against average utilisation of 89 per cent of the industry as a whole. Although production of clinker was lower at 3.97 lakh tonnes, against 4.22 lakh tonnes in the previous year, output of cement was marginally higher at 4.82 lakh tonnes against 4.75 lakh tonnes, and so were sales at 4.79 lakh tonnes against 4.77 lakh tonnes. But the directors complain that working results of the cement division were lower than in earlier years because of the increases in power tariff and wages and the imposition of excise duty on coal. Production in the refractory division was lower at 1.01 lakh tonnes, against 1.10 lakh tonnes previously; and sales were one lakh tonnes against 1.07 lakh tonnes. Both production and sales of cement products at the Rajganpur unit were considerably higher at 13,917 tonnes and 14,651 tonnes against 9,051 tonnes and 8,888 tonnes, respectively, in 1977. No production could be undertaken at the Mubarikpur unit, however, for want of orders. This unit had produced 5,189 tonnes and sold 7,662 tonnes in 1977. In 1978, its sales were barely 48 tonnes. The company's overall results, have been satisfactory with higher sales and profits. Net profit is Rs 2.10 crores (Rs 1.92 crores) and the unchanged dividend of 25 per cent is covered 2.94 times by earnings, as against 2.73 times previously. Under the award of arbitrators, workmen of the cement industry were given increases in wages and house rent allowance and certain other benefits, besides a lump sum amount in lieu of retrospective effect from March 1, 1977. The company has now received a charter of demands for revisions of wages etc from the employees in the refractory and cement products works. Bi-partite negotiations for a long-term settlement are in progress. The newly started electronics project is in progress. A new company under the name 'Vitroc Elektronics' has been incorporated to implement the project. Out of its initial equity capital of Rs 40 lakhs, the company has applied for shares worth Rs 10.40 lakhs. In regard to the proposal for starting a new travel agency, the directors now prefer to take over a running travel agency firm. The company has secured government approval for transfer of some of its fire clay mining leases to the subsidiary, Konarak Minerals. Approval is awaited for the remaining mining leases for fire clay and quartzite etc. The subsidiary has not yet commenced mining operations The company is considering a Rs 1.80 crore modernisation plan for the refractory division which would enable it to manufacture more sophisticated products to keep pace with the developments in steel manufacturing technology. No appreciable progress has been made in regard to the slag cement project because of uncertain availability of slag.

SANDVIK ASIA has reported that the revised estimate of the total cost of its programme of substanial expansion and modernisation is now about Rs 2.85 crores. The company has already spent Rs 1.58 crores last year. A gamma coating unit was installed and commissioned under the modernisation programme. The unit is used for coating a thin layer of higher wear-

Week's Companies

(Rs in Lakhs)

	Orissa Cement		Sandvik Asia		Cadbury		Antifriction Bearings	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77
Paid-up Capital	310	310	192	176	248	248	147	147
Reserves	1003	862	456	385	336	322	206	168
Borrowings	21	39	353	476	419	367	324	293
of which Term borrowings	20	21	170	123	13	13	149	128
Gross fixed assets	1477	1400	807	724	530	487	710	603
Net fixed assets	471	422	379	369	403	386	362	297
Investments	49	49	1	1	9	5	3	—
Current liabilities	565	387	911	688	351	402	147	116
Current assets	1388	1328	1532	1356	938	948	458	427
Stocks	956	763	534	569	563	455	295	275
Book debts	387	370	919	738	247	424	160	145
Net sales	3114	2942	1595	1275	2246	1666	668	571
Other income	74	50	31	45	53	59	17	21
Raw material costs	1331	1252	610	675	1541	1139	299	290
Wages	310	297	207	180	219	182	81	73
Interest	7	11	67	58	52	42	36	40
Gross profit(+)/loss(—)	662	594	367	179	177	143	157	102
Depreciation provision	59	52	74	72	27	25	52	48
Tax provision	393	350	210	53	98	61	42	7
Net profit(+)/loss(—)	210	192	83	54	52	59	63	47
Investment allowance provision	11	115	15	24	4	7	22	1
Transfer to reserves	130	115	31	9	22	14	16	24
Dividend								
Amount	P 2 E 67	2 67	P — E 37	— 21	P — E 32	— 22	P — E 25	— 22
Rate (per cent)	P 5.85 E 25	5.85 25	P — E 20	— 10	P — E 13	— 12	P — E 17	— 15
Cover (times)	2.94	2.73	1.84	1.43	1.70	1.63	1.64	2.09
Ratios (per cent)								
Gross profit/sales	21.26	20.19	23.01	14 04	7.88	8.70	23.50	17.86
Net profit/capital employed	16.00	16.38	12.81	9.62	8.90	10.35	17.84	14.92
Inventories/sales	30.70	25.02	33.48	44.63	25.06	27.31	44.16	58.16
Wages/sales	9.95	10.09	13.97	14.12	9.75	10.92	12.13	12.78

resistant titanium carbide on the inserts. Such inserts give a considerably longer cutting life and can be used at higher cutting speeds. Government has permitted the company to complete the expansion programme upto the end of the current year. Orders have been placed for importing, installing and housing a spray drier unit. The unit, expected to be commissioned in the third quarter of this year, will improve the method of processing the tungsten carbide tips, bits and inserts and effect considerable savings through quality improvement and in the manufacturing costs. The company has also drawn up a scheme to set up a research and development cell in consultation with Sandvik AB, Sweden, at a cost of Rs 1.78 crores and is seeking the Central government's recognition for the project. With the issue of 16,500 new equity shares, of Rs 100 each, at a premium of Rs 150 per shares, as "rights" to Indian shareholders in June 1978 in accordance with the dilution formula, the non-resident interest in the paid-up equity capital of the company has been reduced to 54.86 per cent. During 1978, the company remarkably improved its performance with expansion of gross profit from the previous year's level of Rs 1.79 crores to Rs 3.67 crores, following a comparatively modest increase in sales from Rs 12.75 crores to Rs 15 95 crores. This outcome reflects a sharp increase in profit margins. Although tax liability has siphoned off much more, net profit at Rs 83 lakhs is more than 50 per cent better than last year's Rs 54 lakhs. Dividend, doubled to 20 per cent payable on the enlarged capital, is covered 1.84 times against 1.43 times previously. The company has been able to step up exports from Rs 65 lakhs to Rs 96 lakhs

CADBURY INDIA is going ahead with its apple juice concentrate project, near Baramulla in J and K, in technical collaboration with Bulmer's of UK. The project is expected to go on stream by mid-1980. With the assistance of Cadbury Schweppes UK, the company has identified major areas of research. The first project being undertaken seeks to evolve improved methods of fermenting cocoa beans. Meanwhile, acreage under cocoa plantation continues to rise and was estimated at 13,000 acres at the end of 1978. The country is expected to be self-sufficient for its bean requirements by the early 1980s, and surpluses are likely to be available for exports thereafter. The sal fat plant produced 1,438 tonnes which represented about 72 per cent of the installed capacity. The company has abandoned the marine processed products as, against its application for locating the project at Cochin, government insisted on installation of facilities at Ratnagiri in Maharashtra. Besides, the company was not permitted, even in the initial stages, to process the local catch without which the project was not considered viable. The company has produced good results for 1978 with higher sales and profits. Margins, however, turned lower than the previous year's. Dividend, raised by a point to 13 per cent, was covered 1.7 times. The company is issuing additional 5,15,808 new equity shares, of Rs 10 each, at a premium of Rs 2.50 per share. With this issue, the total paid-up capital will increase to Rs 3 crores out of which the non-resident shareholding will be Rs 1.20 crores and the Indian shareholding will be Rs 180 lakhs (60 per cent). The dilution required under the provisions of FERA will be thus completed this year.

ANTIFRICTION BEARINGS is putting up a plant at Bharuch in Gujarat for manufacture of 15 lakh taper roller bearing per annum. The company's present plant is at Lonavla in Maharashtra, with a licensed and installed capacity of 17.02 lakh ball thrust and roller bearings per annum. It has got a 'letter of intent' and is seeking its conversion into an industrial licence. Construction work has begun and the plant is expected to go on stream by the first quarter of 1980. To finance the project, the company has secured a foreign exchange loan worth about Rs 127 lakhs from ICICI, and has applied to GIIC and bankers for rupee finance. The company also proposes to raise Rs 50 lakhs by issuing 11 per cent redeemable cumulative preference shares of Rs 100 each. Another Rs 50 lakhs are proposed to be raised by the issue of 11 per cent secured debentures of Rs 100 each to the existing shareholders on a 'rights' basis to meet the working capital requirements. The company has fared well during 1978. Sales, profits and margins are all higher than in the previous year. The directors have stepped up dividend by two points to 17 per cent, which is covered 1.64 times by earnings.

HINDUSTAN LEVER's turnover increased from Rs 262 crores in 1977 to Rs 301 crores in 1978. This includes exports of about Rs 18 crores. The profit before tax increased from Rs 21.7 crores in 1977 to Rs 25.8 crores in 1978, and profit after tax from Rs 7.9 crores to Rs 9.8 crores. The company paid in October 1978 an interim dividend of 10 per cent *pro rata* according to the dates on which the shares became fully paid up. The Directors have now resolved to recommend a payment of 10 per cent by way of final dividend on the share capital as enhanced by the recent bonus issue, i e, Re 1 per share on shares which were fully paid up as on January 1, 1978, and the bonus shares allotted in respect of the same, and Re 0.795 per share on shares which became fully paid up on June 1, 1978, and the corresponding bonus shares.

MAHARASHTRA

Congress Still Supreme

CONGRESS reigns supreme in rural Maharashtra. Let there be no doubt about that. The zilla parishad and panchayat samiti elections, held in the third week of May and in which more than 20 million rural voters exercised their votes, have confirmed this fact. Janata party leaders are gloating over the fact that the ruling coalition in the state has managed to capture a majority of the zilla parishads. This way of looking at the election results only underscores the Janata party's pathetic compulsion to remain tied to Sharad Pawar's Congress for sheer survival.

There are now five factions of the Congress party in Maharashtra: Indira Congress, Congress (S), Sharad Pawar's Parallel Congress, Maharashtra Socialist Congress and Vidarbha Congress. If the seats won by these Congress parties are added up, the total crosses 850 out of the 1,212 seats. To complete the picture, one will also have to find out how many ex-Congressmen there are among the Janata winners. There are quite a few leaders in the Janata ranks in rural Maharashtra who are ready to bring out their hidden white caps and don them at the first opportunity.

Maharashtra has been a traditional bastion of the Congress party. It has remained so despite the fact that the party has been battered, demoralised and split into several warring factions. The zilla parishad elections are a clear indication of this. According to the number of seats won, the Janata party has finished a poor third, closely followed by the Congress (S). The first two places have gone to the Congress (I) and Sharad Pawar's Parallel Congress. The perfomance of the Janata party is significant in the context of its strength in the state assembly, where it is the largest single party, and the fact that it is the largest constituent of the ruling Progressive Democratic Front. But it is a party locked in the urban centres.

Politically, it was essential for the Janata party to mobilise votes in the rural areas and put up a good show in the zilla parishad elections, if it was to do away with its dependence on Sharad Pawar's Congress. It tried to assert its independence in the co-operative elections in the state in the last six months, but failed. It tried again in the zilla parishad elections and failed even more miserably. The Janata party could wrest a majority only in one district, Ratnagiri. It did comparatively well in the other two Konkan districts Kulaba and Thane, and in one Vidarbha district, Bhandara. But all this pales before the performance of the Congress (I) which won six zilla parishads and Sharad Pawar's Congress which bagged three. Even Swaran Singh's Congress had one district body in its pocket. The Janata party legislators were tired of playing second fiddle to Sharad Pawar's Congress in the uneasy coalition, in spite of their numerical superiority. The zilla parishad elections had presented a golden opportunity to them to put their foot down and show Sharad Pawar his place. In fact, the election results have condemned the Janata to continue in its secondary role in the government.

Of the 1,212 zilla parishad seats of which results were declared, the Congress (I) won 347 seats, Sharad Pawar's Congress 288, the Janata party 199, the Congress (S) 192, the PWP 49, the CPI 9, the CPI (M) 5 and independents, who include two factions of the Congress, 123.

Sharad Pawar has reason to congratulate himself on his party's performance. He has managed to kill several birds. The fifteen zilla parishads, including the two where elections were not due, where the PDF constituents have secured a majority, will in effect be ruled by his experienced followers. This is a great asset for the next assembly elections. Secondly, Pawar has dealt a severe blow to the official Congress in Maharashtra led by N M Tidke. Pawar's faction can now claim that the majority of Congressmen support him and not Tidke's faction. The Congress high command can ill afford to ignore this claim. Thirdly, by demonstrating his superiority over the Janata party in rural Maharashtra, Pawar can hope to nip in the bud attempts by some ambitious Janata leaders to dislodge him from the chief ministership. Indeed, some Janata leaders now confess that Pawar has ensured this position till the next assembly elections—that is, if nothing happens to the Janata party at the national level. Pawar's faction has also demonstrated that it is the only formidable rival to the Congress (I) in the state. The eight districts of Vidarbha have been the stronghold of the Congress (I). During the last assembly elections, the Congress had won a mere 11 per cent of the votes polled in that region. Congress veterans and ministers had lost their deposits. The resentment with the Congress was so intense that its leaders could not even hold election rallies. But now Pawar's group has shown that it has spread its roots in that area. It has secured 35 per cent of the votes polled in the zilla parishad elections in these districts.

The performance of the Congress (I) has been very impressive, though it failed to secure a majority in three of the Vidarbha districts. The party was badly riven with dissensions on the eve of the elections. Its top state leaders had abstained from the campaign. Its warring factions tried to defeat each other's candidates. And yet it has come out on top. This is largely attributable to Indira Gandhi's personal popularity which is still strong in Vidarbha and in the tribal areas of the state. The party wrested Dhule district in northern Maharashtra which has a considerable tribal population. Similarly, it did well in Thane, Nasik and Jalgaon districts where again the tribal proportion in the population is high. Besides, it is the only party which has not gone unrepresented in any of the districts.

The official Congress in the state is in deep mourning. It won only in Sangli and even here its victory is attributed to the personal pull of Vasantrao Patil, the former chief minister, who hails from this district. In Jalgaon, home district of Madhukarrao Chaudhari, former minister, the party fared well. But in the rest of the districts its performance has been miserable, especially considering its hold over the co-operatives and its standing in the old zilla parishads. The party is now in disarray and many of its leaders are eager to join hands with Sharad Pawar. Indeed, some leaders of Pawar's faction expect a big exodus to their party from the official Congress.

The Peasants and Workers' Party (PWP) had in the past been claiming to be the only viable opposition to the Congress in the state's rural areas. It spoke of its grassroots support. Its poor showing in the assembly elections was the first blow to its prestige. The results of the zilla parishad elections, in which it could secure only 49 seats all over the state, have now shattered its moral. In the assembly elections, the PWP had crossed swords with the Janata and contested a large number of seats in an apparent bid to capture power at the state level. As it turned out, the party had grossly overestimated its strength and in the process ruined the chances of a Janata government being formed in the state. The party has repeated the same mistake in the zilla parishad elections.

The PWP swears by its Marxist ideology. The two other left parties, the CPI and the CPI(M), have done even worse than the PWP. This has once more underscored the fact that the left has few bases in Maharashtra's rural areas.

Control of zilla parishads is a great help in assembly and parliamentary elections. The results of the zilla parishad elections are, therefore, of greater significance for the assembly elections of 1983 than the urban voter would like to believe.

PUNJAB

Policemen's Struggle for Rights

Sucha Singh Gill

Amar Singh Azad

TWENTY-EIGHT THOUSAND constables and 3,600 head constables are serving in the Punjab Police Department under miserable working conditions. These include long working hours without any compensation; no weekly, gazetted, or other holidays; humiliating and abusive behaviour by the officers and politicians, compulsion to work as household servants in officers' houses, etc.

Said one policeman: "Even after 30 years of Independence, policemen are treated as slaves by the officers and politicians." Another said: "They make us polish their shoes and wash their linen. We are worse than domestic servants and are not even given the opportunity to live with our families." The police rules framed by the British government are still being applied to policemen.

Economically they are miserably off. A constable is placed in a grade of Rs. 125-2½-150. This has now been revised, on the seventh day of the present agitation, to Rs 400-10-450-15-600-20-660. The head constable, who was placed on Rs 150-4-190, has now been conceded the grade of Rs 450-700. As a result of the agitation they will also get one month's additional salary in lieu of the gazetted holidays.

The constables, head constables and lower rank officers usually belong to the poor and middle peasantry and scheduled castes, whereas the higher rank officers belong to the rich peasantry, the business community, or the upper middle class employees' families. Most politicians of the ruling parties too belong to the same classes as the higher rank officers. Socially, culturally, and psychologically, higher rank officers and politicians are therefore very close. Moreover, the officers have to depend on the politicians for their transfers and promotions. The anti-social activities of the politicians, their relatives, and their friends are carried out with the active connivance of the police officers, who in turn obtain the active connivance of the constables, head constables, and ASIs.

This co-ordination between politicians, officials of different departments, and the police officials has increased over time. It reached its zenith during the Emergency.

The present tension in the police force is thus an expression of class contradictions. The consciousness among police constables about their basic human and democratic rights has increased over the last several years. One of the reasons may be the recruitment of better educated boys into the constabulary as a result of the rising unemployment of educated youth. This rising consciousness has expressed itself in posters, small protests, and demonstrations. In the recent past, posters have appeared at a number of places under the name of 'Punjab Police Union'. The biggest demand has been recognition of the union, which even the National Police Commission has favoured. Other demands are: (i) publication of the Police Commission's Report; (ii) eight-hour duty or extra money for extra work; (iii) grant of weekly, gazetted, and other kinds of holidays or compensation for it; (iv) end of insulting and abusive behaviour of officers and politicians; (v) recall of policemen doing domestic work at officers' houses; (vi) revision of pay-scales, rate of increments, and other allowances; (vii) provision of residential accommodation; and (viii) supply of terrycot uniforms.

In the recent past, there have been instances of Akali Jathedars and legislators, or their relatives and supporters, taking law into their hands and beating up policemen. On April 16, 150 policemen demonstrated in Patiala, shouting slogans against the government and the SSP. A day earlier, drunken relatives and friends of a local Akali MLA had severely beaten up and torn the uniform of a constable when he had tried to intervene in the fight between a rickshaw-puller and a drunken friend of the MLA. First, the SSP did not enter the complaint. When it was registered under pressure from the constables, the culprits were allowed pre-arrest bail. This incensed the policemen, and they took out a demonstration demanding arrest of the culprits.

The incident caused an uproar in the Assembly. The chief minister shamelessly denied the demonstration. The policemen contradicted the chief minister's statement. At Sangrur, a few weeks earlier, the jail guards had boycotted duties and organised dharna in front of the district jail, against the misbehaviour of an assistant superintendent of the jail. Four months earlier, after a similar incident, policemen had shouted slogans against the Punjab government at Kapurthala.

The current agitation of policemen can be understood only against this background. The agitation started at Patiala on May 8, with an eight-hour long demonstration and rally by 200 policemen. It was triggered off by the slapping and humiliation of a police constable on traffic duty on May 6 at Gobindgarh by an Akali MLA. The constable had committed the 'grave crime' of not saluting the MLA. The MLA alleged that the constable was drunk while on duty. This was proved baseless by a medical examination. The doctor on the contrary reported that the constable was running high fever which was the cause of his red eyes.

The demonstration caused so much terror in the bureaucracy of the police and

government that the Inspector General of Police himself came from Chandigarh to Patiala to order the policemen to disperse and return to the barracks. The policemen, who were in uniform, refused and shouted slogans against him and against 'afsarshai'.

The demonstration was the sparking point. The agitation spread to the whole of Punjab within two days. There were demonstrations and rallies in all district headquarters, tehsil headquarters, and other towns. It even spilled over to Haryana and Himachal Pradesh and now the involvement of UP and J and K police is evident as posters appear in these states. The Madhya Pradesh police too have started demonstrating for a hike in their pay-scales on the Punjab pattern. The policemen of Andhra Pradesh have also threatened to agitate.

The most noteworthy aspect of this agitation is that it has remained absolutely peaceful despite repeated provocations. This is in sharp contrast to the PAC revolt of UP. This agitation cannot be called a revolt because policemen did not even absent themselves from their duties. They simply came to the streets to demand certain democratic rights. Even so, officers at many places beat up the constables, dragged the Sikh boys by their hair and meted out other inhuman treatment. More than 800 have been arrested till now. The government plans to throw 2,000 out of jobs. Out of these, 300 have already been shunted out.

The Akali-Janata government has already decided to hold in camera trials in the jails to punish the agitators. This smacks of martial law administration. The government is not allowing even demonstrations. Wherever the Punjab Police Union plans to demonstrate, all the roads are blocked, all vehicles are searched for policemen and they are arrested. The Punjab Police Union which was formed by 40 district representatives in a secret meeting, has decided to put up prolonged resistance by courting arrests till the victimisation is ended and their demands are fulfilled.

This agitation has widespread roots. Though 4,000 are active, others are passively involved. Sympathies of lower rank officers, upto the rank of Inspector, are quite evident. The fact that all of Punjab has been handed over to the BSF and the CRP gives ample proof of this. For the control of armouries even the BSF and CRP have not been relied upon and the army has been called.

Another significant aspect of the situation is that, despite the harassment which the common man is generally subjected to by the policeman, an element of sympathy with the policeman and the anger against the government and the police bureaucracy is evident. Almost all progressive and democratic organisations, trade unions, student unions and kisan sabhas have expressed their sympathy with the agitating policemen. They have gone to the extent of demonstrating and courting arrests in support. A policeman remarked: "We feel that previously we were shunted out of the baradri [community], but since our agitation we are being welcomed back to it."

The dehumanising working conditions of the policemen and the conscious training they are given make them so rude and callous to their own class of people. The posters, the speeches at the rallies, and the slogans suggest that policemen are realising their alienation from the people and their use against the people by the government and the bureaucracy.

On the methods of tackling the agitation, the government and the bureaucracy are divided into two camps. The Inspector-General of Police wanted to call the army on the very first day of the demonstration at Patiala. He argued that protests by an armed body could only be tackled by a superior armed organisation. But the army could not be called on that day. This hard line of the IG is being supported by the RSS-Jana Sangh lobby (represented by Yagya Dutt Sharma and Balramji Dass Tandon), the fanatic section of Akali Dal (such as Atma Singh), and the 'hawk' landlord lobby (whose spokesman is Ravi Inder Singh, Speaker, State Assembly). This hard line has been dominant so far; and the BSF, CRP, and to some extent the Army are carrying it out.

A section of the bureaucracy and a few cabinet ministers are in favour of a soft line. They favour negotiations with the policemen and sympathetic consideration of their demands. Their argument is that a school master's attitude will not help, and that the times are gone when policemen could be treated like slaves or domestic servants.

On the seventh day of the agitation, the Punjab government announced an increase of Rs 100 in the salary of a newly recruited constable. The government has adopted the policy of 'carrot and stick'. On the one hand, it has announced economic concessions even more generous than what the Punjab Pay Commission has recommended. On the other hand, the government is bent upon teaching a lesson to those policemen who have dared to come to the streets: the arrests continue, while camera trials start in the jails; the list of dismissals and suspensions gets longer and longer with the target of two thousand.

Mere economic concessions, however, have failed to appease the policemen. Finding all other modes of protest blocked, they have now decided to prolong the stir and to court arrests. The agitation is bound to have widespread repercussions in the state and the country also. The police force, organised as a repressive tool by the ruling classes has recoiled on the ruling sections themselves. It has thus thoroughly exposed the undemocratic character of the government. The lower ranks of this disciplined force, who have been used in the past to suppress the poor masses and who have been meting out inhuman treatment to their own oppressed brethren, have now themsleves come out in the streets. And they have, in turn, received the support of the masses and their organisations.

BOMBAY

Keeping Them on the Move

ONE of the major factors responsible for the defeat of the Congress in the March 1977 polls was the programme of slum-demolition it had undertaken under the cover of Emergency, as part of Sanjay Gandhi's 5-point programme. Emergency rule in Delhi had come to be epitomised by the Turkman Gate outrage. In Bombay too the demolition of Janata Colony and the shunting of its 72,000 inhabitants to Cheetah Camp was an important plank of election propaganda of the Janata party in both the Lok Sabha and the Assembly elections. Four months ago, while laying the foundation stone of a housing complex in Delhi for some of the victims of the Turkman Gate demolitions, Morarji Desai had categorically stated that such "merciless demolitions" would never occur again. Addressing the Zopadpatti Punarvasan Parishad in Bombay on April 30, 1979, the Maharashtra chief minister too had expressed similar sentiments: "The state government will solve the issue only after a comprehensive formula is worked out in consultation with urban authorities, slumdwellers, and keeping in view of the general resources that can be mobilised for the task."

However, recent developments have belied all such assurances. The state cabinet decided last month to demolish without exception all hutments in greater Bombay constructed after January 1, 1976. Such a step would cover almost two lakh slumdwellers in Bombay. Also, on May 9 an ordinance was issued which empowers the Bombay Municipal Corporation to demolish any slum with a 24-hours notice. According to the provisions of the ordinance no specific notice to individual hutment residents need be given; a mere general notice addressed to the entire colony would be adequate before commencing the demolition work. The recent demolitions in Prajasatta Nagar in Antop Hill and Jayaprakash Nagar at Cuffe Parade have been thus duly sanctified by official approval.

It is not as if these slumdwellers occupied habitable, let alone hospitable, land. The slum at Antop Hill, for example, was till recently a large tract of marshy land. Grass grew waist-high and snakes and scorpions were the only 'residents'. The present residents cut the grass, filled up and levelled the area and made a home out of the wilderness. When they were thus labouring, there was no policeman to enquire about their 'occupation' nor was government keen on acquiring the land for any other purpose. But now that the land is 'settled', they have been rudely ejected and have had to watch their homes being levelled to the ground. The residents were of course given no advance notice of the demolition nor were any arrangements for alternative accommodation made, and when they decided as a last desperate measure to go on *dharna*, the event was ignored by the media. And when a delegation of residents met the local MLA and requested him to intervene, he flatly turned down their entreaties on the ground that they had "not consulted him" before building the zopadpatti!

The government occasionally also offers the victims of its slum demolition programme alternative sites claiming that the new sites provide better facilities of sanitation, lighting and water supply. This is seldom the case. The residents of Jayaprakash Nagar in Cuffe Parade, many of whom are workers in the Sassoon Docks, were shifted to Malvani, near Malad. Leave aside the fact that these workers have now to travel long distances for work; leave aside also the fact that the so-called facilities are hopelessly inadequate or do not exist at all; there have been instances when known residents of the demolished colony have been refused the 10' x 15' plot because of 'insufficient evidence', or for having lost the 'house-identification' receipt. In fact, there seems to be a racket in the allotment of the 'best' of these plots to those who could pay a little extra to the allotting authorities.

Two other colonies in Bombay that appear to be facing the prospect of demolition are Azad Nagar and Shri Ganesh Nagar that lie along the railway tracks from King's Circle to Mahim. Although Azad Nagar has existed for several years, the municipal maps still show the area as barren wasteland. Consequently the impending demolition will affect practically every hut in the colony. Also, huts that have been sub-divided after 1976 will be treated as post-1976 constructions and will be demolished with the rest. But indications are that the residents of these colonies will not passively watch their houses being torn down. The women of the colony seem particularly determined to resist the demolition scheme. "Let the 'sarkar' try to move us. These huts may be made of gunny-bags and sticks, but they are our homes. We will not let them touch even one of them. After having lived here all these years, do they think they can throw us out just like that?"

There are also signs that the resistance to demolition is getting better organised. On May 3, thousands of slumdwellers from all over Bombay organised a morcha to the Council Hall in protest against the cabinet's decision. The morcha was an elaborate and organised affair, the organisers beating a 'thali', and explaining to the residents the need to have such a morcha. "Once we are united, we will keep on fighting. We will tell the government, *tum hamari zhopdi todega, hum tumhari khopdi todega!*" (If you break our huts, we will break your skulls.)

DENA BANK

BOMBAY

Balance Sheet as at 31st December, 1978

1977	CAPITAL AND LIABILITIES			1978
Rs.			Rs. P.	Rs. P
	1. Capital:			
1,25,00,000	Paid-up Capital (Wholly owned by the Central Government)			1,25,00,000 00
2,93,00,000	**2. Reserve Fund and Other Reserves:**			3,12,00,000 00
	3. Deposits and Other Accounts:			
	Fixed Deposits:			
7,82,15,633	From Banks	7,25,90,795.08		
271,78,06,441	From Others	320,77,87,244.60		
279,60,22,074			*328,03,78,039.68*	
150,91,40,885	Savings Bank Deposits		188,74,82,556.86	
	Current Accounts, Contingency Accounts, etc.:			
2,26,11,105	From Banks	72,54,336.47		
79,56,97,650	From Others	96,80,98,232.40		
81,83,08,[illegible]75			97,53,52,568.87	
512,34,71,714				614,32,13,165 41
	4. Borrowings from Other Banking Companies, Agents, etc.:			
50,45,48,751	i) In India		43,42,37,448.29	
Nil	ii) Outside India		Nil	
50,45,48,751				43,42,37,448.29
	Particulars:			
	A. **Secured:**			
4,10,00,000	i) By part of Investments as per contra		Nil	
Nil	ii) By part of Bills Discounted as per contra		Nil	
1,55,33,281	iii) Under the Refinance Scheme of the Agricultural Refinance and Development Corporation by part of Advances as per contra		3,60,09,245.00	
17,09,50,000	iv) Under Participation Certificate Scheme by part of Advances as per contra		24,75,50,000.00	
	B. **Unsecured:**			
1,96,88,052	i) Under Refinance Scheme of the Industrial Development Bank of India by part of Advances as per contra	2,88,93,387.60		
25,73,77,418	ii) From Others	12,17,84,815.69		
27,70,65,470			15,06,78,203.29	
6,93,68,301	**5. Bills Payable**			16,74,64,920.73
	6. Bills for Collection being Bills Receivable as per contra:			
21,78,09,145	i) Payable in India		26,28,21,934.19	
4,60,88,122	ii) Payable outside India		5,71,96,110.89	
26,38,97,267				32,00,18,045.08
600,30,86,033	Carried Forward			710,86,33,579.51

DENA BANK

BOMBAY

Balance Sheet as at 31st December, 1978

1977	PROPERTY AND ASSETS	1978	
Rs.		Rs. P.	Rs. P.
53,32,13,311	**1. Cash:** In hand and with Reserve Bank of India, State Bank of India and Notified Banks (including Foreign Currency Notes)		63,99,25,700.46
	2. Balances with Other Banks:		
10,371	i) In India on Current Accounts	4,18,453.50	
Nil	ii) In India on Deposit Accounts	86,00,000.00	
6,49,136	iii) Outside India on Current Accounts	49,23,032.04	
6,59,507			1,39,41,485.54
70,30,000	**3. Money at Call and Short Notice:**		75,00,000.00
	4. Investments:		
	i) Securities of the Central and State Govts. and other Trustee Securities: (At Cost)		
149,04,48,528	(Face Value—Rs. 191,55,33,200 00)	190,63,49,394.09	
	ii) Shares (At Market Value)		
10,22,436	(a) Fully paid Preference Shares	10,77,586.25	
62,36,873	(b) Fully paid Ordinary Shares	74,04,641.30	
69,355	(c) Partly paid Preference Shares	Nil	
19,10,000	(d) Partly paid Ordinary Shares	27,56,940.00	
8,34,29,632	iii) Debentures or Bonds (At Market Value)	8,26,90,445.00	
Nil	iv) Other Investments	Nil	
Nil	v) Gold	Nil	
158,31,16,824			200,02,79,006.64
	5. Advances (Other than bad and doubtful debts for which provision has been made to the satisfaction of Auditors):		
	I. Loans, Cash Credits, Overdrafts, etc.:		
300,85,43,203	i) In India (includes an amount of Rs. 6,49,02,632.60 relating to medium term advances in respect of which finance has been obtained from the Industrial Development Bank of India and Agricultural Refinance and Development Corporation as per contra	338,43,48,604 64	
Nil	ii) Outside India	Nil	
300,85,43,203		338,43,48,604 64	
	II. Bills Discounted and Purchased (Excluding Treasury Bills of the Central and State Governments):		
46,75,39,319	i) Payable in India	52,01,34,969 89	
10,05,20,104	ii) Payable outside India	9,45,98,898.57	
56,80,59,423		61,47,33,868.46	
357,66,02,626			399,90,82,473.10
	Particulars of Advances:		
276,23,14,640	i) Debts considered good in respect of which the Banking Company is fully secured	311,32,90,662 18	
35,93,97,061	ii) Debts considered good for which the Banking Company holds no other security than the debtor's personal security	43,30,99,195 45	
45,48,90,925	iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of debtors	45,26,92,615 47	
Nil	iv) Debts considered doubtful or bad, not provided for	Nil	
357,66,02,626		399,90,82,473.10	
570,06,22,268	Carried Forward		666,07,28,665.74

DENA BANK

Balance Sheet as at 31st December, 1978

1977	CAPITAL AND LIABILITIES		1978
Rs.		Rs. P.	Rs. P
600,30,86,033	Brought Forward		710,86,33,579.51
	7. Other Liabilities:		
75,48,807	i) Branch Adjustment	Nil	
7,22,38,161	ii) Others	7,29,25,293.93	
7,97,86,968			7,29,25,293 93
21,14,22,040	**8. Acceptances, Endorsements and Other Obligations as per contra**		30,63,18,686.70
	9. Profit and Loss:		
68,64,609	Profit for the year as per Profit and Loss Account	70,31,945.84	
18,00,000	*Less:* Transferred to Reserve Fund	19,00,000.00	
50,64,609		51,31,945.84	
45,00,000	*Less:* Transferred to Contingency	45,60,000.00	
5,64,609	Balance being the amount to be transferred to Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.		5,71,945.84
	10. Contingent Liabilities:		
24,55,920	i) Claims against the Banking Company not acknowledged as debts	27,19,741	
19,34,250	ii) On partly paid shares of joint Stock Companies	22,56,940	
53,28,41,102	iii) On Letters of Guarantees on behalf of Constituents	58,19,90,192	
25,25,05,739	iv) On account of outstanding Forward Exchange Contracts	35,14,07,492	
9,36,16,959	v) On Bills of Exchange Rediscounted	9,38,76,015	

Notes forming part of the Accounts:

1. As per Actuarial Valuation the total Gratuity Liability of the Bank as on 31-12-1977 had been determined at Rs. 197.38 lakhs against which Rs. 50 lakhs have been provided and paid upto 31-12-1978. The accrued Gratuity Liability for the year ended 31-12-1978 has not been ascertained. Gratuity amounting to Rs. 9.26 lakhs paid during the year has been debited to Profit and Loss Account and included under the head 'Salaries, Allowances and Provident Fund, etc'.

1.2.1 Gratuity Fund established by the Bank has been approved by the Commissioner of Income-tax. According to the terms of approval the Bank is required to pay Rs. 155.94 lakhs to the Fund by 31-12-1979 being initial contribution towards liability upto 31-12-1974 and incremental liability for subsequent years. As against these, the Bank has paid Rs. 50.00 lakhs upto 31-12-1978.

1.2.2 In view of non-fulfilment of certain conditions of recognition of the Fund regarding payment of initial contribution, there may arise tax liability on Rs. 50 00 lakhs claimed in earlier years for which provision has not been made. However, the Bank has approached the Commissioner of Income-tax for waiver of non-fulfilment of the said conditions.

2. The total amount of frauds committed and detected upto 31-12-1978 is estimated at Rs. 79.15 lakhs for which the Bank has lodged insurance claims with the Insurance Companies. However, the Bank is not adequately insured and the amount of loss which the Bank may suffer on this account has not been ascertained. The total amount of provision made by the Bank as upto 31-12-1978 is Rs. 15.00 lakhs.

3. Branch adjustments include difference of substantial amounts in transactions (including carried forward from the past years) between the Head Office and Branches and between Branches and Branches. Since reconciliation of these difference have not been completed upto the date of the audit, full details could not be submitted to the auditors and the same has not been verified by them.

4. Accounts Receivable, Advance Payments, Pre-paid expenses, etc. include an amount of Rs. 381.93 lakhs—previous year Rs. 85.89 lakhs (inclusive of Rs. 46.17 lakhs being a part of the amount of Rs. 79.15 lakhs referred to in Note No. 2) in Clearing House Adjustment Account. This account has not been reconciled for the last several years. A part of the increase in the balance in this account is attributable to dislocation of Clearing of cheques at the year end. This figure of Rs. 381.93 lakhs has been substantially reduced in subsequent months.

5. At some Branches, Branch Adjustments includes old debit items on account of drafts paid without advice, which remained unadjusted upto the date of the audit.

6. At Head Office and some Branches, General Ledger Balances did not tally with some of the subsidiary ledgers/Schedules/Registers in respect of Deposits, Advances, etc.

7. Previous years figures have been re-grouped, re-arranged wherever necessary.

1977		1978
629,48,59,650	TOTAL	748,84,49,505.98

DENA BANK

Balance Sheet as at 31st December, 1978

1977	PROPERTY AND ASSETS		1978
Rs.		Rs. P.	Rs. P.
570,06,22,268	Brought Forward		666,07,28,665 74
4,22,50,309	v) Debts due by Directors or Officers of the Banking Company or any of the either severally or jointly with any other person (Directors—Nil)	4,90,54,290 00	
Nil	vi) Debts due by the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of Private Companies as members	Nil	
4,22,50,309	vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons (Directors—Nil)	4,90,54,290 00	
Nil	viii) Maximum total amount of advances including temporary advances granted during the year to the Companies or firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of Private Companies as Members	Nil	
Nil	ix) Due from Banking Companies	Nil	
	6. Bills Receivable being Bills for Collection as per contra:		
21,78,09,146	i) Payable in India	26,28,21,934 19	
4,60,88,122	ii) Payable outside India	5,71,96,110.89	
26,38,97,268			32,00,18,045.08
21,14,22,040	**7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations as per contra**		30,63,18,686.70
	8. Premises: *Less* Depreciation		
1,25,42,963	At cost as per last Balance Sheet	1,40,20,044 51	
14,77,081	Additions less deductions during the year	1,17,28,057.77	
1,40,20,044		2,57,48,102.28	
37,75,000	*Less:* Depreciation to date	43,25,000 00	
1,02,45,044			2,14,23,102 28
	9. Furniture and Fixtures Less Depreciation		
4,59,86,951	At cost as per last Balance Sheet	5,17,80,813.80	
57,93,863	Additions less deductions during the year	87,91,547 50	
5,17,80,814		6,05,72,361.30	
2,64,95,485	*Less:* Depreciation to date	3,01,26,758 37	
2,52,85,329			3,04,45,602.93
	10. Other Assets Including Silver:		
3,05,32,587	(a) Tax deducted at source	2,60,61,800 04	
2,16,84,988	(b) Interest accrued on Investments	2,55,98,726 44	
3,597	(c) Small Silver Bars	3,597.27	
36,96,413	(d) Stamps and Stationery	50,21,315 16	
10,05,736	(e) Sundry Deposits, etc.	12,78,360.61	
2,64,64,380	(f) Accounts Receivable, Advance Payments, Prepaid Expenses, etc.	7,13,87,251 93	
Nil	(g) Branch Adjustments	2,01,64,342.80	
8,33,87,701			14,95,15,403.25
Nil	**11. Non-Banking Assets Acquired in Satisfaction of Claims**		Nil
629,48,59,650	TOTAL		748,84,49,505.98

As per our Report attached.

DAMANIA, PANDAY & BAJAN
APAJI AMIN & CO.
BHATT & PARIKH
Chartered Accountants

Bombay, 26th May, 1979.

CHANDRAKANT W. TILWE
Asst. General Manager

M. N. GOIPORIA
Chairman and Managing Director

H. C. DESAI
J. A. AMIN
S. G. SHAH
N. K. HATHILA
E. A. K. FAIZULLABHOY
PRABHA SHAH

N. J. MEHTANI
V. N. RAIJI
U. K. SRIVASTAVA
V. J. DESHPANDE
P. R. KULKARNI
J. C. ROY

Directors

DENA

Profit and Loss Account for the

1977	EXPENDITURE	1978
Rs.		Rs. P.
31,79,40,207	1. Interest paid on Deposits, Borrowings, etc.	37,90,67,212.06
14,28,83,700	2. Salaries, Allowances and Provident Fund etc.	15,82,82,644.66
12,900	3. Directors' and Local Committee Members' Fees and Allowance	24,375.00
1,51,77,133	4. Rent, Taxes, Insurance, Lighting, etc.	1,81,87,375.29
3,02,374	5. Law Charges	3,29,942.73
65,51,026	6. Postage, Telegrams and Stamps	70,46,856.44
3,25,000	7. Auditors' Fees	4,75,100.00
37,39,577	8. Depreciation on and Repairs to Banking Company's Property	47,85,514.55
75,35,269	9. Stationery, Printing, Advertisements, etc.	64,80,809.35
Nil	10. Loss from sale of or dealing with Non-Banking Assets	Nil
73,13,707	11. Other Expenditure	88,51,128.10
68,64,609	12. Balance of Profit (Subject to Bonus, if any)	70,31,945.84
50,86,45,502		59,05,62,904 02

NOTES:

1. Total Expenditure on Public Relation & Publicity for the year ended 31st December, 1978 is Rs. 5,98,907.03 as compared to Rs. 11,70,218.01 in 1977.

2. Particulars of remuneration paid to the Chairman and Mg. Director:

1977			1978	
Shri R. A. Gulmohamed 1-1-1977 to 31-3-1977	B. K. Vora 25-5-1977 to 31-12-1977		Late Shri B. K. Vora 1-1-1978 to 23-9-1978	Shri M. N. Goiporia 27-11-1978 to 31-12-1978
11,250.00	25,319.00	1. Salary	36,499.00	3,825.00
2,000.00	Nil	2. House Rent Allowance	Nil	Nil
5,000.00	Nil	3. Gratuity	1,812.50	Nil
937.50	2,110.00	4. Bank's Contribution to Provident Fund	2,599.86	318.75
782.00	2,741.90	5. Monetary value of other perquisites benefits	3,333.73	297.00
19,969.50	30,170.90	TOTAL:	44,245.09	4,440.75

As per our Report attached.

DAMANIA, PANDAY & BAJAN
APAJI AMIN & CO.
BHATT & PARIKH
Chartered Accountants

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Asst. General Manager

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V. J. DESHPANDE
P. R. KULKARNI
J. C. ROY

Directors

Bombay, 26th May, 1979.

BANK

Year Ended 31st December, 1978

1977		INCOME	1978
Rs.			Rs. P.
		(Less Provision made during the year for bad and doubtful debts and other usual or necessary provisions)	
46,31,02,559	1.	Interest and Discount	54,40,36,403.74
3,79,78,212	2.	Commission, Exchange and Brokerage	3,90,63,902.63
2,34,732	3.	Rents	2,05,665.39
Nil	4.	Net Profit on sale of Investments, Gold, and Silver, Land, Premises and Other Assets (not credited to Reserves or any Particular Fund or Account)	Nil
Nil	5.	Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	Nil
Nil	6.	Income from Non-Banking Assets and Profit from sale of our dealing with such Assets	Nil
73,29,999	7.	Other Receipts	72,56,932.26
50,86,45,502			59,05,62,904.02

REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA:

1 We have audited the attached Balance Sheet of DENA BANK as at 31st December 1978 and also the Profit and Loss Account of the Bank for the year ended upon that date, in which are incorporated the Returns of 23 Branches audited by us, 301 Branches audited by other Auditors and unaudited Returns in respect of 434 Branches not visited by us. The Branches audited by us and the Branches audited by other Auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India.

2. The Balance Sheet and Profit and Loss Account have been drawn up in Forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of Banking Companies prior to Nationalisation by virtue of the provisions of the said Act, as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that:

(a) Subject to notes 1 to 6, in our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank:

(i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December 1978 and

(ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the year covered by the Account;

(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank, and

(d) The Returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

DAMANIA, PANDAY & BAJAN
APAJI AMIN & CO.
BHATT & PARIKH

Chartered Accountants

Bombay, 26th May, 1979.

SINGHBHUM

Exploitation, Protest and Repression

THERE were a number of instances of police firing on adivasis in Chaibasa and oppression of landless labourers in the Baharagora area of Singhbhum in Bihar during the latter half of 1978. One person was killed on November 6, 1978 when the police opened fire on a gathering of adivasis near Ichahatu village; three persons were killed in police firing at the middle school in Serengda on November 25, 1978; at Baharagora, in another part of the district (which is not an adivasi area), the police and landlords together were reported to have unleashed terror on landless labourers trying to organise themselves to implement minimum wages and to face the tyranny of landlords. Large-scale arrests, beatings and molestation of women were reported through the latter part of 1978 and into 1979.

The Delhi unit of the People's Union for Civil Liberties (PUCL) decided to send a fact-finding team to make an on-the-spot study of these incidents in particular and the socio-economic conditions of the adivasis and landless labourers in general. In the course of its visit from March 2 to 10, the team visited Dhanbad, Jamshedpur, Chaibasa, Ichahatu, Goilkera, Serengda, Lonjo, Baharagora, Ranchi and Patna. The report of the team throws a flood of light on the exploitation of the adivasis and the systematic repression of any effort by the adivasis to protest against such exploitation.

Many Faces of Exploitation

Singhbhum is the southern-most part of Bihar, bordering on West Bengal and Orissa. It is part of the Chota Nagpur region towards one end of the adivasi region of India which stretches from Thana-Nasik in Maharashtra in the west to Bankura-Midnapur in West Bengal in the east. The Chota Nagpur area is a hilly region known for its abundant forest and mineral wealth. A substantial part of India's needs of coal, iron, steel, manganese, mica, china-clay, limestone, copper, uranium, lac and wood is met from this area.

The natural wealth of the area contrasts vividly with the desperate poverty of the adivasis who inhabit it. The adivasis are exploited at three levels. First in the market, the mahajans and traders exploit them by buying their produce cheap, and selling them goods dear. The adivasis who are by and large illiterate, have no outside contact and are virtually ignorant of the prevailing prices for their produce in the organised urban markets. The mahajans, on the other hand, employ agents in villages who assess the size of the season's produce and also have intimate contacts with market operators in urban markets. These contacts at the purchasing and selling points enable the mahajans and traders to make substantial profits. For example, the adivasi will exchange chiranji seed for five to ten times its weight in salt or at about a few rupees a kilo; this seed sells in the metropolitan markets for more than Rs 80 a kilo. The government authorities claim that they have introduced minimum prices for lac and are trying to fix support prices for other products, but the adivasi still remains at the mercy of the mahajans. The adivasis have a song which goes

"You enter our country thin as a needle,
You leave it thick as a ploughshare..."

Secondly, the adivasis are exploited when they offer themselves for a job and borrow 'dhan' (paddy) for family consumption. They receive wages which are considerably lower than the statutory minimum wages. Only the forest department and the Bihar Forest Development Corporation pay the minimum wages of Rs 4.80 a day. Contractors and private employers pay much less. Contractors who take saal seed, for example, were paying only Rs 1.50 a day till a year ago. The adivasi has to pay a high rate of interest on borrowings. We were told that interest is paid in kind; one maund of 'dhan' is to be repaid by one-and-a-half maunds of 'dhan' after six months. Thus, the interest rate is 50 per cent for six months, 125 per cent for a year.

The third form of exploitation is social; by the state, by the forest department, by the Forest Corporation, by the 'alien' administrators and by the outsiders. The state government derives about two-thirds of its revenues from the Chota Nagpur area but spends only about one-fifth in the area. This expenditure is almost wholly used in running the administration; very little is available for development purposes. The administration, which consists mainly of outsiders, is greatly resented by the adivasis. This resentment is not merely because of economic exploitation; it is rooted in the racial prejudices of the outsider who sees the adivasi as an inferior being, fit for nothing better than semi-slavery. The outsider adds insult to injury by terrorising the people, behaving arrogantly with them, not bothering to learn their language and sometimes raping or molesting adivasi women. The administration has also imposed an alien panchayat and mukhia system in the villages on top of the traditional manki-munda system, without properly educating the people about the new system. The result is that there are conflicting centres of authority in the villages.

Perhaps the most obvious form of organised intrusion into the lives of the adivasis is the operation of the Forest Corporation. Set up in 1975 to improve the exploitation of the state's forest wealth, the Corporation is a commercial operation which seeks to upgrade forests by planting teak trees. The forest department and the Corporation have for a long time been planting teak in the reserved forests in which the adivasis have few rights. Teak is more valuable from the point of view of the national economy than saal. The annual growth rate of teak is 50 per cent more than saal and the price differential per cubic feet of wood is at least 100 per cent. Recently the Corporation has begun to replace saal, mohun and other trees by teak in the miscellaneous forests which includes 'khuntkatti' forests, in which the adivasis have complete rights. The adivasis traditionally satisfy a range of their daily needs from the saal tree, its wood, its seed and its leaves. Saal is so necessary to the adivasi economy that it has the status of a religious symbol. But the teak plantations, except for the wages that may be paid in the course of the forest operation, completely bypass the adivasi economy. Teak is used elsewhere, it creates jobs elsewhere, and it creates wealth and incomes elsewhere.

All these forms of exploitation, in their totality, have given rise to organised as well as spontaneous protest from the adivasis. At the organised level, the movement to create a separate state, consisting of 16 districts in Orissa, West Bengal and Bihar, including Singhbhum, has attracted many of the national parties and representative bodies of the adivasis. The first attempts at organising a separate 'Jharkhand' ('jhar' stands for bushes and trees and 'khand' for the region) date back to 1939 when the Chota Nagpur Adivasi Mahasabha was formed. In the 1950s the Jharkhand party emerged as the largest single opposition in the Bihar assembly, but its strength has waned since then. Today the movement is a coalition of various parties and interests which have also attracted mahajans and big financiers who stand to gain from a separate Jharkhand state.

At the grass-roots level the movement is peaceful and democratic. It attracts the adivasis spontaneously because it meets their deepest needs. Slogans like 'Jai Jharkhand', 'Mahasul Nahin Denga', 'Eas Par Se Oos Par, Jao Bihari Ganga Par', 'Sagwan Ropai Band Karo', etc have been commonly used recently. The organised movement has been able to grow only because of this grass-roots support. The acceleration of the Jharkhand movement in the latter part of last year put renewed

pressure on the administration and the vested interests to give the adivasis a better deal. The administration and the vested groups responded by trying to crush the non-violent protest of the adivasis with violence. This is the common thread that has emerged from the incidents investigated by the PUCL team in the adivasi area of Singhbhum: the lathi charge in Goilkera on November 3, 1979; the firing in Ichahatu on November 6; the killings of Serengda on November 25; and the arrests at Lonjo on December 8.

Goilkera and Ichahatu Incidents

Goilkera is a medium-sized town, about 70 kms south of Chaibasa. A weekly market there attracts adivasis of neighbouring villages. Since August 1978 a movement has slowly developed against the payment of haat (weekly market) toll. On November 9, 1978, Ratnakar Naak, the local MLA, addressed a public meeting at the haat. He pointed out that in spite of repeated demands by the people the government had failed to provide facilities for sheds, drinking water, urinals, etc, at the haat. The collection of the toll is the prerogative of a contractor who bought it at last year's annual auction for Rs 10,000.

On the day of the incident, November 3, 1978 Lal Chand of Chakradharpur, the contractor, had an altercation with a tribal woman who had come to sell some vegetables, while he was collecting the toll. As the Acting SDO was present on the spot, he called the people to discuss the matter about the payment of haat toll. Without completing the discussion, the acting SDO allegedly became enraged and personally began to beat people with a lathi. He was joined in this by the police party. Many people including a number of women were injured in the beating. After this about 14 persons were arrested, including the Mukhias of Arasa and Serengda.

Ichahatu is a small village in hilly country about half-way down the Chaibasa-Goilkera forest road. It is a poor village of 25 families without much cultivable land, and its inhabitants are mostly dependent on forest produce. It is near Ichahatu on November 6, 1978 that some adivasis were fired on by the police, and one of them was killed. The PUCL team visited Ichahatu on March 4, 1979 and interviewed a large number of people. On the basis of these interviews it was able to reconstruct the happenings at Ichahatu on November 6, 1978 as follows:

The munda of Ichahatu had called a meeting of local adivasis for the morning of November 6 to discuss the plantation policy of the Bihar Forest Development Corporation, in particular to discuss what the people wanted to do about the policy of replacing saal forest with teak. The Ichahatu munda told us "we don't know why the government is cutting saal and replacing it with teak. We only know that saal is ours while the teak is not meant for us". The meeting was held on ryoti land about three kms from the Santara forest and about half a km from Ichahatu village. By mid-morning about 400 to 500 adivasis had collected and everyone the PUCL team talked to confirmed that "the villagers did not have arms". The villagers told the team that the BDO, an adivasi himself, had stayed the night in Ichahatu with a police party in anticipation of the meeting and before noon (about 11 am) he arrived at the site of the meeting accompanied by the daroga of the Goilkera police station. The BDO then talked to the Ichahatu munda who announced that the officials did not want the meeting, that he was assured no more teak would be planted, and that the meeting was over. The Ichahatu munda left almost immediately for his fields, the crowd started dispersing and the BDO and the police left to return to Goilkera.

The assembled villagers were slow to disperse and others were still arriving when suddenly at about 3 pm the BDO and the police party returned in three vehicles, this time in the company of some forest officials. The forest officials stayed in their vehicle but the BDO, daroga and some armed policemen got down. The BDO began to order the villagers to disperse immediately. The daroga was reported to have suddenly fired his revolver in the air. The munda of Noongri rushed forward at that time and waved his hands to indicate that there was no need to fire and they were dispersing. But within a few seconds the police fired into the crowd killing Maheswar Jamoda of Noongri village and wounding Antu Marla of nearby Kasi Jora village. There was no warning, no lathi charge and no tear gassing.

The police picked up the body of Maheswar Jamoda and collected the unconscious Antu Marla and took them away. They then went on a spree, arresting people indiscriminately. The scared villagers had fled when the firing started and nobody else was arrested from the site of the meeting. Nine people were arrested altogether as the police returned to Chaibasa. Some were picked up from the forest roads.

Incidents at Serengda and Lonjo

Serengda, a village with a middle school, nestles in rich saal forest close to the Koel river. A stone's throw from the village is a naked hill slope where the Bihar Forest Development Corporation has cut down saal and planted teak saplings. The saplings are still shoulder high, and the barren hill is a daily reminder to the villagers of the interference in their lives. It was in this village on November 25 last year that police firing killed three people.

Last year, on Gandhi's birthday, the villagers of Serengda responded to the call of the movement by symbolically cutting down some saplings in a nearby teak nursery. They were also alleged to have burnt down some temporary jhuggis. The police in the area identified Shailendra Mahto, a young man in his twenties, as the leader of the movement in the area. He is charged with a long list of crimes and is wanted by the police.

After the October incident a small police detachment was at first posted at Serengda. Subsequently, this was replaced by regular daily patrolling along the main Goilkera-Serengda road, a distance of about 29 kms. On November 25 last year, a Saturday and the day of the Serengda weekly market, a strong police party of about a dozen armed men accompanied by the Block Development Officer of Goilkera came to the village and made themselves at home in the verandah of the school a few metres from the market and in full view of it, watching a thousand or more villagers doing their week's shopping.

As was usual, the village 'dakua' (dugdugiwala or crier), Boas Lumda, who makes public announcements for a fee of fifty paise, was at the market. He told us that a chowkidar of the village asked him to make two announcements. First, he asked him to proclaim that prohibitory orders had been promulgated forbidding public meetings, and a little while later that there would be a public meeting the very next day, Sunday, November 26 at nearby Jato village, which would be addressed by Begum Sumbrui, the local Member of Parliament, and others. A pamphlet announcing the meeting was distributed.

Boas Lumda says that after he made the announcements, some of the constables came to him and said that the daroga wanted to see him. He went to the school verandah and the daroga roughly asked him why he was announcing a public meeting when section 144 was in force. Along with the questioning he was dealt a few lathi blows. At this, "I got up and ran back into the market", said Boas Lumda. He was pursued by the police, caught hold of, and dragged back to the school verandah. All this angered the villagers in the market and some came to the school to find out why the police was "beating our man". There were sharp exchanges between the police and the crowd which had become pretty thick by this time with people coming from the market. The villagers demanded that the police release Boas Lumda.

Instead, the police opened fire, in all 12 rounds. As in Ichahatu there was

no warning, no lathi charge, no tear gas. The first few shots were fired into the air, and went through the wooden beams of the school verandah. The beams have since been replaced. And this was the first repair of the school building ever since it was constructed by the villagers. The next few rounds were then fired at the crowd. Two men, Somnath Lumga (25) of Serengda and Dukia Honga (45) of Tenda village were killed. A young boy, Lupa Buhr (12) was also shot dead. One of the injured, Maghi Munda, a frightened old man who looks more than 70, told the PUCL team that he had come to the market to buy some tomatoes and was returning home, past the school when the shooting broke out and he was injured.

Lonjo, a village of about 400 homes in three clusters, about five kms from the Sonua railway station on the main Calcutta-Bombay railway line, illustrates the arrogance with which the police and authorities treat the adivasis of Chota Nagpur and their customs. Shailendra Mahto features in this incident as well. On December 1, 1978, he visited Lonjo village in connection with an on-going agitation under the banner of the Jharkhand movement. A few weeks earlier the residents of Lonjo village had participated in the symbolic cutting of teak saplings in a nearby nursery. They had, before that, taken part in an agitation to guarantee the supply of bamboo to the large community of weavers in the area when the supply was disrupted by the activities of a private paper manufacturing concern.

The police learnt of Shailendra Mahto's visit and, believing him still to be at the village, paid a visit the following morning, December 2, at 4 pm. The police party was led by the daroga of Sonua police station. He let his men without warrant or warning to the house of Damo Sundi, a prominent resident of the village and searched his premises, rudely waking up the women and children. Not finding the man they were seeking, the police party then proceeded to the home of Durga Sundi whose young son is alleged by the police to be a friend of Shailendra Mahto. Durga Sundi told the PUCL team that the police misbehaved in the same manner as they had done at Damo Sundi's house, besides intruding into the family prayer room—a sacred spot where no outsider is permitted.

Indignant at this highhanded behaviour two young men, who know how to read and write, wrote a letter of protest on behalf of the village Munda, Motai Digi, to the Deputy Commissioner. They sent copies to other appropriate authorities including the Sonua police station. In this letter the Munda, who signed it, complained about the instructions and asked, "Do you think this was a justifiable act on the part of the police?" He wrote that as Munda he was demanding an explanation of this unlawful intrusion which was totally prohibited by an Act of 1833 which had not been repealed.

The next thing they knew, on the morning of December 8, the daroga was back at the village with another police party at exactly the same time. This time they went to the homes of the concerned people, pushed their way in, upset grain bins, woke up everybody and took Durga Sundi, Damo Sundi and the Munda, Motai Digi, with them to Sonua police station. There they were all abused and threatened for having insulted the police by writing a complaint and taken to Chaibasa in handcuffs. Durga Sundi was asked in Chaibasa to copy the ill-fated letter of complaint. They were kept in jail till January 22, 1979 when they were released on bail of Rs 650 each.

Police Terror in Baharagora

The area under Baharagora thana, about 90 kms from Jamshedpur, constitutes the eastern end of Singhbhum district. It borders Bengal and Orissa, with the Suvarnarekha river flowing across into Bengal. In spite of its proximity to the river, the land in this area is generally rugged and not very fertile because of lack of irrigation. Most of the area is monocrop, growing paddy. Control over land is extremely unequal. For instance, in Olda village, the biggest landowner possessed over 35 acres of land, while most of the villagers had less than 3.5 acres and out of a total of 120 households about one-third had no land whatsoever.

During the last six months, a democratic movement for the implementation of minimum wage to agricultural labour has gathered momentum in this area. This movement is led by the Kisan Samitis of the CPI(ML). As a consequence of this movement the prosperous landowners have been antagonised. They are using their goondas and the local police to terrorise the Kisan Samiti activists and break up the movement. So far the police have arrested 35 Kisan Samiti activists and are wanting to arrest another 41 activists. Besides, beatings, harassment, breaking-in and assault on workers continues regularly. From its interviews with different sections of the people in four villages (Kumardubi, Jaganathpur, Gaharamora and Olda), the PUCL team was able to gauge the extent of police-landlord terror that reigns in this area.

Bhujanga Das, a 26 year old graduate, is the Mukhia of Kumardubi village. He is convinced that the police at the behest of the landowners are harassing and victimising those associated with the minimum wage movement. He stated that there was no demand for wage increase in his own village, where the rate had been 2½ to 3 kgs of rice per day while the statutory minimum wage is 5½ kgs of rice per day. But in neighbouring villages like Parulia and Jaganathpur, much less used to be given. Wages there used to be 1 to 1½ kgs of rice per day; but after the movement women get 2½ kgs while men get 3 kgs of rice per day. However, even now some people force the labourers to sign for 3 kgs while giving them only 2 kgs. The Mukhia said that since the time he began participating in the Kisan Samiti movement, all the prosperous landowners and even his better-off relatives had become hostile to him. On November 29, 1978 he was arrested in Ekdai at about noon, while passing the police camp. He was not shown any warrant, nor were any reasons stated for taking him into custody. The night before the PUCL team met him, ie, March 6, the police had come and searched some of the houses of activists. The police also beat up several women. A poor peasant was arrested when he could not furnish information to the police about activists.

Similar tales of landlord-police terror were narrated to the PUCL team in Jaganathpur. The case of Sulobale, over 70 years old, epitomises the attitude of the police. The old woman was in a

state of shock and consequently could not remember exact dates. But, according to her, the police had come with Shashodhar Pal, a notorious landowner of the area, to her little wayside cafeteria. They had beaten her and did not spare even her young grandson, broken up her shop and taken away money which had been given to her the day before by her son who works in the Musabohi copper factory and had received his bonus that day. Her things have been attached. The police were looking for Satya Dolui (30) her absconding son-in-law, alleged to be a 'naxalite'. The old woman frequently broke down during the interview.

In the next village which the team visited, Olda, a number of men and women testified that the police often swooped on the village at night, searched houses and beat up people arbitrarily. A number of people—Miloo Singh, Tarapade Pardhan, Haripada Das and Kamal Das—had been arrested from the village. Others like Prafulla Das, Sutia Das, Guhia Singh and Arjun Singh were still wanted by the police. These were mostly Kisan Samiti workers. Their relatives suffered constant harassment by the police. The sister of one of the activists arrested was taken by the police to Jaipura panchayat where she was interrogated by the ASI. Her brother, presently out on bail, had been beaten up by the police while in custody. Another woman complained that her son could not return to the village because of threats from the musclemen of the landlord. His only fault is that he is the son of an activist who has been arrested.

Karunakar Mahapatra is a prosperous landowner and moneylender of Gaharamora village. According to the landless labourers whom the PUCL team interviewed, some members of the Kisan Samiti (Kamal Das, Sujoy Jha, etc) went to the house of Mahapatra on November 18 to recover some mortgaged articles of one Ajambar Naik who had died recently. They were able to recover some of the mortgaged articles that day, but Mahapatra asked them to come the next day for the rest. When they arrived on the following day, they found that some goondas had been mustered, who captured Kamal Das and took him to the house of Raghunath Singh, another big landowner in the nearby village of Naya Basan. On hearing this, about 3,500 to 5,000 people gathered spontaneously and went in a procession to Raghunath Singh's house. The goondas opened fire on the crowd and 9 members of the procession, including 3 women, were injured. Soon after the police came, freed Kamal Das and dispersed the procession. But Sujoy and Kamal lodged a complaint with the police. On November 21, three of Raghunath Singh's men were declared missing and the police imposed section 144 on the area. Three days later, the bodies of the missing men were found on the bank of the Suvarnareka. Within a couple of days the CPI(ML) was charged with the murder of the goondas and Moni Chakravorty, who has been twenty years in the area organising the people, was arrested along with 11 others.

A tribal couple was arrested on December 26 and severely beaten up by ASI Natobar Singh. Their fault was that they had given evidence before the SDO on December 3 when some leaders were conducting an enquiry into the happenings in the area. An innocent bystander was arrested for bringing food to them at their request, since they had not been given any food for two days in the thana. The couple are still in jail in Jamshedpur. On February 3, a police force went to Ghaspada-Brahmankundu, a village near the Bengal border, where it had been reported that 250 naxalites from Bengal had crossed over. These 250 were no more than people who were buying fireworks from the village for the festival of Makar Sankranti the next day. But the police descended on the village and beat up people indiscriminately, including a number of women, on grounds of sheltering 'naxalites'.

All the evidence set forth above indicates the reign of terror in the Baharagora area which is being perpetrated by the landowners and their retainers along with the police. While the police as an arm of law, is supposed to remain impartial and maintain law and order, it seems to be intent only on protecting the interests of the landowners and the rural elite.

INTERNATIONAL AFFAIRS

No Room for Euphoria

GPD

THE seven-week-long student agitation in Nepal has culminated in the commitment on the part of the King that a nationwide referendum will be held to decide whether Nepal should have a multi-party (and hopefully parliamentary) democracy in place of the present Panchayat system. Now the Prime Minister Kirti Nidhi Bista has resigned, one more sign that the agitation has been successful. One more absolute monarchy is due to fall. It has not fallen in the same way as the Persian monarchy fell earlier this year. It has rather shown readiness to transform itself into a constitutional monarchy. Whatever be the outcome of the referendum, it seems reasonable to assume that the end of the absolute monarchy is in sight. The Himalayan Kingdom will change its political system peacefully and in an orderly manner if the referendum is fair and independent, violently if it is rigged. There is as yet no reason to assume the worse to be more likely. A parliament and a multi-party system are due to make their reappearance in Nepal. A movement away from feudal absolutism to bourgeois democracy is no doubt a sign of progress.

To an extent this movement is not very different from what happened in our own country. A parliamentary democracy was subverted by Indira Gandhi. She could not, however, transform our political system into a feudal hereditary monarchy, much as she wanted it. The Prince Royal was projected with all the necessary fanfare. But she could not carry the coup through to its end. The results of the 1977 elections shattered her dreams and political future, hers as well as her beloved son's. A peculiar combination of political forces called the Janata came to power.

The story is much too wellknown. The semi-fascist youth of Sanjay Gandhi were overthrown. A section of the former cohorts of Indira Gandhi, being cleverer opportunists, quickly abandoned her and joined the new democratic wave. That became the Swaran Singh Congress and so on. The semi-fascists of the RSS now took over.

The Janata phenomenon did succeed in exposing and throwing away the "progressive" feudal designs of the Indira Gandhi dynasty. But that is about all. It did not take long for the inept Janata leaders to undo what the people of India had done in 1977. Lest anybody has any illusions about the Janata, the semi-fascists of the RSS are bent upon demonstrating that the difference between dynastic rule and parliamentary democracy may not, after all, be all that great.

One must wonder if the people of Nepal are also not in for a similar experience. The king of Nepal is not as clever as Indira Gandhi. Had he been so, he would have made appropriate anti-American noises (and privately had deals with them), would have cultivated a body of leftists and intellectuals around him to sing praises to his achievements. He did not learn enough from India! He could have emulated the Indians in at least one respect. One of the dependable tricks of survival is to hire intellectuals (the more left they are, the better) and create a climate of opinion that all opposition to the throne is inspired and financed by the CIA and the US government. The Americans then get angry and call you anti-democratic. In the progressive assemblies of the world, particularly in the third world, you can justify any authoritarianism by simply

quoting a few American statements against you.

The King of Nepal did not learn the tricks of the trade and is paying the price for it. It would be difficult for him now ever to expect a spell of absolute power. That game is lost.

But what next? One does not know if the Nepalese people would get anything more than Parliamentary democracy. The same people who dominated the Panchayats would in all probability come back again. After all, here in our land more than half (the number should be much larger by now) the people who waxed eloquent in praise of Indira Gandhi and Emergency would not even claim knowledge of this person. These people seem to be doing fine under the new dispensation. They are singing glory to democracy. Something similar is going to happen in Nepal. One cannot and should not be ecstatic about the developments in Nepal as some people were here in 1977. 1977 was *not* a year of revolution. 1979 is *not* going to be a year of revolution either.

1979 has another significance too. The Shah of Iran was overthrown early this year. While there is no denying the enormous sacrifices that the people of Iran made to overthrow the Shah, it should at the same time be remembered that it was *not* a revolution. The Islamic revolution is one large myth which Khomeini has created, a myth which will land Iran ultimately in the Western embrace. Once West Europe comes in, the US cannot be far behind. After all, the fact that Khomeini was welcome in Paris after being forced to leave Iraq is not an insignificant fact. One Shah will go. He will be replaced by a so-called Islamic revolutionary, and so on. Nothing much would have ultimately changed. Terms like Hindu revolution, Islamic revolution or Christian revolution are a great hoax. The Western intellectuals have already started using the hoax. The media will follow suit and ultimately the Western governments will take it over along with the oil.

It is strange but true that these suspensions of democratic rights either by Indira Gandhis or by the kings of Nepal or by the Shahs of Persia contribute in the last analysis to the consolidation of Western influence in the areas of concern. In Iran, Americans were wrong in backing the Shah. But were they really? The price for Shah's misdeeds was not paid by them. It was paid by the Iranian people. And who can say that Iran is permanently lost to them? Islamic revolution, whatever that term might mean, will end ultimately in Washington's lap if the hoax of Islamic revolution itself is not controlled in time. Something similar has happened in India. Indira Gandhi and her beloved son and their opportunist followers (of that time) created a situation in which the West benefited and still continues to benefit.

In Nepal the story may not be very different. The advanced industrial Western nations seem to have developed a foolproof strategy: something like a heads-I-win-tails-*you-lose-strategy. They support the existing rulers to the hilt and get the best. Then comes a so-called "revolutionary" wave. Allow a little time for the internal contradictions within the wave to develop and the "democrats" and the "revolutionaries"—Islamic or otherwise—ultimately find their way to Bonn, Paris, London and Washington, or more precisely are put through Bonn, Paris and London to Washington.*

I am not suggesting that overthrow of an autocratic system is a small achievement. But the trouble starts when that is the be-all and end-all of the movement. Then the victory in a battle is mistaken for a victory in the war. This has happened in India. On a bloodier scale, this is what has happened in Iran. A similar thing, one fears, is in process in Nepal. The only saving grace of the situation in Nepal—if it could be called that—is that there are fortunately not enough clever and callous intellectuals who proclaim the arrival of "the revolution through the ballot box" or the "Islamic revolution". The Nepalese seem to be using the word revolution quite sparingly. So far this is the case. How long it will last, one does not know.

The American prestige and the political games they like to play are today safer than ever. Fortunately for them the Shahs of Persia, Indira Gandhis of India or the kings of Nepal create a situation in which regaining basic political rights itself becomes an onerous task. With the intellectuals and the media which are about ten years ahead of the Western government and have enough allies in the third world, a climate is created that the struggle to regain these rights (quite often suppressed with the full blessings of the Western governments and, as in case of India, with those of the Soviet Union as well) itself is revolutionary and their achievement "a revolution". Once this happens, those people in these societies who may think that the revolution has to be more scientifically defined are put on the defensive. What is worse is that after such legitimate and great uprisings as in Iran, they are forced to carry on their search for genuine revolution in greater loneliness.

That is perhaps unavoidable. The least we can do in the meanwhile is to see that a great euphoria is not built around what are only the first faltering steps in the right direction whether in India or in Iran or now in Nepal.

Muddled View from the Top

R S Morkhandikar

hanging India by Sankar Ghose; Allied Publishers, Bombay, 1978; pp 290, Rs 60.

WHEN a politician with some claims to scholarship, especially one who occupied ministerial positions during the critical years of 1972-77, writes a book on India's changing political and economic scene, one hopes to gain some insight into the decision-making process in the country, or at least to read an analysis of the political and economic crises that the country went through. Any one who takes up Sankar Ghose's "Changing India" with some such expectation is bound to be disappointed. The book is old matter in a new jacket. Three-fourth of the book contains material taken from the author's three other books published earlier.[1] Whole paragraphs, with a few sentences dropped or added, from these books have been incorporated under new chapter titles. Since the book does not carry a preface or an introduction, one is at a loss to understand what prompted the author to compile this book when he had so little new to say. A few paragraphs about the policies of the Janata government have been added wherever necessary.

The first two parts of the book are devoted to surveying India's experience with planning and the strategies of development adopted. Tracing Nehru's concept of socialism to his pre-independence days' thinking, the author gives him credit for introducing planning with a view to bringing about a socialistic pattern of society. Once in power, Nehru had to scale down his socialist ambitions in view of pragmatic party compulsions and his own inclinations towards individualism and democracy. In effect, he opted for a mixed economy and a limited amount of state capitalism. After giving a detailed description of the Five-Year Plans, targets achieved and difficulties encountered, the author briefly mentions criticism of these Plans levelled by the Janata party, *viz*, not generating enough job opportunities because of the capital intensive technology used and neglect of the rural sector. In reply, all that the author does is to point at the Community development experiment and to marshal statistics in order to prove growth in income and agricultural production, land reforms, etc.

The author admits that "balanced growth is a logical ingredient of the very concept of planning", yet, by his own admission, this was recognised only at the beginning of the Third Plan in 1965 when the NDC found 246 districts industrially backward. (This constitutes an implied criticism of planning in Nehru era which emphasised economic growth at the cost of regional balance.) This defect was sought to be remedied by providing incentives to industrialists to start industries in those regions and by locating Central government projects there. Yet, merely locating industries in a region does not make the region developed. Licensing and farming out Central assistance to states were other instruments used. The actual record, however, shows that even after 1968 bulk of Central assistance went to the developed rather than the backward states.[2]

The author also concedes the imbalance in rural development. He quite rightly points out two kinds of handicaps suffered by the marginal and small farmers and agricultural labourers in rural areas: (1) Lack of capital resources and (ii) weaker political influence. Yet, the only remedy offered by him and his government was the 20-Point Programme of which land reform was an important ingredient. How, without the requisite pressure of political influence from the people, these and other reforms were expected to be implemented the author does not care to explain.

In general, the method employed by the author to depict economic changes is to give a didactic account of the Five-Year Plans, statistics relating to growth in scattered fields and a list of legal and policy provisions made by the successive governments. It would have been a more fruitful exercise if he had attempted to find the actual results achieved. For then he would have found that 48 per cent of the people still continue to live below the poverty line; that both in 1971-72 as in 1961-62, in rural areas, the poorest 10 per cent of the households owned 0.1 per cent of all rural assets while the richest 10 per cent owned over 50 per cent; that as of July 1977 only 1.27 million acres out of a conservative estimate of 5.32 million acres of surplus land had been distributed; that assets of 20 business houses increased from about Rs 2,500 crores to Rs 4,500 crores between 1969 and 1975; that chronic unemployment increased from 3.61 million in 1971 to 3.87 million in 1973 and to 4.37 million in 1978. And he would have had to conclude, in the words of the Draft Sixth Plan: "The most important objectives of planning have not been achieved; the most cherished goals seem to be almost as distant today as when we set out on the road to planned development."

Of the political changes, the 1969 Congress split, United Front experiments of 1967, the Constitutional Amendments, Indo-Pak war and the events leading to the Emergency and the 1977 Elections are factually described. After giving a chronological account of the Congress split, Ghose feels that "though the clash of personalities and the desire to retain power played their part... the clash of ideas and attitudes was mainly responsible for it". But in view of the fact that the Prime Minister's 'stray thoughts' note was approved by the AICC at Bangalore, Indira Gandhi's own statement of August 19, 1969 appears to reveal a more convincing reason. She saw the nomination of Sanjeeva Reddy for Presidentship as her "demotion in the organisation" and decided to fight back because "the Prime Minister must have [pre-eminent] position". The perceptions of different parties are interesting. The CPI saw in the split a victory of progressive forces over right reactionaries, while the CPI(M) regarded it as a factional struggle. The Jana Sangh and the Swatantra viewed it as proof of the increasing influence of the Communists over Indira Gandhi.

The working of the United Front governments in West Bengal and Kerala is traced to point out that the main cause of their breakdown was the suspicion that one of the partners was using power to serve its organisational and political interests; nor was there a clear understanding of the principle of coalitions. As a matter of fact, where the bases of the parties in a coalition were the same, conflicts were greater. Thus ideologically closer political parties like the CPI and CPI(M) could not get along well. Whereas, those ideologically far apart like the Congress, the CPI and the Muslim League or the Jana Sangh and Akali Dal could work harmoniously for long periods. This lesson, however, is not clear to the author. The idea of polarisation of forces seems to hold his fancy. He sees 1977 as the culmination of the process of political polarisation started in 1967. How, with all the socialists and the 'progressives' from the pre-1977 Congress, the Janata can be regarded as an ideological pole is not clear. After a rather one-sided account of the events leading to the Emergency and the 1977 Elections the author holds the excesses in implementing family planning, slum clearance, political arrests and pre-censorship as the factors mainly responsible for the Congress defeat. Absence of these excesses as also of RSS strength in South India, in his view, accounts for Congress victory there. This facile explanation does not account for Congress reverses in

Gujarat, Tamil Nadu or West Bengal. It also seems to give greater credit to the RSS cadres than is their due.

The last section of the book describes, with the help of long extracts from speeches and writings of leaders, the different brands of socialism in India—pragmatic socialism of the Congress, Gandhian socialism of the Janata and scientific socialism of the CPI and the CPI(M).

All in all, the book does not give a clear picture of the direction or quantum of change taking place in India.

Notes

1 (a) "Socialism, Democracy and Nationalism in India" (1973)
(b) "Socialism and Communism in India" (1971)
(c) "Political Ideas and Movements in India" (1975)

2 I S Gulati and K K George, "Inter-State Re-distribution through Budgetary Transfers", *EPW*, March 18, 1978, pp 523-29.

SPECIAL ARTICLE

Kingship, Territory and Property in Pre-British Bundelkhand

Ravindra K Jain

The social, political and cultural features of pre-British indigenous kingdoms in Bundelkhand were characterised by (1) descent-based rule; (2) procedures for the legitimisation of power into authority not subsumed by a purely caste model; and (3) relatively loose political integration with the centralised paramount politics dominated by the Moghul empire.

This paper, which is essentially a case study of the Kingdom of Panna founded by Maharaja Chhatrasal (1649-1731) in an isolated tract of the Bundela region, examines these socio-political features of pre-British Bundelkhand and relates them to the concepts of kingship, territory and property prevalent in those times in that region.

Introduction

ALL the three terms in the title of this paper—kingship, territory and property—have suffered from neglect in the sociological and social anthropological analyses of Indian society. In the view of some scholars the nature of the institution of kingship as it might bear on an understanding of 'modern' Indian society and history is obscure. Louis Dumont's attitude is representative of this class: "As the royal function can hardly be observed nowadays, there is paucity of anthropological literature on this topic.... A picture of the whole would require that the extensive modern historical literature be brought into focus from a sociological point of view" (Dumont, 1970:310). On the other hand, there is the attitude of anthropologists like F G Bailey who have, in opposition to Dumont's stress on ideology and ritual status in Indian society brought into focus the changing institutional context of political behaviour. In his anthropological field studies of this topic in Orissa, Bailey imposes at the very outset a typological grid contrasting the tribal system of the Kond with the caste system of the Warriors even though an effort is made to discern interactions between the two systems in a political field within a changing arena dominated successively by (British) administration and political democracy (Bailey, 1960). Like many analysts before and after him, Bailey holds an oversimplified picture of pre-British rural socio-economic structure, emphasising the great gulf between the State and the Village as "separate worlds" (Bailey, 1957:4). Interestingly enough, within his typological framework of tribe and caste he comes close to recognising that "a part of Oriya political life must be seen as a segmentary system. In most Oriya villages in the Kondmals the dominant caste are the Warriors. If we view all the villages as part of an interacting whole, then the links between the dominant landowning caste-groups in each village are segmentary: they resemble structurally the links between Kond clan territories" (Bailey, 1961:13). However, as far as the overall political structure of the tributary states of Orissa is concerned, Bailey is unable to translate this formal resemblance into historical terms. As a first step, each Oriya state would provide the concrete locus for treating "the villages as part of an interacting whole", and each state could be formally located in a segmentary structure of kingdom formation.

But in this respect Bailey, like most students of the ethno-history of pre-British India, works under a severe handicap. The only reports about these states and kingdoms written in English were composed by colonial officials. They made drastic summaries of a complex situation which, lacking language proficiency and scholarly motivation, they could not grasp fully. In the last chapter of his book "Caste and the Economic Frontier", Bailey grapples with the meagre information on pre-British administration land-tenure in tributary states of Orissa provided by Hunter and Macpherson, but is unable to decide whether or not sale of land was usual before 1855. As a social anthropologist he is interested in comparison; thus he observes, "In Bisipara a system of land-tenure probably similar to that of Zululand has fallen down before the play of market forces and legislative encouragement of private rights" (Bailey, 1957:244), and in a footnote, that "the Raja was the spiritual head of Oriyas in the Kondmals" (*Ibid*, 251). These are significant observations and we shall follow their implications in the analysis of data from the Bundelkhand region.

A legacy of the colonial officials' reports on the working of indigenous political system was to portray these politics as being in a state of anarchy. Indeed these accounts would make it difficult to even speak of a 'system'. Cohn (1962) and Shah (1964) provide much needed correctives to restore a sense of coherence in this area of study. It is relatively easy to see the reasons why Cohn does not explicate the nature of kingship in the Banaras region. When we first hear of the Raja of Banaras in the early 18th century, it is already in the context of what Cohn terms as "the secondary level" of the political system. This level refers to the emergence of successor states, such as Oudh and Bengal, following "the dissolution of Moghal power, if not authority"

Mansa Ram, the father of the first Raja of Banaras, was a Bhumihar Brahmin. He worked initially for the local *amil* (tax-collector) in Jaunpur district, and was later himself elevated to the office of *amil* at the court of Mir Rustam Ali, who administered the four districts of the Banaras province under Saadat Khan, Nawab Vazir of Oudh. Although Mansa Ram himself was one of four brothers whose father "controlled" a few hundred *bighas* in a village in Jaunpur district, at the death of Saadat Khan in 1739, he (Mansa Ram) "through lavish presents and the promise of paying to Safdar Jung (Saadat Khan's nephew and successor) an enhanced revenue, obtained a *sanad* for his son Balwant Singh which made the latter Raja of Banaras, Jaunpur and Mirzapur" (Cohn, 1962:314). The point to note is that in this particular situation, as contrasted with the case in Orissa and in Bundelkhand, there was no inherent descent-based legitimacy for the Raja of Banaras. Rights to territory in these other instances were intrinsically related to descent. Cohn shows how the legitimacy of Chait Singh, Balwant Singh's successor, was brought into question by the Nawab of Oudh. It could be restored only through the intervention of Warren Hastings. Furthermore, the secondary level authority, the Nawab of Oudh, was progressively constrained to bestow legitimacy on successors of this upstart family because the Raja, howsoever reluctant to paying up the full revenue, could be made to yield something. This was more than would have been possible under chaotic conditions created by rebellious zamindar were the Raja to be removed. It was, as Cohn aptly puts it, "the balancing of relative weakness" in the face of determined groundswell of resistance from the local zamindars which provided the cement for the system. Finally, we should note that the rights to land and its produce—whether of the local-level zamindars or of the Raja—are discussed in this context as aspects of "control". This is connected with the fact that the majority of Raja-level ('regional level') controllers of land were, like the Raja himself, tax-farmers (Cohn, 1969:62) rather than agirdars, holders of "estates of rights of administration" (Gluckman, 1965:42). In short, the particular regional circumstances of Banaras raj predispose Cohn to view the question of legitimacy in a political rather than in a status context just as it leads to emphasising "land control" at the expense of multi-layered rights in land and its produce.

In order to improve upon the static implications of the "little kingdom" and "block" conceptualisations of political systems in pre-British north India R G Fox (1971) has utilised a model of interaction between two major variables: unilineal descent-groups of the Rajputs and state-hinterland political relations in "pre-industrial" North India. Each is treated as an independent variable, however, some ambiguity arises on account of his employment of 'political' as an umbrella concept. The use of this concept to characterise the functions of a large number of intermidiary beneficiaries between the producers and the State is fairly unexceptionable. In this respect Fox's formulation is a variation on Cohn's "levels of political system". However, the system of Rajput descent-groups at the regional and local levels demands finer scrutiny than afforded by discerning its political functions alone.

Boundary Conditions

For at least three hundred years until its integration into the Indian Union in 1948, the Bundelkhand region formed the territory of Native States. On the basis of geo-political variation, it is possible to divide this region into four zones. (1) The *cis*-Jamuna Daob and the plateau tract. The British Districts of Jhansi, Jalaun, Hamirpur and Banda lay in this zone. (2) The plateau and ravines between the Chambal and Betwa Rivers. Among the Bundela kingdoms in this zone were Chanderi, Datia and Orchha. (3) The plateau and forest from River Betwa in the west to as far as the Bhanrar Ranges of the Vindhyas in the east and to River Narmada in the south. The Bundela kingdoms of Bijawar, Panna, Ajaigarh and Charkhari, and the Ponwar kingdom of Chhatarpur founded by a Ponwar Rajput retainer of Panna Raja in 1785 lay in this zone. (4) The *cis*-Narmada southern zone. It shares many of the physical characteristics of zone (3) but the river valley plains of the Narmada are more fertile than those innundated by River Ken. There is also a good proportion of black cotton soil. From the late 18th century this zone came under the direct administration of the Marathas and, later, of the British. In its political evolution, therefore, it is comparable to that of zone (1). The British Districts of Sagar, Damoh and Jubulpore lay here. The focus in this paper will be on zone (3) during the 'pre-British' period, though the term 'pre-British' does not have in these territories the unequivocal sense it possesses for areas directly under British administration.

The maximum extent of Bundela territory under the hegemony of a single ruler was the kingdom of Panna carved out by Chhatrasal. Before his death in 1734, Chhatrasal had bequeathed one third of his territory (Jhansi and Jalaun) to the Marathas, and the rest was divided amongst his heirs. Between the Treaty of Bessein in 1802 and 1886, almost all the Maratha share of his inheritance had passed under British control. This territory, known as British Bundelkhand in pre-Independence literature, was administered under the British district system and is of no direct concern to us here. However at the same time as the Maratha territories of Bundelkhand passed under British control, the Bundela territories also came under the purview of a British Political Officer who was attached to the forces operating in Bundelkhand for the purpose of introducing order into civil administration. This appointment was formalised in 1811, when the country was settled, as Agent to the Governor-General of India stationed at Banda (British Bundelkhand). In 1854 the Central India Agency was created in the interests of further rationalisation of political relations with the Native States. This process continued throughout the present century until the integration of these states into the Indian Union in 1948.

If we work our way back into the history of this region it will be seen that before the establishment of British paramountcy in the 18th century, the indigenous political systems of Bundelkhand had been articulated with two centralised politics—the Maratha and the Moghul. Writing about the Benaras region Bernard Cohn distinguishes four levels of political system in 18th century India—the Imperial (British or Moghul), the Secondary (the Nawabs of Oudh), the Regional (the Raja of Banaras) and the Local (Rajput lineages). During this period in Bundelkhand, it is possible to discern only two levels: the 'attenuated' Imperial (Moghul) and an osmosis between the regional and the local on account of the clan-based structure of indigenous polity.

Relations with Moghul Empire

Whether or not the kingdom of Orchha formed a part of Akbar's domain is contentious. It is known however, that Bundela chiefs of Orchha and Datia were under the suzerainty of Jahangir and the later Moghuls. Their status, however, was much more autonomous than that of jagirdars or even official mansabdars in the Daob. Their only obligation to the Emperor was the payment of tribute. Military support was expected but was frequently given with much reluctance. For the sake of their autonomy, at once social and political, the Bundela chiefs, unlike certain other chiefs of Rajputana, never consented to send their daughters to the imperial harem. On the other hand, they participated in the Moghul wars of succession much to their own advantage and, as war-leaders in an inhospitable tract, little known to the Moghul outsiders. Throughout this early phase, the imperial administration had formally provided a secondary level through the offices of subahdars and kiladars. But the imperial

officials were constantly under attack from the local chiefs.

Only towards the close of the first phase, which corresponds with the death of Chhatrasal, did a secondary level proper (equivalent to the Nawab of Oudh in Banaras) in the form of Bangash Nawabs of Farrukhabad appear on the Bundelkhand political scene. But its consolidation was delayed by the course of its initial failure. In 1729 the army of Muhamad Khan Bangash suffered a decisive defeat at Jaitpur from the joint forces of the Bundelas and the Marathas.

The available historical record of circumstances under which Chhatrasal obtained Maratha help in the battle of Jaitpur defies a cut and dried classification of Maratha authority in Bundelkhand into any one of the levels suggested by Cohn. The military administration of the Marathas was based on the principle of theocratic warfare. There is documentary evidence that the idiom of a military pact between the Peshwa Bajirao and Chhatrasal Bundela was that of common religion and 'kinship'. The kinship idiom recurs in the deed of inheritance by which Chhatrasal bequeathed one third of his territories to the Maratha Peshwa and in letters exchanged between their successors. Even the Treaty of Alliance between Peshwa Bajirao and Hirdeshah, Chhatrasal's son and successor, is essentially similar to those which used to be signed between two Bundela chiefs. Consequent upon their gaining a territorial foothold in Bundelkhand, the Marathas entered into similar Treaties of Alliance with the other Bundela kingdoms of the area. Through the office of the subahdar in Bundelkhand the Marathas established representative rule in territories bequeathed to them by Chhatrasal. These were interspersed throughout Bundelkhand although most of them lay in zones (1) and (4). The transfer of territories from the successors of Chhatrasal to the Marathas in the remaining areas was however by no means a smooth process, although the correspondence between the Peshwa and the sons of Chhatrasal, Hirdeshah, the Raja of Panna and Jagatraj, the Raja of Jaitpur continued to acknowledge a sentiment of brotherhood.

It was not until a war of succession broke out among the descendants of Hirdeshah that a secondary level proper became the main external arena in the political conflicts of local Bundela rajas. The complicated pattern of political alliances between local chiefs with Marathas on the one hand and the Muslim Nawabs on the other hand is the theme of the history of Bundelkhand for nearly twenty years following the death of Chhatrasal in 1731. The entire Rajput held area of Bundelkhand in zone (3) had by this time became fragmented into numerous petty chiefdoms. The grant of hereditary jagirs and offices to Bundela and non-Bundela incumbents, the majority of whom were held together by little more than their common sentiment of kinship to the Panna raj under Chhatrasal, provided the first cause of this fragmentation. The second cause was the intrusion, again, of kinship as an ancillary principle of legitimisation of authority at the secondary level of the political system, the Marathas and the Nawab of Banda. Finally, the political systems of eastern Bundelkhand at this time became truly threatened, not only by the disappearance of the nominal authority of an attenuated Imperial level but also because the secondary levels were, as just noted, tied up vertically with the local and regional levels through the fiction of kinship.

After the Treaty of Bessain between the Marathas and the East India Company in 1802, foundations were laid of a political system which was to last for the next 150 years. The British dispensation in Bundelkhand rested on the military subjugation of the Marathas and the Nawab and the legal restoration of segmentary state structure among the Rajput chiefs. In the changed political and economic setting what could no longer be achieved by kinship and custom was effected by legal provisions, especially by the paramount control of civil law pertaining to land ownership. The definition of social dominance was bound to have serious repercussions on the structure of agrarian class relations.

Rights in Land and Status Framework

On the basis of genealogical and legendary information backed up by observations made in the course of field-work, I concluded in an earlier study (Jain, 1975) that the Bundelas' quest of territory for kingdom-formation was validated in a framework of unilineal descent. The evidence also suggested that the actual process of kingdom-formation was not characterised by emulation of the standards of a higher caste-group but that "under certain geopolitical conditions throughout middle India exclusion from a confirmed jati status was the means of gaining power and creating a new framework of statuses and offices" (*Ibid*, p 270).

The dynastic and dominance levels of the Bundela genealogy, like the legendary and mythical levels, form integral parts of a hierarchical series of encapsulated history. Using the genealogy as an aid to the study of past at these levels, one finds legends legitimising the rule of the Bundela over territory. The intervention of a charismatic holy man, the occurrence of a test of prowess for the king, and his disappearance rather than death are recurrent themes in foundation stories of Bundela kingdoms. It is strikingly obvious that here we have examples of legitimisation of royal authority by founders of sects rather than by Brahman priests. The Hindu kingdoms of Bundelkhand provide a context in which the Brahman's influence was not so strong as in those regions squarely under Muslim domination (Dumont, 1970:155). It is not so surprising, therefore, that the ritual hierarchy of castes is unable to yield the principle of legitimisation of power into authority in Bundela kingdoms. Nor is this true of Bundelkhand alone. Mayer mentions that in the territory of the former princely state of Dewas Senior in Malwa, Gokulashtami, the main ritual of the year was "not priest-ridden but ruler-ridden" (Mayer, 1958:420).

On the more substantive aspects of land rights in Zone (3), there is paucity of historical data and, as yet, of search and systematic analysis of pargana-level records comparable to the work done by historians, for example, in eastern Rajasthan (Chandra and Gupta, 1966). In default of such research, however, I would like to offer the case study of the kingdom of Panna in Bundelkhand zone (3) to ask some anthropological questions of the extent data and to offer a few suggestions concerning the fruitfulness of a combined anthropological and historical attack on these questions. In this preliminary exploration, let us bear in mind the social, cultural and political features of 'pre-British' indigenous kingdoms in this area already delineated: (1) descent-based rule, (2) procedures for the legitimisation of power into authority not subsumed by a 'caste' model; and (3) relatively loose political integration with centralised 'paramount' polities.

Maharaja Chhatrasal

Chhatrasal (1649-1731) was the founder of the kingdom of Panna. His career is relatively well-documented (Gupta, 1958, Singh, 1973; 1975). From a sociological point of view it is an interesting case for re-constructing the pattern of claims to rights in territory and the significance of kinship as a status factor in political transactions.

Chhatrasal's patrilineal ancestor in the sixth ascending generation belonged to a cadet-line of the ruling house of Orchha. A grant of the year 1612 enumerates the 13½ villages by revenue units (pargana) and subunits (mauja) to whose income Chhatrasal's paternal grandfather was entitled in perpetuity (7). The income from this estate was granted to the holder as remuneration for service and administration. The grantee is referred to as 'brother'

(bhaiyya). The title of Chhatrasal's father Champat Rai was 'Rao', held in Bundela kingdoms by holders of estates of rights of administration in the cadet lines. Champat Rai, like his forefathers, lived in village Mahewa which remained the military capital of Chhatrasal throughout his life.

It is clear that Chhatrasal's quest for a kingdom (a territorial domain as contrasted with plunder) was motivated by a desire to establish a princely lineage and founding a royal house. The question of male progeny is inextricably bound up with the founding and perpetuation of a royal lineage. The right of a Bundela jagirdar to concerted effort for acquiring a kingdom is conceptualised as *bhum* (literally, land or territory). The tendency in literature dealing with this right in the former Rajputana states has been to define it in terms of a tenure by birthright (clanship) and to contrast it with tenures granted by the ruler According to Thorner (basing himself on Tod), the *bhum* tenure was highly coveted as the king could not interfere with it; indeed the king himself would crave for retaining *bhum* rights in a few villages. Our data from pre-British Bundelkhand suggests a more dynamic interpretation of this 'right' or 'tenure'. It should be referred back to a time when the Rajput kingdoms were still proliferating by segmentation from the prior royal lineages; that is, when a "frontier" for expansion existed. In this context, the right of the *bhumia* (holders, both Rajput and non-Rajput) consisted not only in confirmed possession of the lineage territory but also (in the case of the Rajputs) in carrying out warfare, raid and plunder (*bhumiawat*) to extend their territorial possessions, with the purpose of establishing royal authority over them.

Chhatrasal's policy of expansion and consolidation of his rule was two-pronged. On the one hand, he was related to the ruling Bundela houses of Orchha, Datia and Chanderi by ties of descent-based rule. As a descendant in one of the cadet lines of Orchha he held rights of *jagirdar* in Mau-Mahewa and cognate villages. The village of Mau-Mahewa remained his military capital, from where he carried out raids for acquiring territorial and other possessions to form a kingdom. The latter task was accomplished in 1675 with the capture of Panna. However, throughout his life he also engaged in predatory warfare against regional representatives of the central authority of the Moghuls. These campaigns conform to the narrow and technical notion of *bhumiawat*. The code of conduct between Bundela ruling houses forbade attacking each other's territory, but *bhumiawat* in other territories, especially those under the administrative and military control of alien chiefs and appointees of the central government, was a matter of redeeming one's honour. Unless we take into account both the processes of consolidating the rule in Panna raj and carrying out raids in outlying territories, it is not possible to grasp the exact significance of a local saying about the 'territorial limits' of Chhatrasal's prowess:

> *it Jamuna ut Narmada, it Chambal ut Tons, Chhatrasal so laran ki, rahi na kahu hons*
>
> From Jamuna in the North to Narmada in the South; from Chambal in the West to Tons in the East; no one (within these limits) has the courage to fight Chhatrasal.

If we were to abide by a conception of 'stratified lineages' such as Richard Fox advocates for dominant Rajput groups in *19th century Uttar Pradesh*, Chhatrasal should have been subordinate to the ruling houses of Orchha, Datia and Chanderi as belonging to a cadet lineage. To be sure, Chhatrasal started his career in that position but gradually built himself up as a *primus inter pares* with his "brothers", the rulers of Bundela kingdoms which preceded Panna. A treaty with Orchha, Datia and Chanderi kingdoms (April 25, 1721) addresses Chhatrasal as 'Maharaja, along with the two other Bundela rulers—those of Chanderi and Orchha—while the ruler of Datia, belonging as he did to the Gujar caste, enjoys only the title of 'Rao'. Another indication of Chhatrasal's equality of status with rulers of other Bundela kingdoms is furnished by the fact that he relinquished the paternal jagir held from Orchha. The significance of this act is explained by Chhatrasal in a letter addressed to the State officials of Panna (November 11, 1730): "My honourable father Rao Champatrai was a jagir-holder in Orchha and I desire it to be returned to them (those of Orchha *orchhewalan*). When I have obtained and won territory by my own prowess, why should I retain the name of a jagir-holder? Why should we remain their subordinates? Quite gladly should that jagir along with the instrument be handed back to those of Orchha. Let there be no contention with them (about it) for the past or in the future. Since we descended from those of Orchha we had a right (huq), but we are not beholden to them for any favours...."

A number of letters written by Chhatrasal and to him furnish a full picture of the manner in which he settled within his lifetime estates in rights of administration among his principal sons, subsidiary sons, other relatives, and to those who served him in warfare. In this correspondence the extent of territory included in the kingdom of Panna is expressed in two ways; firstly by the number of parganas (there were 40 of them), and secondly, according to the territory's annual income. By this reckoning the kingdom of Chhatrasal has been estimated to have yielded Rs 1,53,000,00 per annum. While this amount represented the income from land revenue, other sources of income were the diamond mines of Panna, levying of *chouth*, and yield from plunder. The royal treasuries at Panna, Mahewa and Jaitpur are estimated to have held Rs 5,00,000,00. Besides this there was a separate amount of Rs 8,00,000,00 whose existence was revealed by Chhatrasal to his son and successor Hirdeshah shortly before his death. And all this treasure excluded the gold, silver, and ornaments which had been obtained in plunder and deposited in royal treasury.

Chhatrasal bequeathed the major portion of his kingdom to his principal sons. The relative status of these sons (four of these, Hirdeshah, Jagatraj, Padmasingh and Bharatichand, are recorded in history) was reckoned not by the order of birth, but by the status of their mothers as senior or junior queens of the ruler. Thus Hirdeshah, though younger in age to Padmasingh and Jagatraj was nominated heir apparent to the seat of Panna because his mother Devkunwar of the Panwar clan was Chhatrasal's senior queen. Besides Panna, he was granted Kalinjar and Shahgarh also. His territories yielded annual revenue of Rs 38 lakhs. Jagatraj's mother, on grounds of her son being older than Hirdeshah, made every effort to obtain for him succession to the throne of Panna. But she could not move Chhatrasal into flouting Bundela custom, and Jagatraj had to rest content with territories in Jaitpur, Ajaigarh and Charkhari, yielding annual revenue of Rs 33 lakhs. As to his eldest son, Padmasingh, also born of a junior queen, Chhatrasal had as early as 1689, granted the pargana of Jigni, the seat of Jigni town, the title 'Rao', and royal paraphernalia consisting of jewellery, caparisoned elephant, carpets, etc. The estate yielded annual revenue of Rs 3½ lakhs. A fourth son, Bharatichand was similarly settled with his share in the kingdom worth Rs 2 lakhs per annum within Chhatrasal's lifetime. Besides granting estates of rights in administration to his principal sons, Chhatrasal granted two *parganas* (Jalalpur and Darsainda) with an annual income of Rs 6 lakhs to his daughter-in-law Jaikunwar, (wife of Jagatraj), for her bravery in the battlefield against Muhamad Khan Bangash.

The dispensation listed above would account for a little more than half of the total estates claimed to be under Chhatrasal's possession. Although he had promised to hand over a third of his kingdom to the Maratha Peshwa Baji Rao, he did not alienate any of his estates to him within his lifetime. In fact in a letter

to Hirdeshah (No 39) Chhatrasal confided to his heir apparent the fact that the Peshwa had been told that the kingdom was worth Rs 1 crore only. In the same letter Hirdeshah was advised not to part with the promised share to the Peshwa but try and meet his demand with money payment only.

In sum, then, Chhatrasal created estates of rights in administration for his principal sons, subsidiary sons, other relatives and for those who had assisted him in warfare. The sons and other relatives were known as jagirdars while holders of service tenures were known as maimardars. Besides these estate-holders who were bound to the ruler by set duties, there were recipients of benefices in religious charities who were not called upon to perform martial duties. The jagirdars, being by and large the ruler's relatives, had to provide only a specific number of infantry and cavalry when commanded to do so; the maimardars had to pay, in addition, an annual quit-rent. This was one sign of their inferior status *vis-a-vis* jagirdars. The ruler's principal sons enjoyed a highly privileged status, and in Chhatrasal's own lifetime Hirdeshah and Jagatraj operated very much as rulers of Panna and Jaitpur respectively, with Chhatrasal preferring to stay in his military capital of Mau-Mahewa. However, there was a built-in check to the ambition and expansionist designs of the sons, in the form of relatives and non-relatives of the rulers who were simultaneously jagirdars and sardars, office-holders in the state bureaucracy. It should not be forgotten that the territories made over into 'estates of rights of administration' to the various categories of sons, other relatives, maimars and sardars excluded those which were administered directly by the ruler. These were known by the Moghul term 'Khalsa'.

In so far as the above estates of rights of administration were allocated, by and large, on the basis of kinship and recognition of services in warfare, a generalised sentiment of 'brotherhood' formed the "moral and tactical" (Bloch, 1971) bonds uniting the holder to the ruler and to one another within a regional political system. These rights were hereditary and upto the pargana level each territorial block was subject to a series of retreating or reversionary rights from the holder upto the king. However, the analogy with property rights in Zululand breaks down at the village level. Looked at from the point of view of the kingdom polity, a village as a whole formed an 'estate of production'. Our data for the village-level in pre-British Bundelkhand is very scanty, and an answer to the question as to who were the holders of the 'estate of production' is, therefore, both varied and difficult. Chhatrasal, as the king of Panna, had dealings with at least two categories of local landholders. Firstly there were those patels, zamindars, tahsildars, umeers, and soobahdars who controlled land revenue in territories which comprised Chhatrasal's area of raiding rather than direct rule. As noted earlier, this area was covered by what may be called Chhatrasal's campaign of bhumiawat. The various title-holders and officials included in this category owed their allegiance to the imperial Moghul power. Chhatrasal's policy with regard to these controllers of land seems to have been to levy the chouth and to demand ransom By these means, the Bundela bhumiawati was able to secure not only a booty but was also able to assert his political authority over and above the heads of imperial appointees. Failure to comply with the demand for chouth brought wanton pillage and destruction of standing crops in retribution—acts which would at one stroke instil terror in the hearts of the holders of estates of production and also hit the imperial authority in its most sensitive spot, its revenue-base. "Chhatraprakasa", the poetical biography of Chhatrasal, is full of instances where such tactics were pursued.

There were, on the other hand, estates of production directly under the rule of Chhatrasal administered either through his own officials or through holders of estates of rights of administration or corporate bodies of kinsmen claiming ownership of one or several villages. The latter could belong to any caste, and would be known either as bhumiya or zamindar. They would lease their lands to tenants, or have them cultivated by agricultural labourers, or they would cultivate some of the lands with their own family labour, or they would adopt a combination of any of these possibilities. In any case, a distinction seems to have existed between these village-level holders of estates of production and their super-ordinates, the holders of estates of rights of administration. The latter lived in forts and towns, the former in the villages. More importantly, from the latter's point of view, the gradations of agrarian statuses (landlord, tenant, sub-tenant, etc) within the village were subsumed by the important fact that the village was the unit on which developed the obligation of paying up the revenue—either through the title of the headman or through representatives of zamindars or bhumiyas. This remained true even when land came into the market (of bhej-barar tenure in Banda district). It is in this precise sense that we may understand both the relationship and the separation of the "two worlds" of the state and the village.

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Continued

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Deposits	1083,51,37,892	1361,44,27,456
Borrowings	53,53,95,723	56,13,41,456
Other Liabilities	87,38,79,225	41,79,84,759
	1233,57,12,840	1470,37,53,671
ASSETS		
Cash on hand & balance with banks	.137,33,80,746	163,78,83,343
Money at call & short notice	16,25,00,000	18,00,000
Investments	337,51,50,652	409,83,97,411
Loans & Advances	713,13,99,962	845,21,21,237
Other Assets	29,32,81,480	51,37,51,680
	1233,57,12,840	1470,37,53,671
INCOME		
Interest & Discount	104,87,66,475	110 44,19,453
Comm. Exch. & Brokerage	8,59,61,313	10,23,04,589
Other Receipts	60,95,938	40,30,239
	114,08,23,726	121,07,54,281
EXPENDITURE		
Interest Paid	74,72,46,475	75,54,04,168
Salaries & Allowances	24,87,74,673	29,10,89,168
Other Expenses	11,67,43,716	13,21,97,008
	111,27,64,864	117,86,90,344
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More Uneven Growth

ONE of the well known features of the so-called green revolution in wheat was [illegible] the increase in production had been concentrated in Punjab, Haryana and western UP. It has, therefore, been an important objective of government policy in the field of agricultural development to correct this unevenness and achieve a more even geographical spread of increases in production and productivity However, this objective appears to have completely eluded the government. In fact, the experience with regard to wheat has been repeated in rice as well. There has been a notable rise in the production of rice in the last few years, but this has been as concentrated geographically as the earlier increase in wheat production and, what is more, has been concentrated in the very states which have accounted for the bulk of the increase in wheat production This is all the more remarkable because whereas these states were major wheat producers even to begin with, production of rice is a more or less new activity for them, especially for Punjab and Haryana.

According to the report of the Agricultural Prices Commission on price policy for kharif cereals for the 1979-80 season, all India production of rice increased by 7 mn tonnes, or 17 per cent, from an average of 40.8 mn tonnes in the triennium ending 1970-71 to 47 8 mn tonnes in that ending 1977-78. Of the additional production of 7 mn tonnes, as much as 3 mn tonnes, or 42 per cent, was accounted for by Punjab, Haryana and UP. As a result, the share of these three states in total production of rice in the country went up from 10 6 per cent to 15 4 per cent. By contrast, the country's principal rice producing states of Andhra Pradesh, Bihar, Orissa, Tamil Nadu and West Bengal, which between them accounted for 60 per cent of the total production of rice in the triennium ending 1970-71, contributed only 2 1 mn tonnes to the rise in output of rice Production of rice went up by 250 per cent and 120 per cent in Punjab and Haryana, respectively, while in UP there was a rise of 35 per cent On the other hand, except Andhra Pradesh which registered a rise of 20 6 per cent, the increase in production achieved by the other principal rice-growing states was well below the all-India average of 17 per cent, with Orissa registering a sizeable decline in production

Both expansion of area and increase in yield have contributed to the sharp rise in rice production in Punjab, Haryana and UP. The all-India yield of rice went up from 1,091 kgs per hectare in the triennium ending 1970-71 to 1,215 kgs in that ending 1977-78, or by 11 4 per cent However, the rise in yield in Punjab was 87 per cent, in Haryana 60 per cent and in UP 30 per cent. During the triennium ending 1977-78, Punjab achieved a yield level of 2,886 kgs per hectare and Haryana of 2,392 kgs, compared to yields of 1,515 kgs in Andhra Pradesh, 936 kgs in Bihar, 896 kgs in Orissa, 2038 kgs in Tamil Nadu and 1,267 kgs in West Bengal In UP, it is true, the yield was still low at 973 kgs but this no doubt reflected the wide disparities within the state and certainly was not representative of the yields achieved in the western districts of the state which have been responsible for the rise in output of rice in the state

One obvious consequence of the concentration of the rise in production of rice in Punjab, Haryana and UP is that the government's task of supporting the price of rice has been made more onerous Thus, as in the case of wheat, price support purchases of rice by government agencies have mounted, from 4 4 mn tonnes in the 1976-77 rice marketing season to 4 8 mn tonnes in 1977-78 and further to 5 7 mn tonnes in 1978-79 (till the beginning of May 1979). The contribution of the above three states to these purchases was 65 per cent in 1976-77, 72 per cent in 1977-78 and 75 per cent in 1978-79. As much as 78 per cent of Punjab's rice output was sold to government purchasing agencies in 1977-78 and in the case of Haryana the proportion was even higher at 91 per cent As a result, stocks of rice with the government went up from 6 2 mn tonnes at the end of March 1977 to 9 8 mn tonnes at the end of March 1979 The proportion of rice in the total stocks of foodgrains with the government rose from 35 per cent to 61 per cent between March 1977 and March 1979.

Police

Stick and Some Carrot

FOR over a month now, the police, mainly though not entirely comprising the lower ranks of the force, have been astir in almost all the states and union territories. A not-so-strange paradox characterises the world of Indian policemen. Themselves among the lowest paid of government employees, the majority of the nine lakh policemen in India can be described as forming part of the toiling section of the Indian masses. Nevertheless, it is the policeman, particularly, the lowly constable, who is the most visible symbol of State power all over the country. Miserably abused, poorly paid, subjected to humiliating living and working conditions, being forced to be a virtual bonded labourer to his superiors under the infamous 'orderly' system, the average police constable is also the most effective instrument of suppression of mass movements, strikes, popular struggles, etc. The police, or sections of them, might now be protesting against 'political interference'; but the policemen are themselves willing tools of 'political' manipulation, allowing themselves to be suborned to serve the interests of the rulers, manufacturing false cases against those who challenge the present economic and social dispensation or even helping in their physical elimination.

Official response to the gathering storm of police agitations can only be described as panicky; both the concessions made and the steps taken to suppress the agitation have been of the extreme kind. In Punjab, along with a Rs 100 pay rise at the minimum and many other concessions by way of encashment of leave, increase in various kinds of allowances, etc, there have also been summary dismissals of a large number of policemen, arrests under preventive detention regulations, as also 'trials' within jail premises. At the first sign of disaffection among its police ranks, the Orissa government went so far as to declare that all the sub-inspectors of police in Orissa would from now onwards be 'gazetted officers'. On the whole, however, it is the stick and not the carrot that has finally predominated.

The seven-point plan of action evolved by the state chief ministers to improve the service conditions and emoluments of policemen is a similarly confused mixture of surrender and truculence and does not even touch the basic problem. The first of the seven points recognises that "policemen should be permitted to form associations", but this is immediately followed by the proviso—"subject to certain restrictions specified by the National Police Commission in its interim report". The same kind of 'yes, but' approach characterises other items of the 'plan of action'. The most significant part of this agreed 'plan of action' is perhaps the last item: "The chief ministers also agreed to initiate steps to check any political interference in the police administration".

Of the many types of political interference in the police administration which are rampant, what is it that is proposed to be checked? From the point of view of social justice for the masses of the people, what hurts most is the blatant partisanship of the police in support of the rich and the powerful. This makes it possible for the rich landlord or the upper caste Hindu to commit the most heinous crime against the landless worker and poor peasant or the scheduled castes without fear of let or hindrance from the police forces and, quite often, even with their active assistance and support. This is not generally even recognised as political interference with the functioning of the police; this is in fact the political role of the police. There can be no question of any change in this role so long as the political and economic system remains what it is.

A more accepted understanding of "political interference" is the use of the police by ruling class political parties and politicians in the power struggles among themselves. As these power struggles have intensified, such use of the police has become increasingly the rule, culminating in the state of Emergency of 1975 under which one faction of the Congress party mobilised the police (together with the rest of the State machinery) to put down all other factions and parties. Despite the supposed restoration of democracy in 1977, it cannot be truthfully said that this genre of political interference in the police has become less marked; only the interference now takes place on behalf of different parties, factions and politicians in different parts of the country. This is altogether understandable since the struggle for power among these have become progressively more intense. Given this situation, any number of plans politely agreed to in New Delhi will not result in reducing this type of "political interference in the police administration".

Though they have not said so explicitly, the "political interference" which most irks the political rulers as well as the police establishment, and which both are therefore keen to check, is of a different type. A Home Ministry note circulated among the state chief ministers last year on the "State of Police Morale and Discipline in the Country" harped on the alleged demoralisation among the police following "severe criticism of the police action during Emergency" and how important it was to restore the shattered morale of the police. The whole paragraph is worth quoting: "Large-scale agitations are organised in various parts of the country and the police forces are called upon to deal with these agitations. There would be no cause for police to act if the agitations remained peaceful. However, a disturbing trend is noticed in that the agitations turn violent and force the police into taking deterrent action. This is utilised to charge the government of excesses through the police machinery and thus the police forces are constantly under a threat of public criticism." What the assurance that steps would be taken to check "political interference in police administration" could really come to mean is that even the little scope for public scrutiny of criticism of the misdeeds and crimes of the police that now exists would be snuffed out. The Home Ministry note in fact had contained such an assurance to the police, especially on the question of having judicial inquiries into cases of police action resulting in firing and deaths.

Such very likely will be the eventual outcome of the promise of 'no political interference in police work' made by the chief ministers in Delhi.

Southern Africa

Legitimisation Games

Ninan Koshy writes:

AS cautious moves are being made in London and Washington for a process of legitimising the Rhodesian regime, South Africa's grand scheme for the whole Southern African region is being vigorously pushed.

The British government announced on May 22 that it was sending a senior diplomat to Salisbury to maintain close contacts with Bishop Abel Muzorewa. It was significant that this announcement was made at a time when the US Secretary of State, Cyrus Vance, was visiting London. The move, which the British government is anxious to explain as not being tantamount to recognition, is intended for the present to strike a balance in the claims of those who want immediate recognition

and those who consider the Salisbury regime as illegal. Britain realises that it has to be extremely cautious till at least the Commonwealth Prime Ministers' Conference in Lusaka in early August. While the representatives of the Commonwealth governments in London have described the elections in Rhodesia as a "fraud", the British government considers that the "results of the Rhodesia elections were significant and that it would be morally wrong to disregard them".

In Washington, pressure is mounting on President Carter to lift the sanctions against Rhodesia The US Senate by a 75-19 vote called on Carter to end sanctions within ten days of the installation of Muzorewa government While the vote is not binding on Carter, he has already announced that he would give a decision about sanctions by June 15. Whether the elections were conducted freely is a crucial question and a factor that Carter must consider in making that decision Therefore the decision will be construed as a verdict on the legitimacy of the regime in Rhodesia

The statements in London after the discussions between Cyrus Vance and the British government do not give much clue about the shape of the Anglo-American proposals today. In fact while the US and British administrations do not necessarily see eye to eye at the moment on the next steps regarding Rhodesia, there is evidently hope in Salisbury that by the end of the year both US and Britain will have recognised the new government and abandoned economic sanctions The British government hopes that after the initial reactions to US decision on sanctions, there will be time enough for new strategies

In Namibia too South Africa is preparing for an "internal settlement" and the chances of United Nations supervised elections are remote The South African government has already announced its decision to turn Namibia's 'constituent assembly' into a legislative one. This is another step along the road towards a unilateral declaration of the territory's independence. It is evident that South Africa does not want to risk a UN-held election in which the South West African People's Organisation (SWAPO) might win outright The Democratic Turnhalle Alliance, the South-Africa supported front which, as a result of fraudulent elections boycotted by SWAPO, holds 41 out of 50 seats in the "constituent assembly", wants to have self-rule granted quickly to entrench itself in power South Africa hopes that gradually an "interim government" in Namibia also will qualify for recognition by Western countries

These moves have to be seen against the background of South Africa openly assuming leadership of the whole region militarily and economically. There has been a major shift in South African strategic thinking that could have the effect of extending South Africa's defence perimeter to the Zambesi river which forms Rhodesia's northern frontier. The Prime Minister of South Africa recently stated that South Africa has decided to promote a constellation of states in the region. The scheme is that of a military and economic zone comprising of for the present South Africa, Rhodesia, Namibia, Swaziland, Transkei and Bophutatswana (the last two being "bantustans" of South African creation). All these are economically dependent on South Africa The objective of Pretoria's new foreign policy is to create regional security for South Africa by a militarily buttressed economic union. Bishop Muzorewa's government in Salisbury will come first on the list of those to receive military aid (especially for the air force) and economic support on such a scale as to prevent a large scale white exodus. It may be recalled that South African troops plunged deep into Angola during the civil war of 1975 in support of a weak leader (Savimbi) who could point to neither control of his capital nor any poll to validate his popularity. So South African determination to support the 'internal settlement' in Rhodesia is evident

In fact immediately after the elections Bishop Muzorewa stated that "we will take help from anyone who can help us as long as it is in the interests of our country We do not differentiate our neighbours on the colour of their skins". Such a stance will only further alienate the black masses from the 'internal settlement' ZANU and ZAPU the two wings of the Patriotic Front realise that the new developments demand from them greater political and military co-operation and unity The recent meeting in Addis Ababa made substantial progress along the lines It has, however, to be conceded that there are some fundamental differences in approach of the two wings ZANU prefers military unity now and political unity inside Zimbabwe later, ZAPU takes the opposite view. The Patriotic Front realises that the implementation of the grand scheme of South Africa is making its task all the more difficult

Non-Aligned Movement

Many Shades of Alignment

THE meeting of the 25 members of the co-ordinating bureau of the non-aligned countries at Colombo is actually being attended by delegations from all the 86 member countries, 38 of which are being led by the respective foreign ministers, as well as delegations from Grenada, Iran, Pakistan and Surinam which are seeking membership of the non-aligned movement, and a delegation representing the Heng Samrin government which is claiming that it should be allowed to represent the Kampuchea, and not Ieng Sary, the deputy premier in the Pol Pot government and the leader of the 'Official' Kampuchean delegation. Altogether, over 450 delegates from these 91 delegations have assembled in Colombo, no doubt an indication of the fact that the non-aligned countries take themselves very seriously.

Unlike in Belgrade last year during the meeting of the foreign ministers of the non-aligned movement when the issue of Cuba, nay its very membership of the non-aligned movement, had come under severe attack—though, characteristically, the final consensus arrived at at the end of the meet was to pretend that such serious differences did not exist—in Colombo, the deliberations have been heavily dominated by two other issues, one, who should represent Kampuchea, and two, whether Egypt, a founder-member of the non-aligned movement, should continue to be a member. The reason for Cuba ceasing to evoke strong passions might be that its presence in Africa is much less marked now than it was a year ago

It is however unlikely that either of these controversial issues will be resolved at Colombo. Despite the united Arab stand that Egypt should be expelled from the non-aligned movement, it is unlikely that such an expulsion would actually take place, not merely because Egypt has been able to secure support for its unilateral initiatives *vis-a-vis* Israel from many African and Latin American countries, but also because of the lack of credibility of any 'united' Arab stand in view of the continued close relationship many Arab countries which are now denouncing Egypt have with the US which after all has provided the crucial political and material support to Egypt to enable the latter to enter into this unilateral deal with Israel And despite the continuing opposition faced by the present regime in Kampuchea from Pol Pot forces, there is little likelihood of its being immediately, or even in the near future, run over, and the question of Kampuchea's representation may be conveniently allowed to be put off to September at Havana by when, the present isolation of the Heng Samrin regime may have become less acute

Non-alignment as a factor of conducting international politics came into existence, as the Sri Lanka president recalled in his inaugural address to the delegates at

Because of a strike at the States' People Press, the size of the issues has to be restricted till normal printing arrangements are restored

Colombo, at a period when there was 'bi-polarity' in international relations, with ideologically identifiable and mutually antagonistic 'blocs' headed respectively by the United States and the Soviet Union. That kind of 'bi-polarity' has long ceased to be a factor of international relations with the emergence of more than two rival centres of power. One might argue that even the non-aligned countries, by virtue of the sheer size of their conglomeration, also have become a not inconsiderable centre of power, so that each conclave of the non-aligned has witnessed a lot of manoeuvring on the part of one or other of the big powers to secure or, rather, since they are already there, further strengthen reliable allies within the movement.

With the contention among the big powers becoming more and more fierce, the prospects are that the countries of the non-aligned movement, increasingly unable to withstand the pulls from one or other of the big powers, will gradually allow themselves to be drawn to their camps—a process that has always been going on, for most of the non-aligned have been non-aligned in favour of this or that big power But, of course, the very concept of 'non-alignment' has had, from the beginning, something false about it in that the kind of 'alignment' that disqualified a prospective entrant into the not very exclusive club was membership of multilateral military pacts, while similar arrangements entered unilaterally by a member even with a leading military power did not disqualify the country from claiming to be fully non-aligned.

Arab 'Non-Alignment'

Romesh Thapar

WHO is going to educate the Arabs about the realities of international politics? Their current demand to 'suspend' Egypt from the non-aligned group of nations is illustrative of their simplistic attempts to equate every issue with so-called Arab interests. They believe this is possible because they sit on the oil that the world needs. The demand now being made on the non-aligned is too absurd to be considered seriously, but it will create confusion and bad blood.

Already, the Indian Foreign Office, or the pressmen who have been reporting its views, have created the impression that India's earlier categorical opposition to any suspension move against Egypt, one of the founders of the non-aligned movement, is being watered down. There is vague talk about abiding by some sort of consensus. One does not know whether it is an Arab consensus or a non-aligned consensus, despite the clarifications. This is a serious matter considering that we have already made certain commitments to other leading members of the non-aligned nations although, admittedly, Prime Minister Desai's categorical statements should reassure us.

Foreign Minister Vajpayee may be playing some sort of subtle politics, but he should realise that any attempt to interfere in Egypt's sovereign decision-making (*vis-a-vis* Israel) cannot be accepted. Tomorrow, for example, in the style of the Moroccan ambassador in Delhi, India could be pilloried by a bunch of mullah-controlled politicians. Moreover, any move to bind the non-aligned group of nations to some pre-conceived notions about the rights and wrongs of a particular policy is tantamount to turning the non-aligned into a bloc. This is what non-alignment is not, just in case some of the Arabs have forgotten.

Fortunately, the African and Latin American members of the non-aligned group are so incensed by the oil-price politics of the Arabs that they will never allow an anti-Egypt resolution to pass But the confusion can be considerable what with Cuba, and its 'liberation' activities, already a point of controversy. Here, Soviet influence will be peddled, and obviously behind-the-scenes deals will be sought, to get this or that advantage—Kampuchea, included.

It would be sad if the non-aligned are thrown at one another merely to use them as pawns in a growing struggle for areas of Superpower influence. If the Arabs are naive to imagine that the Government of India could align with them on Egypt, we also are to blame. We don't seem to be able these days to make clear what our stand is and what persuades us to take it. As I said, the Foreign Minister is beginning to play local politics in policy formation—and this is bad.

We have to take a hard look at what is happening in the non-aligned world. The tendency from various points of view to turn the non-aligned nations into a bloc must be checked by highlighting the violations and the distortions in policy which are sought. A growing failure at group level to halt these trends towards blocism could force India to detach itself from a long and worthwhile association. All the more reason that we act speedily to salvage the essential strengths of the non-aligned movement. The meeting in Colombo, early in June, should flush out these tangles, or else they will endanger the main conference in Havana.

Alas, in the Capital, only cursory attention is paid to such important issues. Even as the police continue their agitation in various northern states, and are being countered by detachments of the BSF, the traders too have decided to make known their impatience with the sales tax set-up and all the harassments it involves Naturally, the agitation has the thrust of the Jana Sangh behind it. Traders are its urban base. But, it should be noted that we have reached a point where nobody is prepared to raise a hand for the government of the day. It is now seen as some costly joke we have imposed upon ourselves, and the questioning is persistent as to when a change will occur.

The story which *The Indian Express* has been running for seven days on the L N Mishra murder case has only confirmed the impotence of the Janata government. From the investigations conducted by Justice Tarkunde, it is implied that the CBI was able both to subvert a genuine review of the case and to tie up investigators in a web of lies and fake evidence. The public assumption is that there will be no progress in the matter because too many key figures in the Establishment are involved and the politicians have no stomach for these investigations for fear that they tend to snowball. If the assumptions are accurate, it is a frightening story of deception, manipulation and fraud at the highest levels of government.

We are also moving into the drama which will be enacted with the setting up of two special courts in the Capital. The Congress(I) has announced that it will not allow these courts to function. Here, again, firm governance is demanded—and no one believes it will be provided. The agitation against the special courts, it is believed will be conducted in such a manner as to further malign the judiciary and make it look ridiculous. This could happen if the courts are made helpless in the face of mobsters and the like. After all, the training exercises have already been held at several places in the north where son Sanjay had summons served on him.

Meanwhile, at some points in the maze that is the Government of India, an effort is being made to warn us, of the possibility of massive inflation if wage hikes and lack of productivity mark the only economic activity in the country. But attention is focused elsewhere. The anti-liquor and pro-cow protagonists, who dominate the GOI, are obsessed with their silly commitments—very much in the manner of the Islamic fanatics. We plod in Delhi wondering where all this will lead. Even the summer has not really descended, and monsoon forecasters are perplexed. All the more reason to watch prices.

June 2

Crude Steel Production

CRUDE STEEL production in the 29 countries reporting to the Brussels-based International Iron and Steel Institute (IISI) rose for the first three months of 1979 by 9 2 per cent over the first quarter of 1978, giving a cumulative total of 119 57 million tons. The IISI commented that the latest output figures indicate "the continuing firmness of steel demand in most areas". The increases in the United States and Japan have not been matched in the member countries of the European Community, where production grew only 4.4 per cent for the three months. Among the EEC nations, the Federal Republic of Germany showed an increase of 6 4 per cent in steel production for the first quarter of 1979 over the same 1978 period, while the figures for the Netherlands and Belgium were 8.7 per cent and 7 8 per cent, respectively.

Growth through Diversification

Hansavivek

AMAR DYE-CHEM has commissioned its vat dyes plant and is going ahead with various other projects. It is awaiting conversion of a 'letter of intent' for setting up the rubber chemicals project in Gujarat into an industrial licence. Meanwhile, design and planning has begun and orders have been placed for long delivery items. The company is already manufacturing certain items at the existing facilities and is also marketing them. Installation of the new acrylic fibre dyes plant at Shahad near Bombay is in final stages of completion. The management expects that the full range of these dyes will be marketed by the end of the current year. The design and pilot plant work, on the disperse dyes project, are complete. The civil construction work at Vapi in Gujarat is expected to start soon and commercial production is expected during 1980. The design, based on technical collaboration of AKZO Chemie of Holland for PVC stabilisers, is in the final stages. Some trial quantities are likely to be manufactured later this year. The company has obtained an industrial licence for manufacture of salicylic acid and its derivatives, at Vapi. Design work has already commenced. The company has also been issued a registration certificate for the manufacture of 50 tonnes per annum each of Simazine, Altrazine and Nitrofen. Pilot plant trials have been completed and test-marketing is to be taken up shortly. The design of the commercial plant is in progress. The company is awaiting permission of the Company Law Board to hold 25 per cent of the equity capital of the new company floated in Indonesia for a joint venture in that country for manufacture of certain ranges of dyes. The venture is being set up in association with Tungabhadra Industries, International Textile Corporation, Bermuda, and C V Kitaco of Indonesia. All preliminary work has been completed and production at the project is expected by the end of this year. The company, Amar Dye-Chem, has turned out poor results for 1978, despite higher production and sales. Production during the year was 7,412 tonnes against 6,904 tonnes in the previous year and net sales were Rs 22.93 crores against Rs 21.63 crores. However, gross profit declined to Rs 3.03 crores from Rs 3.47 crores. Profit margins shrank due to a rise in the wage bill, higher level of fuel and transport costs, hike in power rates, and increased operating expenses. Dividend, maintained at 12 per cent, is still adequately covered by earnings. In order to provide funds for working capital, the company is issuing one lakh 11 per cent debentures of Rs 100 each to the shareholders on a 'rights' basis. These debentures would be redeemed in five equal annual instalments from the eighth year.

SCHRADER-SCOVILL DUNCAN is expanding and diversifying its business. It has received a 'letter of intent' enhancing the capacities of some of the fluid power products and another to manufacture hydraulic hoses and fit-

The Week's Companies (Rs in Lakhs)

		Amar Dye-Chem			S S Duncan			MICO			Wandleside	
		Latest Year 31-12-78	Last Year 31-12-77		Latest Year 31-12-78	Last Year 31-12-77		Latest Year 31-12-78	Last Year 31-12-77		Latest Year 31-12-78	Last Year 31-12-77
Paid-up Capital		347	347		92	92		1268	1268		20	20
Reserves		574	534		100	79		1441	1044		9	7
Borrowings		677	648		28	25		313	300		76	72
of which Term borrowings		24	27		8	9		276	259		—	—
Gross fixed assets ¶		1541	1440		125	118		4538	4098		83	83
Net fixed assets		615	592		61	59		1336	1324		21	24
Investments		57	55		21	21		9	22		2	2
Current liabilities]		459	281		76	69		1300	1479		56	62
Current assets		1384	1163		214	185		2964	2758		120	122
Stocks		740	635		93	51		934	1101		44	75
Book debts		591	505		106	109		1159	976		83	53
Net sales		2293	2163		384	379		7071	5943		256	245
Other income		76	65		7	8		116	103		20	14
Raw material costs		1167	1116		211	212		1971	1458		195	182
Wages		245	186		45	43		1696	1572		28	24
Interest		106	105		1	3		20	37		12	12
Gross profit(+)/loss(—)		303	347		89	86		1821	1547		11	9
Depreciation provision		125	101		6	8		475	433		3	4
Tax provision		98	88		51	48		923	733		4	3
Net profit(+)/loss(—)		80	158		32	30		423	381		4	2
Investment allowance provision		16	94		2	6		79	95		—	—
Transfer to reserves		23	23		13	9		154	108		2	1
Dividend												
Amount	P	2	2	P	—	—	P	—	—	P	—	—
	E	39	39	E	17	15	E	190	178	E	2	1
Rate (per cent)	P	8.57	8.57	P	—	—	P	—	—	P	—	—
	E	12	12	E	18	16	E	15	14	E	8	7
Cover (times)		1.60	1.60		1.77	1.60		1.81	1,62		2.00	2.00
Ratios (per cent)												
Gross profit/sales		13.21	16.04		23.17	22.69		25.74	26.03		4.30	3.67
Net profit/capital employed		8.69	18.14		16.66	17.54		15.61	16.48		13.79	7.41
Inventories/sales		32.27	29.36		24,22	13.46		13.21	18.84		17.18	30.61
Wages/sales		10.68	8.60		11.72	11.34		23.98	26.45		10.93	9.80

tings and oil seals. The management is having discussions with prospective collaborators for the latter project. The subsidiary, Associated Polymers, started production last year and made a pre-tax profit of Rs 6 lakhs. SSD has shown satisfactory results for 1978, with both turnover and profits slightly higher than the respective figures of 1977. Dividend is raised by two per cent to 18 per cent. These results have followed despite prolonged shortage of copper in the second half which restricted production of automotive products. Besides, the small-scale manufacturers, who supplied the company components, could not meet quality standards and delivery schedules resulting in occasional interruptions in production The registered office of the company is proposed to be shifted from Calcutta to Bombay

MOTOR INDUSTRIES COMPANY is looking ahead to further growth in the current and coming years, since the upward trend in the diesel engine industry continues to be strong The company has recorded impressive increase in domestic sales, particularly in original equipment business which expanded by 28 per cent last year. The boom in the original equipment business was shared both by single-cylinder fuel injection pumps for stationary engines and multi-cylinder fuel injection systems for commercial vehicles. The stationary diesel engine industry stepped up its production to meet the sharp rise in demand from farmers The output of the tractor and commercial vehicle industries also increased substantially Exports of MICO products showed a further rise The company exported its products to USA, USSR, France, Italy, Brazil, Bangla Desh, Sri Lanka, Saudi Arabia, Egypt, Thailand, Argentina, Singapore, the Philippines, Iran, Spain, Burma and Australia During 1978, its net sales increased from Rs 59.43 crores to Rs 70 71 crores and, with a slight shading of margins, gross profit rose from Rs 15.47 crores to Rs 18.21 crores Net profit came to Rs 4 22 crores (Rs 3 81 crores) Dividend raised by a point to 15 per cent is covered 1 81 times The company has intensified its campaign to achieve cost reductions wherever possible. Further rationalisation in the factories both at Bangalore and Nasik has been introduced as part of a long-term plan. Technology is also being upgraded and new methods are being adopted.

WANDLESIDE NATIONAL CONDUCTORS has shown improved results for 1978 with a slightly higher turnover and profitability, although its operations were affected on account of labour unrest which continued until the end of July 1978 and shortage of copper during the second half of the year. Shortage of copper was mainly due to reduction in allocation to actual users by MMTC. Increased production during the latter part of the year and greater demand for high contribution items brought about overall improvement in the company's performance. Dividend is raised by a point to 8 per cent. The directors point out that the recent increases in copper prices and excise duties have aggravated the working capital problem of the company, which is heavily dependent on bank finance. Prospects for the current year, however, appear to be good, as both production and sales have shown an improvement and pending order position is also comfortable.

PINE CHEMICALS, promoted by Camphor and Allied Products, is coming to the market with a public issue of 6 lakh equity shares of Rs 10 each to raise a part of the finance required for its Rs 2.70-crore project being established in J and K for processing 10,000 tonnes of pine gum rosin which would enable annual production of 2,750 tonnes of rosin, 1,800 tonnes of turpentine, 1,000 tonnes of polymerised rosin and 3,600 tonnes of rosin derivatives. Some of the rosin derivatives to be manufactured by the company are ester gum, penta ester gum, maleic rosin ester, modified phenolic rosin, calcium and calcium zinc rosinate Rosin and its derivatives are used in the paper, paints and varnish, rubber chemicals, soap, adhesives and germicides industries. They can also be used for linoleum forming and sealing wax formulations because of their good adhesive properties Turpentine finds extensive use in paints and varnish industries and also in the manufacture of camphor and perfumery chemicals. The main raw material, pine gum rosin, is available from pine trees in the forests of Kashmir valley. The company has entered into a long term agreement with J and K forest department for the supply of 9,000 tonnes of pine gum annually on a fixed price basis for the first 5 years, after which the price is subject to change, within the limits of 10 per cent higher or lower than the agreed price. Thus the company is assured of the raw material supply. Complete technology for processing pine gum rosin to produce rosin, turpentine and rosin derivatives has been developed indigenously by Camphor and Allied Products at its research centre, Baroda. The plant is expected to go on stream by November this year.

WARNER-HINDUSTAN has recorded a 12 per cent rise in sales for the first five months of the current year as compared to the corresponding period last year. The chairman, K H Bhabha, however, feels that it will be difficult for the company to sustain in future the growth achieved in the past because of the adverse effects of the new Drugs (Prices Control) Order, 1979, whereby restrictions have been imposed on the capacities, release of canalised raw materials, introduction of new products and pricing of drugs. Moreover, there is a "steep reduction" in formulations' profitability. According to him, it will be extremely difficult for the company to earn 8-9 per cent profit on turnover exclusive of excise duty, as against 15 per cent on the formulations' turnover inclusive of excise duty allowed so far.

KERALA

Divided Ruling Front

K T Zacharias

DEFEATED in the by-elections and with not much hope of things improving in future, the Kerala Ruling Front is divided and confused. It is conceded by all that in any triangular contest, the CPI(M)-led United Front will emerge victorious. This writing on the wall has compelled the partners of the present ruling coalition to desperately search for allies to "broaden and strengthen" the Ruling Front. But the Ruling Front is divided on the means to achieve this objective.

The CPI has understood the defeat in the by-elections as indicative of the growing criticism of the Ruling Front and the activities of its government. So it has called upon the government to take more welfare measures to win back the confidence of the people. At the same time, the CPI State Secretary, N E Balaram, had a meeting with the CPI(M) leader, E M S Namboodiripad. Balaram told EMS that the Ruling Front was willing to resign after coming to an understanding with the CPI(M). First resign and then talk, was understood to have been Namboodiripad's curt reply.

The Youth Congress has publicly demanded that the "Congress should come out of the ministry". But it is not against supporting the ministry. It has levelled serious charges of corruption and misuse of the police force. The attack is mainly directed against the Kerala Congress. The student wing of the Congress, the KSU, it is understood, has passed a resolution demanding the resignation of the ministry. It has also charged the government with following "rightist policies". But Oommen Chandy, former minister and one of the top leaders of the Congress, told this correspondent that there was no question of the Congress quitting the ministry. Nor was there any possibility of a change in KPCC leadership. The Kerala RSP wants that the "Ruling Front set-up should be re-oriented with greater leftist slant". The Kerala Congress wants to "expand the base of the Ruling Front by including the political parties and groups with whom they could join on the basis of programmes and policies, through prolonged discussions and negotiations". It also wants to improve and strengthen the relations and understanding between partners in the Front.

The CPI(M) wants the "discredited and defeated" coalition to resign to facilitate a realignment of political forces. The other members of the CPI(M)-led united front have also taken the same position. The Congress (I) and its partner, the NDP, have also demanded the resignation of the ministry.

The demand for the resignation of the ministry has started gaining momentum. The annual conferences of a number of important trade unions held during the past weeks have demanded the resignation of the ministry. One of the big three in the Kerala newspaper world, the *Mathrubhoomi*, has editorially advised that it is better for the coalition to resign and seek a fresh mandate. *Kerala Kaumudi*, the third largest newspaper, has also recommended resignation in these circumstances as a healthy parliamentary practice. The *Malayala Manorama*, the biggest of the big three dailies, has called for the "unity of the democratic forces" which means the present Ruling Front plus Congress (I) and NDP, that is, the restoration in full of the anti-CPI(M) front formed in 1969. The Kerala Congress and the Muslim League would very much like to have such a front re-established. The CPI and the Congress would, however, prefer an understanding with the CPI(M) front.

Initially the CPI tried to attract just the CPI(M) and expand the Ruling Front. But this was promptly turned down by the CPI(M). Now, CPI state secretary Balaram has publicly stated his willingness to expand the present Ruling Front through the inclusion of the CPI(M)-led Front, excluding only the RSS part of the Janata. The CPI(M), on its part, has made it clear that all the partners of the Ruling Front are not acceptable to it as some are anti-CPI(M) and has reiterated its position of "resign and then talk". The CPI(M) just now is talking from a position of strength, while the ground is slipping fast from under the Ruling Front.

Each party in the Ruling Front has started assessing the strength of its allies and the opposition parties. The CPI(M) is, of course, the largest single party. Next comes the Congress (I). But it is a very poor second. Of the recent five by-elections, in two the two Congresses were pitted against each other. And in both, the Congress (I) secured the second position and the Congress the third. The Swaran Singh Congress by itself will not be able to secure many seats. The parties with real mass base in the Ruling Front are the Kerala Congress and the Muslim League. But then, their support is limited to certain pockets. Besides, the Muslim League has a rival in the Opposition League. And the Kerala Congress is threatened with a split. The Kerala RSP has some following in Quilon district. The CPI, though it can claim an all-Kerala spread, no longer has the mass base to win many seats. The CPI, the Congress and the Janata are generally assessed as having more or less the same strength, though the CPI is better organised. In the 1977 elections, the Ruling Front had secured nearly 51 per cent of the votes and 113 of the 140 seats. In the current by-elections in the four constituencies, the CPI(M) Front secured 46 per cent of the votes and all the four seats, while the Ruling Front secured 32 per cent of the votes and none of the seats. Such being the division of political forces, the result of any election is a foregone conclusion.

What the statements of the Ruling Front partners about the need for more radical policies, left-orientation, etc, means, after having been in power for a decade, is anybody's guess. Is it an indirect admission to the CPI(M) that it has been following wrong policies? The state chief minister declared the other day, at a conference of public sector executives, that the public sector has become a 'curse' and "a drain on the public exchequer". Top leaders of the CPI have been handling the Industry portfolio ever since 1967 and the chief minister's admission is ample proof of the failure of the Ruling Front and the CPI in particular. In this context, the idea of effecting ideological shifts overnight is just tall talk. If things were that simple, the Ruling Front could have just continued in office. Even today, it has a strength of 85 in a house of 140. Yet it is evident that the Ruling Front feels very insecure.

The politics of reformism and opportunism practised by the CPI in Kerala has come the full cycle. The same fate has overtaken the other partners of the Ruling Front. To resign or not to resign is the question, every party is divided, including the national leadership of the CPI. For the CPI, to reassess its role in 1969 and since then would mean a total shake-up in the party.

WEST BENGAL

Flogging and Patching Policy

Timir Basu

WHEN all the five working units, at Bandel and Santaldih, broke down at midnight on May 16, it was the first such time in the history of the West Bengal's State Electricity Board. But it was not quite an accident; it was part of the accumulating power crisis. Yet the authorities' response again was to discipline workers. When workers and engineers were working round the clock to right the ailing units at Bandel and Santaldih, termination notices were suddenly served on 21 employees who had been recruited by the erstwhile Congress ministry. These workmen, who have been employed for the last six years, were dismissed from service on 'police reports'.

Murshed, the power secretary, has been busy with his plan to bifurcate the Board. one responsible for generation and the other for distribution. Meanwhile, the causes of the mechanical troubles requiring a shutdown, the continuous power cuts, the production losses, continue. The nature of the defects have been known and repeatedly mentioned over the last year. Among them are serious lapses on the part of the management.

The Bandel plant, which has all along been adjudged to be the best maintained one, recently developed tube leakage similar to that in the Santaldih plant. All four units had been on load for six months without due overhauling. The seriousness and frequency of the breakdowns are thus increasing. In the early hours of April 8, the superheater zone in unit No 1 developed a tube leakage and the authorities shut it down only in the evening. Such a delay in shutdown would, of course, have endangered its life. On April 13, the unit was put on load just before noon. It went out of commission on April 20, again because of boiler tube leakage. Meanwhile, the management had no alternative but to close down unit No 2, also in order to avoid accident. Before a thorough overhaul was complete, the unit was restarted at midday of April 15: the boiler was fired at 2.10 p m, but by 6.37 p m shutdown was ordered. This time the tubes had developed not leakages but ruptures. Meanwhile, unit No 4 was in operation—notwithstanding leakage in the primary superheater and economiser. It broke down on April 18, in the evening.

In fact, until April 23, all units except unit No 3 had suspended generation. But the condition of even this unit required immediate shutdown, according to some workmen of the plant, as the unit had not been overhauled for 20 months. Patch-work *after* breakdown merely shortens the life of the unit. Before it was shutdown, unit No 4 had been producing power, despite minor tube leakage, for 13 days. The workers' union's protest was turned down. By the time the shutdown was ordered on April 18 what was a minor leakage had become a major hole. Meanwhile, high pressure steam had weakened the adjoining tubes too, thus shortening the life-span of the unit.

Indeed, continuous running of the plants, neglecting even routine maintenance, is one of the major sources of tube failure. Of late, as the power situation has worsened, the peak load percentage for Bandel units had surpassed all permissible norms. Political interference compelled the power authority, time and again, to maintain the peak load for periods so long that they endangered the life of the plant itself.

Another major reason for frequent tube leakage is the high range of flue gas velocity. Bandel boilers are designed to tolerate high ash content coal, but for years together coals with an ash content far beyond the tolerable percentage—sometimes containing more than 30 per cent ash—have been utilised. High ash content means high flue gas velocity. Finally the tubes get injured. Heated coal dust passing by the tubes corrodes them. The rate of corrosion is so high that frequent leakage results. It is alleged that coals with 40 per cent ash content are almost regularly charged at Bandel.

Again, nobody at the plant site seems to bother about the size of coal. Coal sized 1'-1.5' is used instead of the required size of 3"-5". Over-size damages the vibrator and paves the way to poor performance. Sometimes, even cement blocks are reported to have been detected in coal wagons.

For the last seven years, all the four units at Bandel have been running without feed water heater No 1 though each unit should possess five such heaters. Non-functioning of feed water heater No 1 means less heated water for the boilers. If production is to be maintained, excess coal must then be fired. This, in turn, increases the percentage of flue gas velocity and ultimately the superheaters get overheated. This superheater zone is a permanent source of leakage. Importation of feed water heater No 1 has been denied on the plea of a shortage of foreign exchange—though it has in effect meant loss worth hundreds of crores of rupees. Workers and technicians of the plant have repeatedly protested against such mismanagement, in vain.

Mismanagement in operations has reached such proportions that the Bandel thermal power station (BTPS), otherwise the best generating station in the state, may soon have to be declared obsolete. The plant needs alkaline water to arrest corrosion of the tubes. On April 15, chemicals were charged directly instead of slowly through a pipe with the help of a motor. As a result, tubes were ruptured. Chemicals carried over to the superheater zone cannot be suppressed, and a circular from the office of the Superintendent (OPRN) Mechanical, regarding cleaning of Boiler No 2 illustrates the callousness at the operational level. The circular dated April 27 reads: "It is apprehended that some chemicals, *viz*, trisodium phosphate, caustic soda, etc, have found their way inside the superheater tubes and deposited there. These deposits are harmful to the boiler tubes as they act as impediment in the way of heat transfer." It is also abnormal that an oxygen analyser is not maintained in all the four units at BTPS. In the absence of such analyser, flue gas velocity rapidly increases, and the tubes get quickly corroded. However, since simple roster pumps can do, management is reluctant to install the oxygen analyser. Patching up of minor leakages and cut-tube welding for major ones has, over the years, shortened the life of the tubes. If technical defects and mechanical errors are allowed to pile up, tubes will develop ruptures and blaming the workmen will not help. Negligence, inefficiency, and failure on the operational side are responsible for the miserable situation at BTPS.

Before examining the 'human factor' the Santaldih plant deserves attention at the technical level. If Bandel has the problems of leakage, Santaldih has problems of ruptures. Of late ABV (Durgapur), the boiler maker, has been very much in the news in relation to Santaldih. Boilers of all the three units failed due to in-built metallurgical defects. Neither the turbines and ancillaries of BHEL nor the boilers of ABV were evidently tested at the time of delivery. BHEL now have a permanent office at Santaldih to attend to consequent troubles. Each unit supplied by BHEL, supposed to produce 120 MW (peak load), goes out of commission if the load be increased to 90 MW. ABV reportedly dumped substandard equipment. Designing is no less important a source of trouble. DCPL (Development Consultant Private Limited) is responsible here. Whenever there was attempt at Santaldih to raise the load up to 100 MW, a particular zone of the boiler wall tubes would develop cracks. All three units have this problem. So a load-limit of 70-80 MW had to be put for unit

No I and 80-90 MW for unit No II. Despite this, tubes of unit No I were blown since water circulation was stopped.

With the change in management of the SEB in December 1977, the chairman ordered increase in production at Santaldih to surmount load-shedding. In the event, unit No 1 and No 2 were put on 100-120 MW load. Its immediate consequence was the tube-rupture which led to shutdown. Workmen allegedly owing allegiance to the Naxalite union were blamed for the failure of the power plant and, under plea o. sabotage, 'Operation Santaldih' was carried out in the second week of June 1978. Immediately afterwards, the units were put back with the load limit. For some time there was stability in generation, which seemed to confirm for a section of the Press that 'Naxalites' had indeed been responsible for the 'misdeeds'.

Santaldih boiler tubes are easily susceptible to even slight variation in thermal stress. Tube-bindings are designed such that unequal expansion is usual. Unlike Bandel, free ends of tubes at Santaldih do not get any space to expand in case of excess stress and hence tube-bending is a must. Tubes are thus easily weakened resulting in leakage and, finally, rupture. Time and again it has been proved that Santaldih boilers can withstand steam flow of 350 tonnes per hour, whereas designed capacity is stated to be 393 tonnes per hour. This 350 tonnes per hour steam flow can generate only 75 MW. Whenever there is an attempt to increase the steam flow, the furnace well tubes fail to circulate water and the tubes getting overheated virtually become elongated balloons. In-built metallurgical defects of the boiler and the boiler tubes, for which ABV (Durgapur) is responsible, have never been taken into serious account. Neither the government nor the WBSEB has ever held ABV responsible for its supply of substandard machinery. As an aside it may be that the CITU-led union at ABV has good relations with the management and some 55 CITU activists who were previously on the muster roll of ABV were given permanent employment at Santaldih immediately after June 1978.

Periodic checking of boilers by the boiler directorate was denied at Santaldih. In February 1978, the contract for boiler repair was awarded to a contractor, but later the SEB workmen were deployed since the contractor firm failed. BHEL's mill motors frequently go out of action, and feed pumps and seal oil system are defective. According to Kamal Ghosh, the victim of the Murshed plan, BHEL's feed pump bearings give the maximum trouble.

The coal pipes at Santaldih, supplied by ABV, havd become a problem too. These pipes have a number of flexible bendings and some special quality rubber tubings are required for the purpose. Rubber tubings of the pipes can hardly tolerate temperatures of 90°C though they are supposed to withstand 100°C. The result is leakage and permanent injury to the pipes, exposing the sensitive parts of the machinery to heated coal dust and highly inflammable carbon monoxide. Unit No 2 was closed down when its cables were burnt due to this coal dust. Now 114 cable joinings are required to put it all back into operation. Also, pumps, motors, and tubes get choked with high temperature coal dusts discharged from the coal pipe and sometimes they are damaged beyond repair. On the last occasion, unit No 1 necessitated a shutdown because the leakage in the water line was ignored at the early stage and an explosion was only narrowly averted. These are maintenance lapses which could be avoided.

Negligence still plays havoc. Thus, on April 17, a motor worth Rs 2.5 lakhs caught fire from sparks of welding and was completely destroyed. What was needed was simply a metal cover which was not provided.

Development Consultant Private Limited (DCPL) was consulted at every stage of development at Santaldih. Some major designing defects at Santaldih are costly gifts of this firm. Pumps have been installed underground with concrete roof-tops, as if they will not require maintenance. The arrangement of the feed pumps at Santaldih is a classic example of DCPL consultancy service. Each boiler has three feed pumps. They are so arranged at Bandel that any one of them can be overhauled without jeopardising production. But at Santaldih the shutdown is essential if the second feed pump is put under servicing.

The Enquiry Report on the disaster of unit No 3 was submitted immediately after the accident. The staff has little faith in it, however. Allegedly, 150 tubes were ruptured in unit No 3, perhaps an all-time record in mechanical failure. But operational failure and metallurgical defects were reasons given for the mishap at unit No 3 by some engineers and technicians. ABV is reportedly trying to shift the entire burden onto operations. Metallurgy is the responsibility of ABV, and it was the principal factor in this case.

In any case, Santaldih is a wrong site by all accounts. It has neither coal nor water nearby, though it is a thermal power station. It is not the load centre either; the entire load is despatched to greater Calcutta. If today Santaldih were to run at 80 per cent capacity, the Santaldih-Durgapur-Howrah channel would fail to carry the load. If the fourth unit is indeed commissioned in time, the channel would be the biggest problem.

Both at Bandel and Santaldih oil burners are frequently used, even in normal times, and once a fire did result. It is alleged that sometimes peak load is maintained with the help of load burdeners. All this makes for incurable injuries to plant machinery. Indeed, today's plight is attributed to the cumulative effect of all these factors.

The contradiction between transmission and distribution—i e, the TD section and generation or the mechanical wing—is likely to get sharper with the recent split in the Engineers' Association. The SEB men's complaint is that their expertise is not utilised while inferior technology is imported at a higher premium. Similarly, engineers in CESC and DVC get twice what their counterparts do in SEB. The recent move by Murshed, the power secretary, to split the Board into generating and distributing corporations has added fuel to the fire, as it is designed to place mechanical engineers in a more advantageous position A crisis in management is imminent and the government seems too preoccupied to overcome it. The authorities are busy purchasing power from other states. But stabilising its own production is going to be crucial to its own future plans.

ALIGARH MUSLIM UNIVERSITY

Capitalising on Communal Violence

Krishna Gandhi

PROBABLY for the first time since its inception, the Aligarh Muslim University (AMU) was the scene of communal violence on the night of May 10. That night shops in the Shamsad and Zakaria markets adjoining the University Campus, belonging mostly to Hindus, were set on fire by mobs of students. More gruesome than this, four persons were murdered by unknown assailants and one employee of the University was killed in police firing making a total of five dead. Scores of students were seriously injured in the clash with the police. The University has been declared closed till July 2 and all the hostels have been vacated. Life is at a standstill in the University area, parts of which are still under round-the-clock curfew. This violence in the compus contrasts sharply with last year's communal riots in Aligarh city when the AMU students (with Muslim-non-Muslim ratio of 55:45) had provided shelter and relief to riot victims. In the city itself a dusk-to-dawn curfew was in force even after more than ten days of the incident. An undercurrent of tension has gripped the city's population who are apprehensively waiting for the next flare-up of communal violence from which there seems to be no escape for them.

The Aligarh Muslim University was established in 1920 and till independence was governed by a 'Court' consisting wholly of Muslims, but with the ultimate power resting with the Governor-General. After independence the first AMU Amendment Act was passed in 1951 which, while retaining many of the provisions in the old Act, changed the composition of the Court to include non-Muslims. Also, religious education was made optional even for Muslims. Other amendments followed in 1965 and 1972 which took away the autonomous powers of the University to a great extent. The Court's powers were greatly curtailed, giving the Central government a direct role in the governance of the University through the Executive Council. Because of the emotional attachment of the Muslims of North India to the University (many of the leading Muslim leaders in pre-and post-independent periods have been products of AMU), various political parties from time to time have played upon the issue of the status of the AMU to their own advantage. In 1977, the Janata party promised minority status to the AMU to gain Muslim votes, though the fact is that the AMU has never been a minority institution despite being dominated by Muslims. After coming to power the Janata party did not keep its promise. The AMU Amendment Bill introduced in May 1978 and finally passed in the Lok Sabha about a month ago has sought only to restore some of the autonomous powers curtailed in the previous Amendment Act of 1972.

It was against this background that the AMU Students' Union decided to hold a rally on May 9 in front of Parliament to press for the granting of minority status to the University. According to a section of the campus community, the Vice-Chancellor is alleged to have played an active role in organising the rally. He is also reported to have sanctioned Rs 70,000 as demanded by the Students' Union, for the same purpose.

The immediate provocation for the flare-up on the night of May 10 was the incident that took place the day before near Dadri railway station in which some 600-700 AMU students, who were travelling to Delhi to join the rally, were attacked and brutally beaten up. There are two versions of the incident. According to one version, some students of the local DS College, considered a stronghold of the RSS, had also boarded the train along with the AMU students. These RSS elements are alleged to have organised a gang of students and others armed with lathis and iron rods about 2 km away from Dadri station. The train was stopped at this point by pulling the chain and the gang, approaching the train, asked all except the AMU students to get down. They then got inside the compartments and proceeded to beat up the students systematically and brutally. According to a second version, the AMU students had crowded into the train which carried a large number of milkmen travelling to Delhi. Altercations developed between the students and milkmen who sent advance instructions to fellow milkmen waiting to board the train at Dadri to organise a gang near the Dadri station. When the train reached there it was stopped and the AMU students were then brutally beaten up. Whatever the case be, there is no doubt that the attack was an organised one, though the role of the RSS in it seems to have been rather exaggerated. In the attack more than 70 students were injured while none of the attackers were hurt. Those seriously injured were taken to Delhi for treatment in the same train and those with less serious injuries returned to Aligarh.

The attack at Dadri took place around 9 a m and by early afternoon the first batch of students had returned to Aligarh. The news of the incident spread like wild-fire among the remaining students in the campus who formed about half the total strength. The attack was painted as the dastardly act of the RSS and communal feeling were whipped up among the students. An abortive bid was made to burn a vehicle around 4.30 p m. Meanwhile the district authorities moved in a number of police contingents to the Shamsad market area which lies almost inside the campus. This further provoked the students. In the evening they marched to the Staff Association building where the teaching community gather regularly in the evenings and accused the teachers of not coming to their help but instead of enjoying themselves as if nothing had happened. Some of the students were rebuked by some teachers for their misbehaviour and their houses were later attacked by the students. The students wanted the police to be removed immediately from the campus premises. That night the University authorities (the VC was away in Delhi) met the district administration and requested them to remove the police which was then shifted to the compound of the Employment Exchange near MacDonnel Hostel. Nothing further happened that night.

Early in the morning of May 10, around 3 a m, the students who had gone to attend the rally in Delhi came back in buses bringing the injured also with them. However, the top union leaders were not yet back. A meeting of the Students' Union scheduled at 10 a m had to be postponed to the evening. The VC who had by then returned called a meeting of the teachers for discussing the situation. However throughout the day no positive step was taken to defuse the situation.

That evening too, students assembled before the staff club and accused the teachers of sabotaging the students' interests. The furniture, windowpanes etc of the building were damaged. Some sources in the campus claim the hand of Muslim communalists behind these attacks because they had not fully supported the demand for the granting of the minority status to AMU. From the Staff Club the students marched to the residence of the VC to demand the total withdrawal of the police forces from the campus. Meanwhile on the Anupshahar road passing between the Shamsad market and the various student hostels, a bus was set on fire by a mob of students. An attempt was also made to stop a police truck coming down the road from the Radio Colony side by putting obstacles in front of it, but it was unsuccessful.

Around 7 p m the students from the roof-tops of the hostels started hurling stones at the police stationed on the

opposite side of the road. There was also firing with country-made pistols, having a range of 10 feet or so. Around 8.30 pm the first shop (a sweetmeat shop) was attacked. The police who were watching did nothing to prevent the attack but instead marched down the Anupshahar road. They were then stoned and brick-batted and the police retaliated by lathi-charging the students. Meanwhile around 9 pm, the University siren was sounded by someone. (The siren is usually sounded to summon the students for general meetings.) Students from the hostels started pouring out in large numbers and joined the mob on the road. From then onwards large scale arson of the shops began. About two dozen shops in the Shamsad market along a half-a-mile stretch on the road were set on fire. Most of the shops belonged to Hindus.

During the clash between the police and the students, a rifle of a ploiceman was snatched by someone. Some of the policemen entered the compound of the nearby 'Aftab Manzil' where they started searching for this lost rifle and in the process intimidating the residents there. A student was caught and brought to the compound where he was brutally struck by rifle-butts. In the prevailing confusion, the ex-president of the AMU Students' Union, Javed Habib, who had come to pacify the students, heard that some students were trapped in the Aftab Manzil compound. As he approached the compound along with two others in a bid to help the students, the police fired on them. One of his companions, Mohammed Ahmed, an employee of the Medical College, was killed in the firing.

Meanwhile in another part of the campus near the Zakaria market and the Medical College worse things were happening. The local people allege that goonda elements from city started coming into the area around 8.00 pm. Three shops in the Zakaria market were set on fire. Praveen Kumar Saxena, a BSc (Engg) Final Year student of AMU, who was seen riding on a scooter through the area at that time, was murdered with his body along with the scooter was discovered lying in a gutter nearby. In the same area, three more bodies were subsequently found. In all these four cases, death was due to knife-wounds and in some cases also of gunshot wounds. The knife-wounds were expertly inflicted.

The arson and violence continued till late in the night and the shops continued to burn till the morning of the 11th. The district administration was able to bring the situation under control only by then although the curfew had been imposed the previous night. On May 11, the district authorities asked the VC to close down the University. The VC according to reports, was reluctant, but was finally persuaded to do so. The University was announced closed till June 1, and subsequently till July 2. Special buses and trains with police escort were arranged to take the students out of Aligarh to their homes.

The events of May 10 clearly show that there was no attempt by the district administration and the University authorities to prevent the situation from deteriorating. The top Students' Union leaders were absent from the scene when communal passions were being worked up. All the three parties seemed to have acted with the positive intention of letting the events drift inevitably to communal violence. The Chief Minister has given varying statements on the incident based purely on political expediency, with an utter lack of concern for the people involved.

As reaction to the AMU incidents, a series of posters and slogans have appeared in the city. One poster issued by the local unit of the Janata Yuva Morcha is entitled 'An Emotional Appeal' and is addressed to the parents of the Hindu students of the AMU requesting them to notify telegraphically the absence, if any, of their sons/daughters. This is a deliberate attempt to increase tension. In answer to the poster 'Zulm Kab Tak? Grant minority status to AMU, Otherwise....', 'Do not grant minority status to AMU, Otherwise....' have appeared. Slogans demanding the nationalisation of the AMU and affiliation of the local colleges to AMU as well as some very provocative slogans like 'Where are the Pakistanis—they are in AMU' are to be seen on the walls of the DS College and nearby areas. The 'Udyog and Vyapar Mandal' of Aligarh called for an Aligarh Bandh on May 21 to protest against the attacks on the Hindus and their shops in the University area. Fortunately for the inhabitants of the city the bandh passed off peacefully. Reports have also appeared in the local newspapers of the formation separately of an organisation of the Hindu staff of the AMU with the proclaimed objective of ensuring the safety and the interests of Hindus in the AMU.

While the political parties of various hues and colour are busy trying to make political capital out of the incidents, the situation in Aligarh continues to be tense. And it is doubtful whether Aligarh will ever be free from communal tension so long as these parties continue to dominate Indian politics.

RELIGION

The Bohras: Bound by Terror

Asghar Ali Engineer

THE Bohras, a Shia Ismaili Muslim sect, are a petty business community numbering around a million and living in India as well as abroad. They are as a rule conservative in their outlook and submissive to authority—religious or political. The religious head of the Bohras—the Syedna—has taken full advantage of this conservatism and submissiveness to establish what is virtually a personal religious empire'.

At the turn of the century some Bohras who had acquired Western education challenged the authority of the 51st Dai (the father of the present incumbent who happens to be 52nd in the chain of this non-hereditary religious office). While they acknowledged his religious headship they desputed his claim to complete control over every other aspect of their lives. The Syedna retaliated by ex-communicating them. The Bohra masses by and large followed Syedna's firman. Many law suits were successfully filed in this connection by the reformists in the British courts. But their legal victory did not sway the Bohra masses with whom they could not remain in contact due to their ex-communication, and the Syedna was able to convert his legal defeats into victories with the help of his phenomenal wealth. This cry of 'religion in danger' too stood him in good stead.

What are the issues at stake? The reformists plead that they should be free to enjoy democratic and human rights as guaranteed by the country's Constitution. Today a Bohra cannot even vote freely or contest in an election without prior approval of the priestly establishment. The Bohras of Udaipur led by the Bohra Youth Association had to pay dearly for their defiance of the priestly injunction not to vote for certain candidates in the local municipal elections in 1970. Likewise the Bohras cannot marry or start a charitable organisation without the Syedna's permission. They are forbidden to read newspaper and periodicals censored by the Syedna. All that the reformists want is an end to such totalitarian control over the Bohras' lives which cannot be supported by any religious injunctions whatever their interpretation.

The Nathwani Commission set up by the citizens for Democracy following two resolutions by the CFD national executive in August and October, 1977, has in its report released last month found that "there is large scale infringement of civil liberties and human rights of reformist Boharas

at the hands of the priestly class and those who fail to obey the orders of the Syedna and his amils, even in purely secular matters are subjected to *baraat* (social boycott) resulting in complete social boycott, mental torture and frequent physical assault".

The five-member Commission investigated many complaints of atrocities and found them to be true. One witness (Memunabia daughter of Rajabali Bagpurawala from Udaipur) told the Commission: "My brother was breathing his last. My sister Shirin who is married to one who is the supporter of the orthodox section wanted to see her brother's face for the last time and so rushed down to our place. The result was that her husband, at the instance of the priesthood, prevented her from returning to her home. He told her that by going to the residence of our father who was a reformer she had polluted herself. In this way she was prevented to return to her home for six months and after compelling her to express repentence and to give *misaq* again (the oath of unquestionable obedience to the head priest), she was allowed to return. Since then I have not been able to see her face. She is not allowed even to pass by our house. In 1976 when my sister Sakina was married, Shirin was not allowed to attend the marriage."

Another case recorded by the Commission brings out in horrifying detail the way dissenting members of the community (although their dissent is restricted to secular matters) are persecuted. The case was narrated by Mohamad Sajjad Hussain Sarangpurwala. Sheikh Sajjad Hussain, father of Mohamad Sajjad Hussain, was an eminent teacher in an Arabic College in Surat run by the Bohra priestly establishment. Sheikh Sajjad Hussain, along with other three teachers of the same college, was suspected of secretly supporting the reformist cause. All the four teachers were dismissed from the college. The Bohra high priest declared *baraat* against all the four teachers. He started referring to them as *maloon* (hated creatures or Satan) and informed his followers everywhere accordingly through a circular. He called the family members of the four teachers to his place and told them either to expel the four persons from their respective families or to leave them collectively and curse them. When they refused to do so, they were manhandled by the followers of the Syedna and *baraat* was declared against the family members also, resulting in their intolerable isolation from their community. Mohamad Sajjad Hussain's wife was forced to divorce him. His four month old daughter was declared *harami* (bastard). Similarly the son-in-law of Shaikh Hassan Ali (another teacher) was forced to divorce his wife; and as he was serving in the Syedna's establishment, he had to carry out the order even though he was deeply attached to his wife. The witness also stated that all the four teachers were called before the Syedna and in his presence other teachers and pupils of the Arabic College were asked to curse them, spit on them and abuse them. On the same night (January 1, 1971) a mob of about 300 persons attacked their houses and looted household properties and books of religion. At that time Shaikh Hasan Ali (one of the four teachers) was called out and severely beaten by his own pupils. The persecution went on uninterrupted over the years. On the night of November 22, 1974 Mohamad Sajjad Hussain's house in Surat was surrounded and the members of the family were severely assaulted by a frenzied mob consisting of the teachers and pupils of the Surat Arabic college. Sheikh Sajjad Hussain, the witness's father, was so severely assaulted that he succumbed to his injuries in the hospital.

The Syedna and his henchmen have not spared even women. Mehfooza Abid Hussain Adib of Udaipur, aged about thirty, whose husband is a reformer, narrated the harrowing tale of the collective assault upon her and other women who supported reformist cause at Galiakot on February 28, 1973, where they had gone on the occasion of an *urs*. She was confronted there, accused of being an enemy of the Syedna and was asked to condemn her husband who was described as a *kafir*. When she refused to do so, she was hit on her head with a lathi. "I felt giddy. After sometime when I regained consciousness I saw that some persons were casting lustful eyes upon me. They also abused me. My outward garment was torn. In this state I had to run upto the market from that place. Some persons were still pursuing me With great difficulty I could hide myself in a house." Mehfooza Abid Hussain Adib said that other women who supported reformist cause were similarly assaulted in the very presence of the Syedna. When they pleaded for mercy, the high priest remained unmoved and kept on smiling. "That black day can never be erased from our memory, as long as we live." These are but a few of the large number of instances of persecution and physical assaults recorded by the Commission.

A most reprehensible practice of the Syedna is his use of *misaq* (oath of allegiance) as an instrument of slavery. The Commission has observed: "The implication of this oath is clear. It is that a promise of absolute obedience to all the future commands of the Dai, whatever they are, and whatever be their subject matter, is a condition of being a Dawoodi Bohra. One has to accept the Dai not merely as a religious head but as a master in secular affairs as well. This puts the Dai in the position of an absolute dictator controlling all the aspects of the life of all members of the community. Even God is not above the Dai, because the oath says that if Dai's orders are broken even God will not pardon the person who has disobeyed the Dai's orders. And what is the sanction for breach of the covenant? Not merely the fear of hell and torture in the next life but complete ostracism and pauperisation in this life as well. The offender's property should be looted and his nearest relations should break away from him. He stands automatically divorced from his wife.

Thus complete surrender to the Dai even in secular matters is the price one has to pay for becoming a Dawoodi Bohra. The *misaq* in the form in which it is being administered since the time of 51st Dai implies that only a slave, not of God but of the Dai, can be a true Dawoodi Bohra. It is difficult to say how the human being with any sense of self-respect can take such an oath or having taken it when he was a minor can ever think of respecting it. If he stands fully by this kind of oath, he would be placed in a position of an offender not only against the laws of the State but also against the law of God. He cannot criticise the Dai in public or in private. He cannot read the books or magazines which are indexed by the Syedna. He cannot maintain any intercourse with those on whom the Syedna's wrath has descended. He must participate in the looting of the property of a disobedient person if asked to do so. He must join in the war against the enemies of the Dai if commanded by him to do so. In short he should do whatever is commanded and should not do what is forbidden by the Dai. He has to mortgage the rest of his life to the Dai in choosing whom he had to voice.

In view of all this the Commission feels that suitable legislation should be passed to relieve hardships of the community. The Commission has recommended that *baraat* or social boycott so frequently resorted to by the high priest should be made illegal and penalised as an offence. Secondly *misaq* should be limited to obeying of the Syedna's directions only in religious matters. If the Syedna refuses to do so, then the giving of *misaq* in its present form should be prohibited by law. Thirdly, in all the trusts where the Syedna claims to be the sole trustee, and the receipt and expenditure of all the customary taxes and *nazranas* should be regulated by suitable legislation. Acts like Wakf Act of 1954 and the Durgah Khawaji Saheb Act of 1955 show that such legislation is constitutionally valid. Since many of the trusts receive income from different parts of India and abroad, and since the customary taxes and *nazranas* are also collected in India and other parts of the world, regulation for the collection of such trusts and income should be the responsi-

bility of Parliament rather than that of any state legislature.

It should be noted that the Syedna is extremely wealthy and his money controls many politicians, especially from among the Muslims. Many Congress politicians have been beholden to the Syedna who, they believe, controls Bohra votes. The Commission itself has revealed that the Syedna has been, from time to time, ordering his followers to vote for the Congress party candidates in various elections. Naturally, now that the Congress is no more in power, the Syedna is busy building bridges with the Janata party.

The powerful vested interests among Muslims are ever ready to cry wolf about assaults upon 'minority rights'; and the anxiety to ensure the Muslim vote makes the ruling party reluctant to initiate, or even support, moves made by enlightened sections among Muslims themselves for purposeful social legislation in the interest of suffering Muslims. It is therefore, difficult to say whether the modest recommendations made by the Nathwani Commission which did not in any way violate the spirit of the Constitution in so far as the minority rights are concerned, would be implemented by the Janata government. The liberal and the enlightened sections of the Muslims have wholeheartedly supported the cause of reform in the Bohra community, and many Muslim writers, intellectuals and teachers, belonging to the Aligarh Muslim University, Jamia Millia Islamia, Jawaharlal Nehru University, Delhi University, etc, have urged the government to implement the recommendations of the Nathwani Commission. Will the government show enough courage to end this reign of terror in the Bohra community?

PAKISTAN

Islamisation of an Islamic Republic

ON February 10, 1979 (12 *Rabi ul-Awwal* the birthday of Prophet Mohammad) Pakistan's Chief Martial Law Administrator and President, General Zia-ul-Haq, announced the much-heralded Islamisation measures. The measures deal broadly with taxation and deterrent punishments for various crimes. Such measures to 'Islamicise' the Islamic Republic of Pakistan were necessary to justify the regime's existence. By making the present regime synonymous with Islam, its leaders hope to make any criticism of the regime appear 'unislamic'.

Prior to this, the military government had already taken a few steps (each time with a great deal of fanfare) towards Islamisation. These consisted of revision of text books, switchover of the medium of instruction from English to Urdu in schools, changes in radio and TV programmes to spotlight national identity, establishment of *shariat* benches for reframing laws according to the tenets of Islam and setting up of a post-graduate faculty of *shariat* at Islamabad University to produce experts with a thorough grounding in Islamic jurisprudence and *shariat*.

While announcing the formal enforcement of *shariat* laws, Zia painted a picture of a heretic and degenerate Pakistan where the new generation was not acquainted with the ideology of Pakistan and where people were pursuing materialism. It was not easy, he said, to "reform a degenerate society" and it required "courage, time and continuous struggle" to do so. He then went on to say that the important objective of an interest-free Islamic economic system could not be achieved immediately; such system could only be introduced in stages and would take upto three years to complete. *Zakat* and *Ushr* were being introduced "to begin with".

On closer examination of the two types of law introduced—the welfare-oriented and the punitive—one finds that the welfare measures, through the collection of *Zakat* and *Ushr*, are actually another way of earning more money for the treasury. *Zakat* (tax on wealth) and *Ushr* (tax on agricultural produce) are to be in addition to the existing taxes. Both are supposed to be 'voluntary' contributions, to be deposited on the basis of self-assessment in accounts opened specially for this purpose, at local, provincial or central level. At the same time, a part of *Zakat/Ushr* has been made mandatory, showing government's skepticism regarding such voluntarism. From July 1, *Zakat* is to be levied at the rate of 2.5 per cent on amounts over Rs 1,000 held in all accounts (except current accounts) in banks and financial institutions. The measure has already frightened depositors who are not only desisting from putting in money but have also withdrawn large sums from banks to avoid this additional tax burden.

Ushr, the tax on agricultural produce, shall be payable at the rate of 10 per cent on produce from *barani* (rain-fed) lands and at 5 per cent on produce from canal and well-irrigated lands. A point to be noted about *Ushr* is that no distinction has been made between the landowner and the tenant farmers. In fact, with the existing relations between landlords and tenants there is all likelihood of the tax being shifted to the tenant.

The proclaimed objective of *Zakat* and *Ushr* is the alleviation of the needy and poor. The success of the programme will depend on the administration and utilisation of funds for which elected local committees of 'god-fearing and pious' persons are envisaged. With the tradition in Pakistan of a system of patronage emerging around any person in a position of authority and power, the nature of the one due to emerge around the local committees of 'god-fearing and pious' can be easily imagined. An additional problem may be the provision for linking local body structure with the utilisation of *Zakat* funds after the local bodies elections which Zia-ul-Haq wants to hold before national elections. At the provincial and central level *Zakat* councils are to have as members the *ulema*. The judiciary too is being wooed, with retired judges expected to be chairman of these councils.

The punitive measures of the Islamic order were promulgated through four presidential orders. Under Islamic law the extreme limit of punishment is called *hadd*. The four *hadoods* (limits) are drinking, adultery, theft and false allegation. The punishments are certainly very primitive and barbarous—cutting of hands and feet for theft, stoning to death for adultery, upto hundred lashes and stripes for various crimes ranging from drinking to *qazf* (false allegation of adultery). There are detailed specifications regarding the whip to be used for administering lashes—one single piece made of leather, cane, or branch of tree having no knob or joint, having a maximum length of 1.22 metre and a maximum thickness of 1.25 cm.

There have also been quite learned debates about the actual interpretation of these provisions. The Shia sect of Muslims, for instance, do not agree that the punishment for theft should be amputation of the right hand from the wrist. According to them only the fingers are to be amputated. The question of returning the severed hand to its owner and the possibility of it being grafted back has also been raised. Similar differences on interpretation are expected from the Barelvi, Deobandi and the Ahl-Hadees schools of thought on different aspects of Islamic laws.

Women have reason to be perturbed over the enforcement of these Islamic laws. What they fear is the repeal of the Family Laws Ordinance—a relatively progressive legislation—which gives women some protection through the right to divorce and the right to receive payment for maintenance of children in a broken marriage. The ordinance also curtails the right of the Muslim male to have

four wives. The woman's fears are certainly not unfounded, for the Family Laws Ordinance is under review. The new measures further emphasise the women's inferior status through provisions like the one which makes the evidence of female witnesses unacceptable in courts of law.

Perhaps the intention of these 'Islamic' measures is not to reform the present legal system but only give the appearance of doing so. So far hardly any case has been admitted under Islamic law. Had the military regime been really serious about the implementation of Islamic laws, it would have tried Zulfikar Ali Bhutto under them; and under Islamic law pertaining to murder, which requires eyewitnesses to testify against an accused, which does not take complicity into consideration, and which has a provision for payment of blood money as compensation for life taken, Bhutto could never have been convicted and hanged.

WEST GERMANY

Pipe-Dreams of Reunification

Ramesh Jaura

WEST GERMANY celebrated on May 23 the thirtieth anniversary of the enactment of 'basic law', amidst a strong controversy raging on the prospects of German reunification. The issue is indeed of far-reaching significance and closely connected with the basic law, initially intended to be a provisional constitution.

Four years after the collapse of the Third Reich and the unconditional surrender of Germany, representatives from the occupation zones of the three Western powers—the US, UK and France—laid down fundamental rules for the structure and development of what came to be known as the Federal Republic of Germany. Because of the division of Germany, they decided to call this set of rules not 'constitution', but 'basic law'.

The preamble to the basic law stated that the German people in Western occupied zone had "also acted on behalf of the Germans to whom participation was denied". Further, it called upon "the entire German people to achieve in free self-determination the unity and freedom of Germany".

The new-born West German state ruled by the conservative Christian Democratic Union (CDU) and its Bavarian counterpart, Christian Social Union (CSU), left no doubt that it regarded itself the sole representative of the German people, including those in the German Democratic Republic. This view was backed by Paris, London and Washington—at least in statements.

To reinforce this assertion, Bonn evolved the "Hallstein doctrine" according to which any country establishing diplomatic relations with the GDR had to count with diplomatic rupture with FRG. Yugoslavia's decision to recognise the GDR in 1958 led to snapping of ties with West Germany. Seven years later, the Hallstein doctrine combined with Bonn's relations with Israel led ten Arab states to sever relations with FRG. However, the doctrine was not enforced when Konrad Adenauer established diplomatic relations with Moscow in 1955.

Adenauer charged "atheist Bolshevism" of the Soviet Union with both hindering the path of reunification and menacing the free world order. But the chancellor and his party, the CDU-CSU, knew very well that FRG was the result of Hitler's senseless war; that it was a creation of allied policy; and that the Soviet Union held the key to German reunification. These three points, still valid, are crucial to any debate on the issue.

But there are also other road-blocks to German unity. The growing economic, political and military strength of West Germany is already a cause of concern to its allies in the West and neighbours in the East, despite the fact that Bonn has repeatedly sought to assure that it has no great power ambitions. Besides, the 1973 comprehensive Treaty on the basis of relations between the FRG and GDR and bilateral agreements with the Soviet Union and other East Europen countries oblige Bonn to recognise the present state boundaries in Europe. Of course, Bonn has nowhere in these treaties budged in on its stand on one German nation. But then the concept of one nation based on linguistic foundation is highly questionable.

Just as the Hallstein doctrine has had to be abandoned at the end of the 1960s, the dictates of realpolitik have forced the leading political parties in West Germany to regard unification as a distant goal which may or may not be achieved. In the view of official Bonn, European unity, encompassing the whole of Europe and not just West Europe, should provide the broad framework for German reunification. Despite the forth-coming elections to European parliament even West European unity is hardly within reach.

In this context, views expressed on the issue of reunification of Germany by eminent West German leaders are significant. SPD parliamentary party leader Herbert Wehner, Willy Brandt and liberal FDP veteran Borm have described the 'unity of Fatherland' as an 'illusion' which needs be discarded soon. A West German diplomat in Berne has gone even further in calling for an amendment to the basic law and dropping the very reference to German unity.

Foreign Minister Genscher however disagrees. The task assigned by the constitution, says Genscher, must be achieved with patience and by peaceful means. In his recent report to parliament on the State of the Nation, Chancellor Helmut Schmidt has reaffirmed that the *goal of unity, within the framework of* European peace, is "the consummation of our liberal democracy".

It was not, however, the issue of German reunification which attracted world-wide attention on the occasion of the 30th anniversary of basic law, but the election of Karl Carstens, an 'ex-Nazi' as president of West Germany. Karl Carstens, the CDU-CSU opposition nominee, was elected to this largely ceremonial post on the very day of the anniversary of the basic law.

Carstens' nomination itself was surrounded by a strong controversy about his war-time membership of the NSDAP.

According to the CDU-CSU Opposition of which he was the nominee, Carstens was forced to join the Nazi party and in any case his membership was nominal, as he went to the army. After the war, he was cleared of active Nazi involvement by a tribunal. In the post-war period, Carstens proved his credentials as a democrat, first as a representative of the Bremen city government in Bonn and later as a state secretary to the foreign office, defence ministry and the chancellor's office. Besides, even the outgoing president Walter Scheel was a member of the Nazi party and served as a fighter pilot in Hitler's airforce. Like Carstens, Scheel was also cleared by a post-war tribunal. Even Chancellor Helmut Schmidt was a Hitler youth leader.

If the opposition had not insisted on putting up a nominee of their own, Walter Scheel would have remained in the job. Described as "unquestionably the most popular president in the three decades of the West German state", opinion polls revealed that 80 per cent of the population would have liked Scheel to continue as the president. But in view of the opposition commanding an absolute majority in the federal assembly electing the president, Scheel did not want to contest.

The debate about the presidency has led to mounting demands for choosing the president through popular vote. Supporters of the proposal say that democracy is now sufficiently deep rooted to make the change. The electoral system for the presidency was chosen to avoid the kind of pitfalls that marked Germany's last venture in democracy, the Weimar Republic, in the aftermath of World War I, which actually enbaled Hitler to become dictator through constitutional means.

REVIEWS

Grapes from Thorns and Figs from Thistles

C T Kurien

The Curtain of Poverty: Choices for the Third World by Mahbub ul Haq; Oxford University Press, Delhi, 1978; pp 247, Rs 25.

MAHBUB UL HAQ's name became familiar in our country in the early seventies when it came to be known that one of Indira Gandhi's speeches on her new and radical economic strategy to make a frontal attack on poverty was based on one or two of Haq's equally radical pronouncements to stand economic theory on its head.* Haq, economist trained in Cambridge and Yale, former member of Pakistan's Planning Commission, and currently Director of the Policy Planning and Programme Review Department of the World Bank has been a champion of the cause of the poor and continues to be an articulate spokesman for the Third World, In this book he gives an evolution of his thinking on poverty and outlines the choices for the Third World. The book is neither autobiography nor a collection of speeches and articles although it has a sprinkling of all these. It is a different kind of book wherein on each major issue the author gives his past position and his present views. It is, therefore, a sort of a biography of ideas. It is divided into three parts, the first dealing with the problem of poverty within the Third World and the next two examining broader international aspects.

The four chapters in Part I outline the revolution that Haq brought about in the thinking on economic development including his now famous keynote address to the 12th World Conference of the Society for International Development, Ottawa, May 1971, in which he criticised the GNP oriented development policies which relegated to the background social justice and the eradication of poverty and unemployment. "Let us stand economic theory on its head" said Haq. "We were taught to take care of our GNP as this will take care of poverty. Let us reverse this and take care of poverty, as this will take care of GNP". These words to which "the academic community in the Western World reacted in shocked disbelief" and which were received with great acclaim by the leaders of the Third World ushered in a major shift in the thinking on development, claims Haq. This is true if we see how rapidly the idea began to spread. After the first shock wore off leaders of the Western World also came round to the same view. In September 1972, just after two of Haq's speeches, McNamara spoke for many of them (says Haq) when he exhorted the Board of Governors of the World Bank, and all aid givers and receivers, to give the highest priority to the needs of the most deprived 40 per cent of the populations of the developing countries.

But was this a revolution or a passing fashion? Haq, the creator of ideas is realistic enough to admit that in less than half a decade the revolution had become passè:

> The concern for the bottom 40 per cent is in danger of becoming an intellectual and political fashion rather than a serious policy issue. Conferences and seminars are being organised every day, with such breathless rapidity that almost the same *participants stagger on from one place* to the next bemoaning the fate of "the by-passed people", "the marginal man", "the bottom 40 per cent", "the forgotten majority", etc, in relatively comfortable and exotic surroundings in which these conferences are increasingly held. There is little serious work on the dimensions of poverty and concrete policies to tackle, particularly in the developing world whose problem it basically is.

How ironically true that in our days ideas have wings, but not feet! Haq, however, is optimistic because he believes his ideas are correct. And every now and then he makes a wistful reference to China ("The secret visit of Henry Kissinger to China in March 1971, which was revealed shortly after my first speech, made it somewhat easier to talk about China's development experience in American forums") and asserts "it can be done". Apparently Haq's enlightenment has not led him to see that it is not possible to gather grapes from thorns and figs from thistles. Also, as long as there is no immediate "danger" of the rest of Third World countries doing what China did, there is no harm in urging them to do so.

In his treatment of the international aspects of poverty Haq makes effective use of the insights he has gained as a former member of Pakistan's official delegation to the aid consortia, as member of many United Nations agencies and as a senior officer of the World Bank. He reveals something of the inner workings of aid diplomacy holding back only subjects that are "too recent and too delicate". His assessments of the "Limits to Growth" debate, the environmental threat and the population burden are incisive and expose many of the hidden and not so hidden fallacies in the global discussions on these issues. What emerges clearly is the high propensity of the richer nations of the West to turn all global and future issues to reinforce their own economic positions and privileges now. It is against this background that Haq enters into a discussion of the New International Economic Order. His message is that "poor nations must organise their 'poor-power' [to] wring major concessions from the rich Nations", and that the movement to have a New International Economic Order must be viewed "as the birth of a new international trade unionism of the poor nations where the Third World was serving notice that it would negotiate with the developed countries in the future through the instrument of collective bargaining". Haq identifies the bargaining power of the poor countries. The first is their numerical strength. They now constitute 70 per cent of the world's population, which is likely to go up to 80 per cent by the turn of the century, and may be even 90 per cent by the middle of the next century. No wonder the *Western world is concerned about the* growth of population in the developing countries! Secondly, the spread of nuclear capability among the Third World countries will add to their bargaining power. Their control over most of the agricultural raw materials is another, and so their vast potentials as markets. Third World countries must also make use of any advantage they come to have to press for structural changes in the international economic order. Thus "the international

*Of this episode Haq has this to say in the book: "The reactions [to his speeches of 1971 and 1972] in the Third World was encouraging....The Prime Minister of India, Mrs Indira Gandhi, paid a particularly flattering tribute by including many portions of these speeches, almost verbatim, in a major policy speech of her own on India's development strategy." And he adds in a footnote: "This led to some unfortunate embarrassment for her in the press which criticised her, unfairly, for quoting a Pakistani economist without acknowledgement."

monetary system can be restructured simply through the device of OPEC members insisting on payments for their oil exports in SDRs, rather than in national reserve currencies of the rich nations".

In connection with the NIEO, the Third World countries must not succumb to the baits being frequently thrown out for marginal adjustments and for bilateral arrangements and must press hard for structural changes. These must include a World Development Authority which will have power to determine major development issues of the world, an International Central Bank with power to create an international currency, an International Development Fund to be formed on the basis of international taxation, such as 10 per cent of expenditure on armaments, an International Trade Organisation and a World Food Authority.

These, again are good ideas. But in this case it is doubtful whether they will even come to have wings, at least in the near future.

I G Farben and the Third Reich

Frederick F Clairmonte

Crime and Punishment of I G Farben by Joseph Borkin; The Free Press, London, 1978; pp 250.

PERHAPS no economic sector of the German economy from Bismarckian unification to the smashing of the Third Reich so richly exhibits the interrelationship of big business and political power as the chemical industry. From 1856, when the pioneer discoveries of the 18-year old English chemist William Henry Perkins laid the foundations of the dyestuff industry, the strides of the chemical industry were partnered by uninhibited economic concentration. By the turn of the century three major corporate giants (BASF, Bayer and Hoechst, ultimately to become I G Farben, and to emerge after 1945 as I G's successor firms) dominated an industry which in its scale of operations, research and marketing capabilities leapt the confines of Imperial Germany.

In his thorough documentation of I G Farben's ascendancy Borkin, chief legal analyst of the patent and cartel section of the Antitrust Division of the US Department of Justice (1938-46) dissects its corporate relationships to 1945 and beyond. "Without I G Farben and coal", declared Streseman of the Weimar republic, "I can have no foreign policy". But its pre-eminent services were to be reserved for the Third Reich a decade later. For with coal and I G, Hitlerian rhetoric was immediately translated into an almost impregnable military phalanx.

I G's corporate structure, as with several other corporations of the time, was directly modelled on John D Rockefeller's Standard Oil Trust at the turn of the century. Under the pressures of a war economy and the post-war dislocations, Germany's chemical corporations became formally integrated on December 9, 1925, which immediately triggered the mergers within the British chemical industry under the auspices of Imperial Chemical Industries in 1926. I G's status as one of the giant transnational corporations was now to be swiftly consolidated through a maze of cartel agreements with other chemical giants: Kuhlmann (France), ICI (UK) Montecatini (Italy), Aussiger Verein (Czechoslovakia), Boruta (Poland), Mitsui (Japan) and Du Pont, Dow and Standard Oil of the USA.

By 1937, I F Farben's nazification was completed with all leading members of the board transformed (with one exception) into Nazi party activists. I G had become not merely the most generous financial contributor to the Nazi coffers (to be handsomely rewarded with takeovers of the chemical industries in occupied territories), but fuelled the techno-scientific power of Nazi expansionism. It produced almost all of the synthetic oil (direct and by licence), synthetic rubber, poison gases, magnesium, lubricating oil, explosives, methanol, sera, plasticisers, dyestuffs, nickel and thousands of other items of Hitler's war machine. Never before in the history of militarism had a spokesman of big capital (Krauch) occupied such a vital role in the military planning of war: the apotheosis of Eisenhower's concept of the industrial-military complex.

Auschwitz, the name of that Polish village, was but one component of that complex which Krauch had personally selected, the I G Auschwitz industrial complex, operated by slave labour, was financed exclusively by I G's capital at the astronomic cost of $US 250 million with its own private concentration camp. The first experimental and highly successful mass killings by Commandant Hoess, using Zylon B, under the supervision of the "devils' chemists" as they were subsequently branded by General Telford Taylor, involved 500 Soviet war prisoners in August 1941. Without discrimination the floodgates of death now swung wide open to all ages, all nationalities, all races.

On May 12, 1948, the trial of I G Farben's war criminals ended in the cold war ambience that descended on the Nuremberg tribunal. I G's five leading executives received sentences from 7-8 years on charges of "slavery and mass murder"; seven others received 1-4 years for "plunder and spoliation". The defence, as Telford Taylor had foreseen, had no difficulty in arguing that I G's executives were, as with their counterparts in other countries, normal businessmen, godfearing, family men. Since 1917 (a thesis also paraded before Marshall Foch and President Wilson by those charged with using poison gas in 1914-1918) the leaders of the chemical industry had battled Bolshevism. This repertory was to be relentlessly heard. Indeed, Krauch's counsel suffered no embarrassment in presenting Hitler as a prophet: "How right Hitler was in this outline of his policy....might be confirmed by the political situation which has developed in recent weeks in Europe", i e, 1947-1948. Such was the ultimate rationale on which the 'father of Auschwitz' rested his case. Chief Prosecutor Josiah Du Bois regarded the sentences as "light enough to please a chicken thief" and exploded as he walked out of the tribunal: "I'll write a book about this if it's the last thing I ever do." Which he did. But the tide had ebbed.

This volume is the product of decades of reflection that reads like fiction. A host of questions call for amplification, notably I G's connections with the world chemical and petroleum cartels and concealments of its overseas interests from the Nuremberg investigators. But this is a trivial caveat for the prodigious repast that Borkin has served us.

Economy of GDR

ECONOMIC growth in the German Democratic Republic is expected to reach 4.3 per cent in 1979, according to revised official estimates. This figure is below the 5 1 per cent growth target for the government's five-year economic plan. The chief obstacle to higher growth is the unavailability of increased fuel supplies from the Union of Soviet Socialist Republics—the country's main oil source The USSR will provide the German Democratic Republic with only 777 million barrels of oil in 1979, at a lower-than-market price, enough to meet only about 80 per cent of the country's oil requirements; the remaining 20 per cent will have to be bought at higher prices and in hard currency from other suppliers In order to obtain the currency to pay for the needed fuel imports, the Government has embarked on an export promotion plan.

Net Foreign Exchange Earnings from Export of Industrial Manufactures, 1974-75 to 1977-78

N J Jhaveri
L Bhagirathi

This article examines the export performance of 153 companies for the four years 1974-75 to 1977-78. In addition to examining trends in exports in relation to total sales, an attempt is made to bring out the direct balance of payments impact of the companies constituting the sample.

EXPORTS of industrial manufactures from India have registered a rapid rate of growth during the 1970s. A large majority of studies on the subject have confined themselves to analysing the commodity composition and destination of such exports. A study carried out by the Industrial Credit and Investment Corporation of India attempted an analysis of the financial profitability and competitiveness of exports for a cross-section of manufactured goods ("Export Performance of Companies": ICICI Portfolio, published by ICICI in December 1977). The ICICI study, based on information collected from the companies assisted by it, covered three years 1972-73 to 1974-75.

The present study analyses the export performance of 153 companies (as against 60 companies in the earlier study) for the four years 1974-75 to 1977-78. Unlike the previous study, information for which was collected through a specially designed questionnaire, the source of information for the present study is published annual reports. In addition to examining trends in exports in relation to total sales, an attempt is made to bring out the direct balance of payments impact of 153 companies constituting the sample.

The 153 companies, though they account for over 25 per cent of total paid-up capital of the private corporate sector, would account for a much larger proportion of the paid-up capital if one were to take only exporting companies to constitute the population. The coverage, therefore, is not insignificant. Nevertheless none of the quantitative data can be blown up to derive the picture for the corporate sector as a whole. However, we believe that an analysis of export performance of a sample of companies provides an insight, which is useful for policy.

More than the size of the sample, one could object to the partial nature of the analysis. The direct balance of payments impact, one could argue, is of limited usefulness since it does not allow for foreign exchange outgo at the earlier stages—i e, at the intermediate and input manufacturing stages. We are aware of this limitation. But details for such a total analysis are not available. At the same time, we would like to point out that, since our sample consists of companies engaged in manufacturing basic, intermediate, capital goods and to an extent final products, the direct balance of payments impact at different stages in production is taken into account.

Concepts and Methodology

The direct balance of payments impact is measured by net foreign exchange (FE) earnings. These are derived by *deducting* the foreign exchange outgo on current account (comprising payments in foreign currency by way of commissions, royalties, technical fees, interest, dividends, import of raw materials and spares, and expenses incurred on foreign travel), from the value of exports, plus other income (which are small amounts) in foreign exchange. Positive net foreign exchange earning indicates contribution of an exporting company to balance of payments; negative earning represents draft on balance of payments.

The c i f value of imported capital goods is not included in FE expenditure for the following reasons. If import of capital goods is financed through foreign loan, the actual outgoing in foreign exchange would take place in future years when loans are repaid in instalments. If foreign equity holding is created for an amount equivalent to the value of imported equipment, the outgo would take place when foreign holding is liquidated. Since debiting the value of imported capital goods in a single year would distort the net foreign exchange impact for that year, we considered making an adjustment for capital goods import by assuming payments in instalments. In the absence of details about either the source of finance or the life of equipment, we discarded this alternative. Instead of making adjustment on an *ad hoc* basis, we have examined the net balance of payment impact by considering FE expenditure both including and excluding payment for capital goods. As regards servicing of foreign exchange liabilities, current outgoes in the form of interest and dividends are deducted from FE earnings in the concerned year.

The sample companies are divided into 12 broad product groups; 14 companies, however, had to be placed in a miscellaneous category. A limitation of industry classification of the sample should be borne in mind. An individual company is included in a particular industry group on the basis of the weightage of products in its sales Thus if 75 per cent or more of sales are accounted for by certain products, that would determine its industry group In some cases, exports might be of products which constitute a relatively small proportion of sales.

Here, mention should be made of the inclusion of 'Tata Exports' in the miscellaneous industry group. While a commodity-wise break-up of its exports is not available, the major portion of exports is accounted for by commercial vehicles, chemicals, and textiles. Since exports by this company could not be

Table 1: Exports as Percentage of Sales

Size class	1974-75	1975-76	1976-77	1977-78
upto 2.0	2	1	1	1
2.1 to 5.0	6	5	3	2
5.1 to 8.0	4	5	3	4
8.1 to 10.0	1	1	2	5
above 10.1	Nil	1	4	1
Total	13	13	13	13

Table 2: Exports, 1974-75 to 1977-78 (April-March)

(Rs crores)

Industry Group	1974-75 Exports	1974-75 Exports as Per Cent of Sales	1975-76 Exports	1975-76 Exports as Per Cent of Sales	1976-77 Exports	1976-77 Exports as Per Cent of Sales	1977-78 Exports	1977-78 Exports as Per Cent of Sales
Automobile and auto ancillaries (12)	26.22 (12.3)	5.5	28.11 (8.5)	5.4	40.77 (9.1)	8.8	58.75 (12.7)	9.7
Cement (3)	3.75 (1.8)	3.2	7.13 (2.2)	4.3	3.66 (0.8)	2.4	10 78 (2.3)	5.8
Chemicals and petrochemicals (23)	32.46 (15.3)	3.7	48.77 (14.7)	4.6	58.78 (13.1)	5.0	55.13 (11.9)	4.3
Electrical equipment (17)	19.44 (9.2)	6.4	27.44 (8.3)	7.6	32.22 (7.2)	8.2	36.29 (7.8)	8.8
Food products (other than sugar) (4)	5.19 (2.4)	4.5	9.63 (2.9)	8.6	14.46 (3.2)	11.4	13.77 (3.0)	9.2
Glass and pottery (8)	2.11 (1.0)	4.4	1.86 (0.5)	3.0	3.94 (0.9)	5.5	6.08 (1.3)	7.3
Machinery manufacturing (25)	22.62 (10.6)	6.7	31.70 (9.6)	7.6	30.15 (6.7)	6.6	34.65 (7.5)	7.0
Metal products (non-ferrous) (3)	1.04 (0.5)	1.4	1.38 (0.4)	2.3	3.44 (0.8)	4.1	2.14 (0.5)	2.4
Metal products (ferrous) (16)	10.71 (5.0)	2.7	28.54 (8.6)	6.9	44.29 (9.9)	10.4	37.39 (8.1)	8.4
Pulp, paper and paper products (4)	0.98 (0.5)	0.8	0.26 (0.1)	0.2	0.53 (0.1)	0.4	1.54 (0.3)	1.0
Rubber and rubber products (4)	9.79 (4.6)	3.2	9.80 (2.9)	2.7	16.73 (3.7)	6.1	19.01 (4.1)	6.7
Cotton textiles (20)	39.82 (18.7)	8.5	47.78 (14.4)	8.0	85.45 (19.0)	13.0	64.20 (13.9)	8.6
Miscellaneous (14)	38.44 (18.1)	7.8	89.47 (26.9)	15.0	114.87 (25.5)	17.5	122.98 (26.6)	26.0
Total 153	212.57 (100.0)	5.1	331.87 (100.0)	6.8	449.29 (100.0)	8.8	462.71 (100.0)	8.8

Figures in brackets are percentage share of the industry in the total exports.

Table 3: Profitability of Units with Improved Export Ratios

	GP as Percentage of NS			
	1974-75	1975-76	1976-77	1977-78
Automobiles and automobile products	13.0	12.1	13.4	13.9
Cement	8.2	13 8	10.5	13.2
Chemicals and petrochemicals	18.0	15 2	15.3	14.3
Electrical equipment	18.5	15.7	13.9	13.0
Food products (other than sugar)	10.7	9 5	9.2	8.5
Glass and pottery	21.5	18 9	20.7	21.1
Machinery manufacture	17.2	16.4	16.9	13.0
Metal products (non-ferrous)	17.6	2 4	10.3	11.1
Metal products (ferrous)	20.6	16 3	15.0	12.0
Pulp, paper and paper products	22.1	23 0	16.7	14.1
Rubber and rubber products	11.1	10 9	9.5	6.1
Cotton textiles	12.3	10 3	8.8	9.6
Miscellaneous	9.0	7 7	8.6	8.5
Total	15.5	13.6	13.2	12.2

Note: GP : Gross Profits
NS : Net Sales

allocated to respective industry groups, FE earnings of some industry groups would be understated.

Export Performance

Exports of 153 companies registered an increase of nearly 115 per cent between 1974-75 and 1976-77. In 1977-78, there was only a marginal increase, of 2.2 per cent. Since the rate of growth in export sales was faster than that in domestic sales, export to total sales ratio (export ratio) in the case of 153 companies increased from 5.1 per cent in 1974-75 to 8.8 per cent in 1976-77 and remained at that level in 1977-78. Frequency distribution of industry groups, by size-classes of export to sales ratio, shows that as against only one in 1974-75 as many as six industry groups exported 8 per cent or more of their sales in 1976-77 and 1977-78 (Table 1).

Industry-wise, during the period, export of automobile (commercial vehicles) and auto ancillaries, metal products (ferrous), rubber and rubber products, and 'miscellaneous' items, recorded a steady improvement (Table 2). Export performance of companies in the industry groups of electrical equipment, machinery manufacturing, and cotton textiles improved modestly.

Domestic Recession and Exports

Differences in inter-company performance within the same industry are quite marked in India. This is more true in the case of exports than in the case of domestic market operations, because of the intense competition in the international markets. Therefore, inferences drawn on the basis of industry-level data suffer from certain limitations.

Nevertheless, it would seem to be a plausible hypothesis that the recent rising trend in export ratio was attributable to recession in domestic demand. Confronted with domestic recession, the Indian industry tends to look out for international markets. Such a trend was observed in the aftermath of the 1966 recession (see the ICICI Export Study).

Besides domestic demand recession, the devaluation of the rupee in 1966 might have encouraged exports from India, by increasing their international competitiveness. But, during 1974-75 to 1977-78, the fall in

TABLE 4: COMPANIES WITH EXPORTS OF OVER TEN PER CENT OF SALES

Size Class (Export to Sales Ratio)	1974-75	1975-76	1976-77	1977-78
upto 2.0	57	52	47	40
2.1 to 5.0	38	35	32	38
5.1 to 8.0	26	26	20	23
8.1 to 10.0	3	8	11	7
above 10.1	28	32	43	45
Total	152*	153	153	153

Note: *One company is exempted from giving this information.

TABLE 5: FOREIGN EXCHANGE EXPENDITURE

(Rs crores)

	1974-75	1975-76	1976-77	1977-78
Commission	1.8	2.3	2.8	5.8
Royalty and technical fees	6.3	5.8	5.6	4.1
Interest and dividend	14.6	13.2	19.5	24 6
Travelling	0.4	0.4	0.7	1.1
Raw materials	138.9	187.5	120.1	224.1
Spares and components	33.3	40.4	36.8	57.2
Others	4.8	4 1	3.1	7.2
Total	200.1	253.7	188.6	324.1

TABLE 6: PERCENTAGE OF INDIGENOUS RAW MATERIALS AND SPARES CONSUMED 1974-75 TO 1977-78 (APRIL-MARCH)

	1974-75	1975-76	1976-77	1977-78
Automobile and auto ancillaries (12)	79.3	80.4	81.8	83.5
Cement (3)	97.2	98.0	98.6	98.3
Chemicals and petrochemicals (23)	85.9	83.3	88.5	83.6
Electrical equipment (17)	82.7	82.5	80.4	78.6
Food products (other than sugar) (4)	96.2	97.4	97.9	84.0
Glass and pottery (8)	90.0	86.3	86.3	88.2
Machinery manufacturing (25)	80.8	75.2	76.6	76.8
Metal products (non-ferrous) (3)	89.5	87.4	86.8	86.1
Metal products (ferrous) (16)	90.4	91.6	91.8	92.6
Pulp, paper and paper products (4)	96.8	97.0	95.8	94.1
Rubber and rubber products (4)	95.3	94.0	95.4	93.8
Cotton textiles (20)	91.5	92.7	93.4	82.0
Miscellaneous (14)	92.5	95.2	93.8	93.4
Total	87.8	86.9	88.3	85.0

external value of the rupee was modest. A pick-up in exports during this period would, therefore, suggest long-term improvement in competitiveness of exports of manufactures.

Another factor which is likely to have contributed to improvement in exports is, the availability of 'export incentives'. Although, with the rising volume of exports, the total quantum of 'export subsidy' paid through the Central budget has increased, rates of export incentives have not generally increased during the last three years. What matters from an exporter's point of view, however, is the rate of export incentive.

It would be useful to note in this context that to the extent 'export incentives' compensate for a high incidence of input taxation, availability of such incentives neutralises distortion in the international cost-competitive position of Indian exports introduced by indirect taxation. Whether export incentives exceeded input taxation in the case of the sample companies is difficult to ascertain, as data relating to such taxation are not available. Nor are the details of export incentives received by the sample companies.

But two points deserve mention in this context. First, till recently, one of the major export incentives was replenishment licences which enable access to imported inputs which are not otherwise available. In a situation of shortages, replenishment licence-holders are placed in a privileged position. Probability of disruption in their production, on account of non-availability of scarce inputs, is less than in the case of non-exporting producers. Again, due to domestic shortages and restriction on imports, comparable domestic inputs enjoyed a high effective protection. This was reflected, till the early 1970s, in high rates of premium on replenishment licences. The premium has now virtually vanished. Consequently, at present, this could not be considered a major motivation for exports.

Secondly, the availability of export incentives, which would be reflected in the computation of profits (as other income), would not seem to have arrested the declining trend in profit margins. Ratio of gross profits to net sales of the 153 companies declined steadily from 15.5 per cent in 1974-75 to 13.2 per cent in 1977-78. Profitability in industry-groups which improved the export ratio during the period (such as miscellaneous, metal products-ferrous, rubber and rubber products) also showed a similar trend (Table 3).

It would seem a plausible hypothesis, therefore, that the interest of Indian industry, or at least of some of its sections, is based on considerations of developing export markets. A frequency distribution of export ratio of companies also corroborates such a hypothesis. For instance, the number of companies in whose case exports accounted for more than 10 per cent of the total sales increased from 28 in 1974-75 to 45 in 1977-78 (Table 4).

FE EXPENDITURE

Contrary to a steady increase in export earnings, FE expenditure on current account till 1976-77 was lower than in 1974-75. But it increased sharply in 1977-78. The movement in current FE expenditure from year to year was dominated by payments for raw materials which were directly imported. We have classified FE expenditure into the following categories: (a) Commission (related to sales); (b) Royalty and Technical Fees (related to import of technology), (c) Interest and Dividend (related to servicing of foreign capital); (d) Raw Materials (related to production); (e) Travelling (related to export promotion); (f) Spares and Components (related to maintenance); and (g) Others (Table 5).

An overwhelming proportion of FE outgo in the case of 153 companies was accounted by imports related to production (*viz*, raw materials) and to maintenance of the productive capacity of equipment (*viz*, spares and components). The next important item was payments in the nature of servicing of foreign capital. The increase was mainly accounted by dividend payment on foreign equity, outgo on account of which increased from Rs 7.8 crores in 1974-75 to Rs 19.0 crores in 1977-78. Dividend payment by 23 companies in the industry group of chemicals and petrochemicals, and 17 companies in the group of electrical equipment, accounted for Rs 10.3 crores out of Rs 19.0 crores paid out to foreign equity holders in 1977-78.

As regards spares and components, the bulk of the imports and increase in their level during the period was accounted for by capital goods industries—such as automobiles and auto ancillaries, machinery manufacturing and metal products (ferrous) The only other industry which accounted for significant import of spares and components was chemicals and petro-chemicals. Imports of spares and components in industries, such as automobiles, might be to an extent a direct consequence of their rising exports as some parts (e g, braking system) in exported vehicles are imported to meet with specifications stipulated in countries of destination.

Table 7: FE Income, Expenditure and Net Earnings—1974-75 to 1977-78 (April-March)

(Rs crores)

	FE Income				FE Expenditure				Net FE Earnings			
	1974-75	1975-76	1976-77	1977-78	1974-75	1975-76	1976-77	1977-78	1974-75	1975-76	1976-77	1977-78
Automobile & auto ancillaries (12)	26.61	28.40	41.09	59.26	52.33*	35.05	31.50	44.34	(25.72)	(6.65)	9.59	14.92
Cement (3)	4.13	7.14	3.66	11.08	1.44	0.83	0.45	0.46	2.69	6.31	3.21	10.62
Chemicals & petrochemicals (23)	32.63	49.10	60.55	56.75	48.78*	33.76	48.62	90.59	(16.15)	15.34	11.93	(33.84)
Electrical equipment (17)	19.54	27.82	32.51	36.50	19.28	24.45	23.73	27.00	0.26	3.37	8.78	9.50
Food products (other than sugar) (4)	5.21	10.28	14.48	13.79	1.32	1.04	1.45	15.94	3.89	9.24	13.03	(2.15)
Glass and pottery (8)	2.15	1.91	4.07	6.76	1.89	2.15	1.75	1.90	0.26	(0.24)	2.32	4.86
Machinery manufacturing (25)	25.22	32.11	32.11	38.20	29.05*	34.11	36.15	47.99	(3.83)	(1.40)	(4.04)	(9.79)
Metal products (non-ferrous) (3)	1.03	1.40	3.44	2.15	2.14	2.34	2.31	4.72	(1.11)	(0.94)	1.13	(2.57)
Metal products (ferrous) (16)	10.73	38.63	44.30	37.44	14.86	14.08	12.30	17.43	(4.13)	24.55	32.00	20.01
Pulp, paper and paper products (4)	0.98	0.37	0.53	2.46	1.83	1.81	1.98	4.28	(0.85)	(1.44)	(1.45)	(1.82)
Rubber & rubber products (4)	9.79	9.80	16.73	19.01	10.23	9.52	9.56	10.61	(0.44)	0.28	7.17	8.40
Cotton textiles (20)	39.93	47.83	86.89	64.24	14.39	14.27	14.32	50.06	25.54	33.56	72.57	14.18
Miscellaneous (14)	38.82	89.94	115.75	124.74	6.25	7.07	8.34	9.23	32.57	82.87	107.41	115.51
Total (153)	216.77	345.33	456.11	472.38	203.79	180.48	192.46	324.55	12.98	164.85	263.65	147.83

Notes. * 1 company is exempted from giving this information.

FE expenditure; consists of spares & components, raw materials, commission, royalty, technical fee, travelling, interest dividends and others.

FE income consists of exports and other FE income.

A rising trend in imports of spares and components and raw materials might also be attributed to liberalised import policy and a hike in oil prices. For instance, raw material imports by companies in the industry group 'chemicals and petrochemicals' increased from Rs 35.3 crores in 1974-75 to Rs 67.7 crores in 1977-78. Increase in the import bill for raw materials in the industry group cotton textiles, from Rs 12 crores in 1974-75 to Rs 45.4 crores in 1977-78, however, is likely to be the result of larger imports of synthetic fibres under the liberalised import policy.

Despite these increases in import of spares, components, and raw materials, the indigenous content in the total raw materials and spares and components consumed has remained fairly high (Table 6). Excepting cotton textiles (from 91.5 per cent indigenous content in 1974-75 to 82.0 per cent in 1977-78) and electrical equipment (from 82.7 per cent to 78.6 per cent), the decline in the proportion of indigenous content is moderate. In the case of certain industry groups, such as automobiles and auto ancillaries, the proportion of indigenous content has gone up.

Net FE Earnings

Taking the 153 companies as a whole, net FE earnings (i e, FE income less FE expenditure on current account) shot up from Rs 13.0 crores in 1974-75 to Rs 263.6 crores in 1976-77. In 1977-78, as a combined result of deceleration in the growth rate of export earnings and a marked rise in FE outgo, mainly on account of import of spares, components and raw materials, net FE earnings declined to Rs 148 crores.

Industry-wise, automobiles and auto ancillaries had the most favourable turn around, from the net FE earnings point of view (Table 7). From a net FE draft of Rs 25.7 crores in 1974-75, 12 companies in this industry group emerged in a net FE earnings position of nearly Rs 15 crores. Likewise, 16 companies in the industry group metal products—ferrous—earned, on net basis, foreign exchange of the order of Rs 20 crores (down from Rs 32 crores in 1976-77) against net user of Rs 4.1 crores of foreign exchange in 1974-75. In miscellaneous industry group, 14 companies contributed foreign exchange worth Rs 115.5 crores in 1977-78—an increase of 254 per cent over the 1974-75 level.

On the other hand, draft by machinery manufacturing companies on foreign exchange increased, from Rs 3.8 crores in 1974-75 to Rs 9.8 crores in 1977-78. Companies in the industry group chemicals and petrochemicals ended with net draft of foreign exchange of the order of Rs 33.8 crores in 1977-78.

Import of Capital Goods

The value of capital goods imported by 153 companies has remained fairly stable during the period. Import of capital goods was Rs 26.7 crores in 1974-75; after fluctuating in a narrow range during the following two years, capital goods import increased to Rs 32.4 crores in 1977-78. Even taking into account payment for capital goods, 153 companies had a net FE earning of Rs 115.5 crores in 1977-78—a sizeable improvement from their net draft on foreign exchange of Rs 15.4 crores on a comparable basis.

Implications for Policy

Industry-wise information, though useful, s only the first phase of the analysis. Determinants of export performance of individual companies could be many, and need a careful study. In the same industry group, in a more or less comparable product group, export performance of individual companies is known to vary. For instance, export ratio in respect of 18 composite cotton textile companies varied from barely one per cent to 30 per cent in the same year. While some of the attributes of good export performance cases might be company-specific, others would be product-specific. Knowledge of these attributes would help more appropriate formulation of export policies.

In some cases, a major factor thwarting export efforts could be high effective protection of the input industries. In such cases, though export production is competitive provided inputs are available at international prices, exports are not profitable because of the inadequate compensation through duty drawback to export industry. Likewise, duty drawbacks if fixed as specific amounts (instead of *ad valorem*) would inadequately compensate for indirect taxation if market prices of inputs rise for any reason. An across-the-board liberalisation, or tightening of export incentives, when exportability of different products varies in a wide range would not prove to be a competent solution to the problem.

By the same token, insistence that all importers should earn, either in part or full, the foreign exchange to pay for their imports is not an efficient solution. Imposing an export obligation as a matter of practice would result in earning foreign exchange at a disproportionately high real resource cost. Both the export obligation and the export incentives, therefore, should be based on an assessment of the export competitiveness of the products. The experience of the last few years has shown that, even if there is no increase in the nominal rate of export incentives, better availability of inputs at reasonable prices, encourages export effort by lowering the rate of effective protection in the input industries. Likewise, a situation of domestic shortages of exportable output could discourage exports by raising the level of effective protection. A liberal import policy, therefore, though it might create initial problems of adjustment for the indigenous industry, is likely to encourage exports of industrial manufactures.

[Views expressed here are the personal views of the authors.]

JAWAHARLAL NEHRU UNIVERSITY

NEW DELHI-110067

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The original programme drawn out for the Prime Minister's recent visits to Poland, Czechoslovakia and Yugoslavia, included only a brief stopover at Moscow; but this was later changed to a full-fledged visit lasting four days, including two days of talks in Moscow with the Soviet President and Prime Minister, even though such high-level exchanges had taken place just three months ago in Delhi during Premier Kosygin's visit to this country. These high-level deliberations in which the Soviet president actively participated (in the midst of pressing preoccupations like the ensuing Vienna summit and the signing of SALT II) could not have been only about the rather routine series of agreements arrived at towards the end of the talks, which were anyway being taken care of by the fifth meeting of the Indo-Soviet Joint Commission which too was meeting in Moscow at the same time. The Prime Minister's extended stopover in the Soviet Union was essentially political in nature, intended to be a further sign of India's close links with the Soviet Union.

There has of course never been any doubt on this score; the change-over from Congress rule to Janata rule in Delhi has not meant any marked change in this country's close ties with the Soviet Union. The joint statement issued at the end of the Prime Minister's visit reaffirms the "traditionally close and cordial relations" between the countries and, for the sake of record, also mentions various individual aspects of this relation, including the Treaty of Peace, Friendship and Co-operation between the two countries.

Leaving aside these general and specific references to matters of bilateral interest, the only third country mentioned in the joint statement (apart from the general reference to 'Israeli troops' in occupied Arab territories) is Afghanistan. Indeed, Afghanistan seems to have dominated the talks even to the exclusion of the situation in Southeast Asia (which is merely described as being 'complicated' in the joint statement), so much so that the sentiments in the agreed paragraph on Southeast Asia in the joint statement could well be endorsed by all the parties engaged against each other in that region. Also, the unscheduled press conference addressed by Premier Kosygin on Tuesday was notable for its (relatively) less strident diatribes against China (probably because the Soviet Union is itself presently engaged in efforts to improve state-to-state relations with China), while the extreme worry about the developing situation is Afghanistan was unmistakable. Further, unlike on earlier occasions when Soviet and Afghan official statements had tended to lump together Pakistan, Iran and China as forming a reactionary alliance against the Afghan revolution, Kosygin's comments on Tuesday singled out Pakistan as encouraging opposition to the Tarakki regime. In fact, the Soviet leaders seem to have tried to recruit India into an anti-Pakistan alliance unlike barely three months ago when a similar invitation to join an anti-China alliance was extended to this country during Kosygin's visit to Delhi.

Whether or not it is part of Soviet calculations, and there is no reason why it should not be, it is a fact that the idea of playing the gendarme in the South Asian subcontinent, maintaining "stability and order" in the region, is bound to appeal to Indian ruling circles far more than any proposal to get involved in the goings-on in Indo-China or Southeast Asia. Assurance of Soviet military, economic and political support to make this role sustainable — without any attempt to be even-handed as between India and Pakistan or to maintain a power balance between the two countries, as the United States has from time to time sought to do — should be expected to provide a sound enough basis for co-operation and collaboration between Indian ruling circles, whether these happen to be represented for the moment by the Janata or Congress or some other party, and the Soviet Union. After all, this was the basis on which India was persuaded to sign the Treaty of Peace, Friendship and Co-operation with the Soviet Union in 1971, on the eve of the Indian army's march into what was shortly to become Bangladesh.

Clearly, the developing situation in Afghanistan has been of such a kind as to cause great concern to the Soviet Union. While on the one hand the crushing of the 'counter-coup' in August last year and the purge of many notable leaders of the Afghan revolution that followed in December has meant virtual elimination of opposition from the 'left', the Tarakki regime has been notably less successful in meeting the opposition from the Islamic 'right', the Hazbe Islami, operating from across the border in Pakistan. There were reports, as early as in June 1978, of the formation of a so-called

'National Rescue Front'. And since the beginning of 1979, both Afghanistan and the Soviet Union have repeatedly accused Pakistan of supporting the Islamic opposition to the Tarakki regime.

It is quite likely that opposition to the present regime in Afghanistan has the moral and, possibly, also the material support of Pakistan. But there are also influential elements in Pakistan itself who are opposed to a policy of confrontation against Afghanistan; and Afghanistan too has been trying to improve its relations with Pakistan. Pakistan's application to join the non-aligned movement was not very seriously opposed by Afghanistan in Colombo, in contrast to the very clear and explicit opposition voiced by the Afghan leaders during the Indian Foreign Minister's visit to Kabul in September last.

In view of these cautious moves towards mutual accommodation between Afghanistan and Pakistan, and indeed, in view of the opposition expressed in the Indo-Soviet joint statement to "any interference by outside forces in the internal affairs of Afghanistan", it is strange that the Soviet Prime Minister should be attempting to inveigle India into involving itself in the Pakistan-Afghanistan conflict.

Space Programme

Multilateral Basket

ANNOUNCEMENTS of the launching of the second Indian satellite, Bhaskara, from a Soviet cosmodrome have been on a considerably lower key than those which heralded the launching of Aryabhata in April 1975. Apart from the political capital which Indira Gandhi's government found useful at that time, Aryabhata had very limited objectives and several of those had to be abandoned when the power supplies to the scientific experiment packages failed after the first few orbits. Bhaskara (earlier called SEO, satellite for earth observations) weighs 430 kg and carries a TV camera and a microwave radiometer in addition to a few experimental packages. With this equipment, it is possible for the satellite to telemeter back to earth both visible and microwave frequency pictures which can be used, for example, for studies in hydrology and oceanography, respectively.

Until all the systems on Bhaskara have been made operational, it is difficult to evaluate the success of the launch. However, even viewed optimistically, the practical utility of the data that can be collected is limited by the nature of the orbit and the type of on-board sensors. Bhaskara's TV camera can provide, at best, gross pictures of the subcontinent which can be analysed to identify forests, water resources and geological formations, while its microwave radiometer can scan the surface activity of the surrounding ocean. The volume of information collected in each orbit is also limited by the fact that it has to be telemetered back to one of the two Indian ground stations as the spacecraft passes over India. Another limiting factor is, naturally, the concern of the Russians that Bhaskara's observations be kept within 'safe' bounds. However, even without these constraints, it is far from clear that it is the lack of such data which is responsible for the inaction of the user government departments.

The primary purposes of Bhaskara appear therefore to be to test Indian knowhow in satellite construction and in the operation of the ground stations at Sriharikota and Car Nicobar. That the construction of even such a satellite has difficulties is illustrated by the most recent postponement of the launching from 1st December to this June. These difficulties are both in the fabrication of reliable systems and in the procurement from abroad of basic materials, space-qualified components and subsystems (such as the TV camera on Bhaskara).

Viewed in this context, Bhaskara is one of the steps towards what is eventually planned: the launching of a significant Indian satellite by an Indian launch vehicle. (The first Indian launch vehicle, SLV-3, which is expected to be test flown in the next few weeks, will only be carrying a small 40 kg satellite for test purposes.) Bhaskara II, whose launch is now being promised for the end of the year, will differ from its predecessor only in having a TV camera with a narrower spectral band. This will be followed by the more complex geo-stationary satellite, Apple, to be launched in mid-1980 on a test flight of the European Arcane Launcher, and the INSAT 1A and INSAT 1B satellites being built by Ford Aerospace and to be put in orbit by NASA late in 1980 and in 1981. It can easily be seen that — competence aside, India's space options rest in a sort of multilateral basket whose composition will be determined more by political action than by technological choice. French, Russian, European and US assistance will be strictly proportional to the dependence they create for further supplies from these countries. Notwithstanding the talk of international co-operation in space, all foreign assistance will change its complexion if a completely Indian satellite launch is attempted, as predicted now, in the late 1980s. For that will open up the same set of possibilities that were threatened by the Pokharan explosion: a potential nuclear capability and high-powered rocket technology have unmistakable strategic implications.

Small Industry

Many Allurements

THE government had set a target, to be achieved by the end of March 1979, that commercial banks' advances to 'priority sectors' should be 33 per cent of their total advances. In their bid to reach this target, banks have apparently sometimes resorted to practices which actually infringe rules and procedures laid down by the Reserve Bank and the government. Some evidence of this is contained in the recent NCAER study on "Operations of Credit Policies of Commercial Banks since 1969" which has brought out that a substantial part of the increase in priority sector lendings in recent years is due not so much to fresh advances as to accumulated interest dues on not-so-regular accounts. There are cases where, despite repayment of one-fourth or so of the loan, the outstanding in the account is higher than the original loan. This is clearly in contravention of the RBI directive to banks that they should keep the interest account separate from the loan account.

Again, some recent reports have suggested that as much as 40 per cent of banks' advances to small-scale units are siphoned away to bigger industrial units. This is done in many ways: by large industrial houses sponsoring of a host of small-scale units to corner scarce raw materials or credit; by diverting money for purposes other than those for which it is intended such as speculation in commodities, trading, etc; by indulging in re-lending activities through the medium of shroffs or local money-lenders. The NCAER study referred to earlier has cited some instances of such practices. Thus there were cases "where units were enjoying credit on stock of materials which are not

directly used in the industry. A paper mill, for example, was extended credit on stocks of stainless steel. In a few instances, bank officials had difficulty in judging utility of stocks or their value, as was found in several accounts of TV units".

A large number of small-scale units are registered because they get preferential treatment under income-tax, sales tax, excise duties, factories act, industrial relations laws, municipal rates, and so on. Small entrepreneurs themselves start multiple 'firms' in a single industrial shed so that they can make as many applications for raw materials, credit, etc. In this context some detailed data put out by the Reserve Bank on small-scale industries in its latest monthly *Bulletin* for January 1979 are relevant. The occasion is an annual review of scheduled banks' advances to small-scale industries, to small road and water transport operators, and for setting up of industrial estates during 1977-78 (July-June). The outstanding advances to small-scale industries formed about 12.5 per cent of aggregate bank credit in June 1974; the proportion declined to 10.6 per cent in June 1976 and, though it improved somewhat to 11.8 per cent in June 1978, it remained below the level of June 1974. As a proportion of non-food total credit, the picture is slightly better, the share of small-scale industry in such credit being 12.4 per cent in June 1974 and 14.1 per cent in June 1978. The official target of advances to 'priority sector' is, however, based on aggregate bank credit inclusive of food credit. What is more important, the genuineness of even this achievement is open to doubt. This doubt arises on account of the galloping number of small-scale units covered by bank advances. In three years, between June 1975 and 1978, the number of units increased by 115 per cent from 2,39,997 units to 5,12,942 units.

That apart, the Reserve Bank note does not raise any questions about the quality of the banks' advances to small-scale units. As the Credit Guarantee Organisation (CGO) for SSI units, the RBI is expected to inspect and take such other follow-up measures arising from its guarantee responsibilities. Even a sample check of individual accounts should reveal to it many of the quantitative, shortcomings of the banks' system of lending to small-scale units. The Reserve Bank should also have with it information on other aspects, such as the size and industry-wise distribution. The study, however, gives only the number of units, limits sanctioned, and balance outstanding — all-India, state-wise and bank group-wise.

About the decline in the average credit limit per unit from Rs 1.03 lakhs in June 1969 to Rs 0.47 lakhs in June 1978, the Reserve Bank note observes that "the steep decline in this average over the period is indicative of a sustained effort towards financing of smaller units by the banks". The state-wise details, however, show that the above development was largely the result of a very sharp rise in the number of small-scale units financed by banks in a single state, Tamil Nadu. In June 1976 the number of such units was the highest at 36,962 in Maharashtra and the second highest at 35,542 was in Uttar Pradesh and Tamil Nadu was the third with 34,746. But in two years, by June 1978, the number of bank-financed small-scale units in Tamil Nadu had increased by about 130 per cent, from 34,746 in June 1976 to 79,493 in June 1978, whereas in Maharashtra and Uttar Pradesh the increases were 21 per cent (to 44,709 units) and 60 per cent (to 56,689 units), respectively. Thus, by June 1978 Tamil Nadu had about 78 per cent more small-scale units financed by banks than Maharashtra and about 40 per cent more than Uttar Pradesh.

In terms of amount of advances, however, Maharashtra continues to dominate other states. Its share in total outstanding credit was 19.8 per cent in June 1978 against 20.7 per cent in June 1976. Interestingly, despite such a large increase in the number of units financed in Tamil Nadu, the state's share in amount outstanding declined from 10.9 per cent in June 1976 to 10.7 per cent in June 1978. Nevertheless, just three states, Maharashtra (19.8 per cent), Tamil Nadu (10.7 per cent) and Gujarat (8.6 per cent), appropriated about 40 per cent of bank credit outstanding against small-scale units in June 1978. West Bengal came fourth with 8.5 per cent.

These statistics point to one important policy conclusion, *viz*, that global targets for the country as a whole or for the 'priority sectors' as a whole are insufficient; the targets have to be sufficiently disaggregated by states and districts, by schemes and, more significantly, by size of loans.

Politics

What is an Indian Language?

THE Prime Minister has once again rejected the plea made by the Nepali Bhasha Samity, the organisation representing lakhs of Nepali-speaking Indian citizens, that their language should be given official recognition and be included in the eighth schedule of the Constitution. In Gangtok on April 9, he turned down the demand unanimously adopted by the state assembly that Nepali, spoken by the majority of the residents of Sikkim, be included in the eighth schedule; and in Darjeeling on May 30 he reiterated his rejection even though the West Bengal Assembly too had adopted a similar resolution and the state government had, moreover, accorded to Nepali the status of an officially recognised state language.

Morarji Desai's objections to including Nepali in the eighth schedule are two: one, that Nepali is a 'foreign' language, and two, that if Nepali is included in the eighth schedule, then many other sections of the population speaking a whole lot of other 'tribal' languages, also will demand the inclusion of these 'tribal' languages which, the Prime Minister fears, will lead to 'disintegration' of the country. The last occasion when the eighth schedule was expanded to include Sindhi, the reason for that inclusion was not because Sind was once 'part of India', but because of the economic and political clout possessed by the Sindhi-speakers whose total population in India is not much more than that of the Nepali-speaking Indian citizens.

Anyway, the absurdity of the plea that Nepali cannot be included in the eighth schedule because it is a 'foreign' language should be self-evident. Following this logic, Urdu and Bengali too (and even Gujarati) will be 'foreign' languages since they are widely spoken in two neighbouring foreign countries. And anyway, if Nepali-speaking Indians are good enough to vote in the country's elections and Nepali-speaking foreigners are good enough to fight and die in the country's wars, there is no reason why their language should not be considered good enough to be included in the eighth schedule.

Indeed, the case for including Nepali, linguistically part of the Indo-Aryan family of languages, in the eighth schedule has been repeatedly argued on the basis of the soundest historical, linguistic and cultural princi-

ples. (See, for instance, "National Languages Policy and the Case for Nepali" by Surendra Munshi and Tridib Kumar Chakrabarti, *EPW*, April 14, 1979.) It is not as if the inclusion of Nepali in the eighth schedule will immediately lead to demands from speakers of such languages as Konkani, or Manipuri for inclusion of their languages in the eighth schedule, or that if such demands came forth and these languages too are recognised as 'official' Indian languages, the country will be on the brink of 'disintegration'. The country's unity is not all that fragile and the instruments to ensure the further consolidation of the present unity are in very fine fettle. The reason for the Prime Minister's adamant attitude might be that such a recognition of Nepali as an Indian language might not be welcomed by the ruling circles in Nepal who might see in such a step some hidden motives. Then of course there is the need for Morarji Desai to be seen as rigid and uncompromising when once he takes a stand — that he is not the one to change his mind merely because lakhs of people unitedly make a demand. It is such petulance and arrogance, not to speak of the parochialism and a-historicity, that comes out most clearly in the stand of the Prime Minister on the question of including Nepali in the eighth schedule to the Indian Constitution.

Tripura

Developing Confrontation

THE violence in Tripura, apparently let loose by supporters of the 'Amra Bangali' movement (which is self-acknowledgedly linked to the Ananda Marg, and whose aims include, among other things, the creation of a 'Bangalistan' comprising the 'Bangali-dominated' areas of Assam, Bihar, Orissa and Andaman and Nicobar Islands, as well as West Bengal and Tripura, with Bangladesh too having the option to join it) in which 15 people have so far been killed, has not been entirely unexpected. Tension between the Tripuri people (the original inhabitants of the state) and the Bengalis (who are for the most part migrants and refugees from East Bengal) has been in existence for long, with the tribals deeply resenting the fact that they who once formed the majority in the state have now been massively outnumbered by the migrants.

The present administration has been, belatedly, taking some steps to meet the tribal demands, one of which is implementation of the provisions of the Restoration of Alienated Lands Act, 1976 passed by the previous Congress administration. Also, after failing to persuade the Centre to amend the Constitution to enable the territory of Tripura too to be included among these areas in the northeast where the provisions of the Sixth Schedule of the Constitution would be applicable, the Tripura government decided to press its own legislation in the form of the Tribal Autonomous District Council Bill which, when enacted, would ensure some kind of protection to the tribals from further alienation of their lands to non-tribals.

But the administration, which only weeks ago was apparently facing opposition from the Tripura Upajatiya Juba Samity (TUJS) over its failure to ensure protection of tribal rights, has now had to face far more serious opposition from the extreme chauvinist elements from among the Bengali population. The Amra Bangali movement has stridently opposed these moves and in the state-wide bandh called by it on this issue on January 17, one person had already been killed. Further, Teliamura itself, the scene of the current violence, had been the scene of an agitation led by the Amra Bangali in February, and later again in May.

Such manifestation of extremely strident reaction to some quite modest moves by an administration to undo some of the many injustices done to the tribal people is a relatively new and disturbing phenomenon in the northeast. If one were to go by the proclaimed aims of the Amra Bangali movement, Bengali chauvinism seems to be taking the lead all the way; and the shooting down of a non-Mizo (Bengali) PWD official in Saitul in Mizoram on Wednesday, and the reaction to the killing in neighbouring 'Bengali-dominated' Cachar district of Assam in the form of reprisals against Mizo residents in Silchar, could be a pointer to the shape of things to come in the developing confrontation between sections of the tribal population and non-tribals in some areas of the northeast. In fact, the situation seems readymade for chauvinists of every kind to thrive, and an organisation like Amra Bangali, committed to ensuring the continued dominance of the Bengali-speaking people in what it calls the 'Bengali-dominated' areas of the northeast, holds tremendous potential for mischief.

Even without the help of various forms of regional chauvinism, the tribals in the northeast have had reason to feel deeply alienated and confused about their precise position in the broader Indian society. The threatened bill to ban religious conversion which is seen as a transparent attack on Christianity; the continued exhortations to cultivate dietary habits which do not deviate from what is considered the strictest principles governing brahminical habits; the thrust of Hindi, all this, and Amra Bangali too.

It would however be wrong to see these manifestations of communal tensions purely in sectarian terms, and it would be even more wrong to try to explain them away as being due to the 'machinations' of foreign agencies, though the malignant involvement of some foreign agencies cannot be ruled out, especially in an area like the northeast which has for long been the focal point of such involvement. But such interference becomes possible precisely because objectively there is fertile ground for such interference. Bengali chauvinism or tribal separatism can thrive because the basic causes that make for such unhealthy tendencies has been left unattacked all these years.

Railways

Affected by Changing Production Pattern

A Correspondent writes:

THE performance of the railways has come in for a great deal of criticism recently. Even many government ministries, particularly the Ministry of Steel and Mines, have expressed their unhappiness over the inadequate availability of railway wagons for transportation of bulk goods like coal, iron ore and steel. The sacking of the chairman of the Railway Board has been seen as acknowledgement by the Railway Ministry that the railways' performance has left much to be desired. It is interesting in this context to examine the latest data on railway wagon loadings.

Data on wagon loadings are available for the first ten months of 1978-79, upto January 1979. Total wagon loadings have shown a decline in 1978-79 (April-January) as compared with the corresponding period of the previous year, and the decline has been with respect to virtually all major categories of commodities. Total wagon loadings on the broad gauge slumped from 76.19 lakhs to 72.40 lakhs and on the metre gauge from 17.37 lakhs to 16.28 lakhs. Cement loadings on broad

gauge declined from 3.50 lakhs in 1977-78 (April-January) to 3 lakhs in 1978-79 (April-January), pig iron from 0.60 lakh to 0.58 lakh and iron and steel 3.44 lakhs to 3.28 lakhs. Coal and coke loadings declined from 24.42 lakhs to 22.80 lakhs. Miscellaneous full wagon loadings declined from 20.14 lakhs to 19.80 lakhs on broad gauge and from 11.05 lakhs to 8.30 lakhs on metre gauge. Miscellaneous small wagons loaded fell from 1.96 lakhs to 1.76 lakhs on broad gauge and from 1.41 lakhs to 0.79 lakhs on metre gauge. Even wagons used for movement of railway stores (railways are a bulk consumer of many industrial goods) registered a sharp decline from 6.40 lakhs to 5.67 lakhs on broad gauge and 1.50 lakhs to 1.40 lakhs on metre gauge. The only increases in loadings were in respect of sugar, sugarcane and jute manufactures — which, however, together account for less than 0.50 lakh wagon loadings on broad gauge and metre gauge together.

How far do the poor wagon loadings reflect a deterioration in railway efficiency and to what extent were they the result of relatively low growth of output of the products concerned? It may be true that non-availability of wagons has resulted in diversion of traffic to road transport, but it is also true that the growth of production in a number of major industries has been relatively poor. The overall rate of growth of industrial output in 1978-79 is now placed at 7.5 per cent. Industrywise details of growth of output are available for the calendar year 1978. According to these data, though the General Index of Industrial Output (base: 1970=100) registered a growth of 6.8 per cent in 1978 (as compared with 5.3 per cent in 1977), coal output rose by just 1 per cent and cement by 2.4 per cent. The output of iron and steel basic industries declined by 0.5 per cent and the entire capital goods sector showed an improvement of only 2.7 per cent. Mill sector cloth output increased by 2.1 per cent. Thus a number of goods which meet the consumption needs of the masses or which are a prerequisite for raising the level of investment activity have showed small increases in output. The railways' performance also reflects this situation. The railways cannot transport goods if there are no goods to transport. On the other hand, the products whose output has gone up are perhaps more conveniently transported by road. The railways' inefficiency has no doubt played a part, but a part of the explanation for the slow growth of wagon loadings may lie in the changing nature of industrial output. Recognition of this fact is seen in the railways' decision this week to offer certain concessions — such as waiving of registration fees, offer of station-to-station concessional rates and transportation of goods within targeted time limits — in a bid to win back freight in 25 high-profit commodities from road transport.

LETTERS TO EDITOR

Continuing Repression in Telengana

A PUBLIC meeting is taking place at Mandammari, located in the Singareni collieries. The time is 9.30 in the night; the date, May 28, 1979, district Adilabad. Suddenly the lights go off; police attack and start beating up people indiscriminately. Among the injured is the main speaker, Varavara Rao, a leading Telugu poet and college teacher, who has been addressing mass meetings in the area. He is arrested and taken away along with Vardhana Rao, State President of the RYL (Radical Youth League).

Following his release on bail, Varavara Rao was attacked by goondas in Peddappalli in the adjoining district of Karimnagar. This area is virtually an undeclared "disturbed area" with police camps in fifty villages. A recent meeting of the RYL was reported to have been 'guarded' by 1,000 armed police.

Earlier reports have highlighted the repression going on in the Telengana area to crush the democratic movements of the peasants and the coal-miners against vested interests in that region. Firings in Panditapuram (Khammam district, January 31, 1979), firings in Mandammari (Adilabad, January 6), the mysterious disappearance of peasant leader Koteswar Rao arrested by the police (March 5, Peddapalli, Karimnagar district), preceded by the notification of Jagtial and Sircilla taluks as "disturbed areas" (October 4, 1978, Karimnagar district). Arrests, killings, police camps, and attacks by hired mercenaries have become the order of the day.

Despite the reports of various civil liberties organisations on repression of people's movements in the past year and more, the Andhra Pradesh government is continuing to let loose terror on the people and the activists. Worse, there appears to be a virtual black-out on what is happening in the area.

A Reader

New Delhi
June 9

Unfair Dismissal of Journalist

V T RAJASHEKHAR SHETTY, senior staff correspondent of the Bangalore edition of *Indian Express* who had served the organisation for 14 years, was dismissed on April 26, 1979 on the charge that he was writing articles in journals other than *Indian Express*. The dismissal order cited an office note of April 11, 1978 stating that no journalist at *Indian Express* can write articles elsewhere without taking "written permission" from the Editor-in-Chief. A domestic enquiry was conducted and Shetty was dismissed, even though Shetty was contributing articles to other publications after having secured the written permission of the former Editor-in-Chief, Frank Moraes, way back in 1972.

At the domestic enquiry, the enquiry officer never challenged the written permission given to Shetty by the late Frank Moraes but in the dismissal order, the management cast doubts on its authenticity and credibility. It is to be noted that the original permission given by Moraes was not withdrawn by his successors; nor did Shetty publish any articles elsewhere after he was served with this show-cause notice in January 1979. Moreover, Shetty seems to have been especially singled out for persecution, for other journalists in the same office who too have been writing articles (and without any permission) have been left untouched.

Some progressive journalists of Bangalore have already written to the Indian Federation of Working Journalists, the Press Commision, the Press Council and other authorities protesting against this persecution of an innocent journalist. To this, we add our voice of protest and request all sympathisers to join in the protests.

D M Thimmarayappa
Convener
Karnataka Dalit Action Committee,
Bangalore

April 27, 1979

The Scale of Disarray

Romesh Thapar

THERE'S no getting away from it any more. The Janata party is digging its grave with remarkable speed. It may survive as a conglomeration depending on the longevity of Morarji Desai, but already the coalitionist character of the party is getting emphasised from day to day. Individual ministers are also passing the buck, making known what they would like to do, but implying that their hands are tied. The effort to hammer out a minimum, time-bound programme is not even attempted to be made. Result: the scale of disarray is frightening.

George Fernandes, who holds a key portfolio, apparently realises that there is little point in lobbying through speeches, or private meetings, for decisions which will not be agreed to. In fact, he is unable to carry conviction with his colleagues, or the public at large. The gap between promise and performance creates the climate for charges of corruption. And the Cabinet meanderings do not help; the investigations into the Siemens "deal" naturally creates a suspicion of something at odds with established policy. Against this messy background, the minister's public espousal of the railwaymen's case for bonus is seen as a deliberate posture to organise a melodramatic resignation.

Biju Patnaik also commands a critical sector: steel and mines. Here, the disorganisation is so phenomenal that there is talk of letting the private sector in. This is the strangest of "magic wands", considering that the Government of India is now the repository of so many sick units that it might itself collapse of induced, contagious sickness. Any attempt by the wise men in the ministry to rationalise distribution of what have now become scarce commodities, is seen as inspired by corrupt practice; the Patnaik story is trotted out to prove the point. Endless calculations go on to estimate how many crores are passing hands. What effect all this fevered activity will have on puisne corruption is impossible to foretell.

Move into the gilded arenas of Petroleum and Electronics, you would think that the Government of India is today even more in the solid grip of the sons and sons-in-law of the mighty. Favours of every description are dictated to the secretariats. Any resistance meets with fearful retribution. We cannot blame the public for developing cynical responses to the commissions of enquiry and the special courts designed to book the offenders of yesteryear. The politicians are fast becoming indistinguishable where their habits and motivations are concerned. That's why the police have a whip hand in their countrywide agitations.

If Vajpayee and Advani are undistinguished, except in the realm of "speechification", the Mohan Dharias and Madhu Dandavates lack the capacity to confront deteriorating situations. Turn to other ministries like Tourism, for instance; they are busy wrecking the corporations on which the whole infrastructure is built. A parliamentary committee passes strictures on the alleged perks of public sector managers, but in the account books of every corporation exists extraordinary evidence of the monies spent on the "board and lodging" of these committees. Will some public spirited department or ministry of the Government of India place this information at the disposal of parliament.

We will never bring our present disarray into some kind of manageable focus unless we begin to batter down the populist model of political functioning, popularised by Indira Gandhi, and certainly not abandoned by her Janata party competitors. Morarji Desai assumes moral postures and pretends that he is above such things, but every one of his colleagues knows how he interferes in the smallest appointments, holds up schemes and projects because someone has whispered something to him at some time of the day when he has not been taking a nap.

There is exasperation about the prime minister's office and its functioning. Diplomatically, for example, there have been frantic enquiries about the newly designated "personal envoy" of the PM — Dinesh Singh, described by the mischievous as Mohammed Yunus-II! who worked out this nonsense trip through the ASEAN countries. They are sick of "big brother" gimmicks, in the style of the US President. They want some serious, official and responsible discussion on the problems of the region, and India's new responses to them.

The Dinesh Singh junket has, so far as observers in the Capital are concerned, not made sense to Dinesh Singh himself. Either he is playing a diplomatic role or not. We need to know. But from whom. Vajpayee is silent. So is Morarji Desai.

I could go on in this strain with endless examples to prove that the disarray is fatal. Morarji Desai — and, believe it or not, even his tortured colleagues in the Cabinet — would have us believe that we are making a proverbial mountain of a mole-hill, that this is the trouble with an irresponsible press now "enjoying" complete freedom, that the people must be made to realise that they are being misled, hoodwinked, bamboozled. It is an attitude of mind which is common to all those enjoying power in the subcontinent — the Janata, the Cong(I), the Cong(S), the AIDMK, the CPI(M), the Akalis and the coalitionists of various description. The more the disarrav, the more hardened this attitude of mind. Our politicians want to live in some fantasy world of perks and privileges even as they imagine they are carrying out an economic, political and social revolution in democracy.

Wherever we turn, the signs of the growing breakdown are visible. But the effort to return political life to some sanity is more-or-less non-existent. The sweet nothings of a Chandra Shekhar, or the familiar Communist lobbying by Madhu Limaye, or the authoritarian invocations of Indira Gandhi, carry little impact. The Indian has lived through too many experiences to respond to these images. Surely our politicians understand this. Then what is it that prevents bolder initiatives by a more powerful combination of forces? Communist rigidity? Jana Sangh/RSS fears? Do we not need to reorganise our federal polity: smaller states, decentralised power, a presidential system with appropriate checks, an electoral reform that would restore health to the Republic by 1982? At least, then, we could argue that these years were not wasted in attempting to preserve the rotten carcass of a corrupt, bureaucratic state.

June 9

Saved by Aluminium-for-Power Deal

Hansavivek

MADRAS ALUMINIUM has entered into an agreement with Andhra Pradesh government with the concurrence of the Tamil Nadu government, whereby it will barter during the current year 6,000 tonnes of EC aluminium for 120 million units of power during the summer months. In TN state now there is a power cut of 15 per cent for continuous process industries like aluminium. The company is, however, safeguarded to the extent of 25 per cent through the agreement with AP government. This has saved it from a disaster such as was being experienced in the past. The agreement is for two years lasting upto the end of 1980, subject to review at the end of 1979. Thanks to this agreement and the commissioning of the Tuticorin project during July 1979 which would add another 200 MW to the TN grid, MALCO should be free from the hazard of power cut to a considerable degree upto the end of next year.

During 1978, the company produced 23,117 tonnes of primary metal against 17,036 tonnes produced last year and the installed capacity of 25,000 tonnes. Sales have increased from Rs 13.87 crores to Rs 19.89 crores and gross profit has expanded from a mere Rs 31 lakhs to Rs 309 lakhs. After providing for depreciation, there is a profit of Rs 111 lakhs which has occurred after a break of three years. This profit is inadequate to clear arrears of depreciation for 1977, which has been deferred for adjustment against future profits. The company achieved improved profitability by selling higher quantities of more profitable items such as billets, CG ingots and alloys. Profits were high on CG ingots prior to October last, as their prices were not controlled. After control on prices of these ingots, the company laid more stress on selling other products to maintain profitability. Overhead expenses were reduced and interest charges lowered by return of loans made possible by cash generation. The company is implementing diversification projects for production of 2,000 tonnes of aluminium extrusions and 7,000 tonnes of continuous cast sheets. Both these projects are expected to be on stream by early next year. The company also has a programme to increase alumina production to 140 tonnes per day.

PEICO ELECTRONICS AND ELEC-TRICALS is the new name of Philips India. The company will soon issue to the Indian public 17,04,000 shares

The Week's Companies

(Rs in Lakhs)

	MALCO		Peico Electronics		National Rayon		Goetze	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77
Paid-up Capital	593	593	1630	1358	675	675	337	154
Reserves	361	250	1126	1244	665	490	244	96
Borrowings	824	1025	301	332	1261	1348	297	111
of which Term borrowings	291	339	120	150	602	625	173	2
Gross fixed assets	3103	2973	3277	2986	4245	4056	827	338
Net fixed assets	1350	1417	1674	1539	1604	1574	685	266
Investments	—	7	6	1	35	36	—	37
Current liabilities	483	490	2894	2631	1009	714	98	80
Current assets	910	934	4272	4024	1968	1614	275	138
Stocks	650	733	2320	2203	1042	945	112	50
Book debts	248	197	1597	1561	828	603	113	68
Net sales	1989	1387	8004	7158	4560	4041	430	301
Other income	120	71	147	129	128	84	34	15
New material costs	645	435	4079	3652	1700	1698	44	20
Wages	78	78	1421	1289	867	821	79	68
Interest	119	149	126	159	236	214	19	5
Gross profit(+)/loss(−)	309	31	1318	1146	398	187	178	113
Depreciation provision	198	—	255	238	144	130	44	22
Tax provision	—	—	680	535	—	—	—	56
Net profit(+)/loss(−)	111	31	383	373	254	−317	134	35
Development rebate provision	—	—	52	48	39	16	84	1
Transfer to reserves	111	—	—	—	136	—	12	3
Dividend								
Amount	P —	—	P —	—	P 29	—	P —	—
	E —	—	E 261	198	E 50	—	E 38	31
Rate (per cent)	P —	—	P —	—	P5.55	—	P —	—
	E —	—	E 16	14.60	E 10	—	E 15	20
Cover (times)	—	—	1.20	1.24	3.72	—	1 31	1.09
Ratios (per cent)								
Gross profit/sales	15.53	2.23	16.46	16.01	8.76	—	41.39	37.54
Net profit/capital employed	11.63	—	13 90	14.33	18.99	—	23.06	14.00
Inventories/sales	32.68	52.85	20.86	30.77	22.85	23.38	26.05	16.61
Wages/sales	3.92	5.62	17.75	18.01	19.01	20.51	18.36	22.58

of Rs 10 each at a premium of Rs 4 per share. At the same time, N V Philips' Gloeilampenfabrieken of Holland will offer for sale a part of its shareholding in the company. This will reduce the holding of non-resident shareholders to less than 40 per cent in compliance with FERA. The company also proposes to issue secured debentures of Rs 8 crores to public financial institutions to meet its financial requirements including those relating to expansion, modernisation and replacement schemes, which are intended to be undertaken. The company has been granted a 'letter of intent' for manufacture of high pressure sodium vapour lamps. The directors say that despite change in the name of the company, its products will continue to be sold under the 'PHILIPS' trade mark and emblem as agreed upon with the Dutch company, since they conform to the worldwide Philips quality standards. The company has turned out good results for 1978, with higher sales and profits. Dividend, raised from 14.6 per cent to 16 per cent, is covered 1.2 times by earnings.

NATIONAL RAYON CORPORATION, managed by government directors, has fared so well that it is not only clearing arrears of preference shares for 1976 and 1977, but is also paying an equity dividend of 10 per cent for 1978 as also the balance equity dividend of 18.80 per cent for 1973 which could not be paid then on account of restrictions imposed by the government on distribution of dividends. Sales have increased from Rs 40.41 crores in 1977 to Rs 45.60 crores in 1978 and gross profit has more than doubled from Rs 1.87 crores to Rs 3.98 crores. Such good results have been obtained despite lower production of the rayon division on account of labour unrest in the factory in July 1978. Production of rayon textile yarn was 8,554 tonnes as compared with 9,468 tonnes in the previous year and that of rayon tyre cord was 4,555 tonnes against 4,865 tonnes. Output of nylon tyre yarn increased from 560 tonnes to 1,310 tonnes, as plant and equipment installed under the phase II programme became operational. The industrial licence for production of nylon tyre yarn has been recently revised from 2,200 tonnes to 3,300 tonnes. The present fabric making capacity, however, is limited to only 50 per cent of the original yarn making capacity. The company is seeking government permission to increase its fabric making capacity to match the revised yarn making capacity. The first phase programme for modernisation of old rayon plants has been taken on hand. It has also been decided to diversify into manufacture of industrial preservatives and pesticides. The capital cost of these projects is estimated at Rs 5 crores. The company has applied for industrial licences. On legal advice, the directors lodged a complaint with the police about irregularities and illegalities committed by the former management. As a result, Sudhir N Kapadia, ex-chairman of the company, and some other persons were arrested and released on bail. Government of Maharashtra has appointed an eminent advocate as special prosecutor to conduct the criminal proceedings. The company has also filed suits against trustees of four trusts and the then concerned directors, *viz*, S N Kapadia, R N Kapadia, F L Berarwalla and R S Chowdhury, for recovery of "unlawful" donations amounting to Rs 8.50 lakhs.

GOETZE (INDIA) commenced commercial production of piston rings at its new plant at Bangalore towards the end of November last and achieved over 40 per cent of the installed capacity during one month's operation in 1978. The company expects to achieve 60 per cent capacity utilisation this year. The plant has a licensed capacity of 10 million piston rings per annum. Conventional cast iron piston rings apart, the plant will also manufacture special types of rings both in material and design including large diameter piston rings for diesel locomotive and marine applications upto 300 mm diameter, as against 150 mm diameter presently being manufactured by the company at the Patiala works. Due to great demand for special types and large size cylinder liners, the management has planned to set up facilities for production of such liners including hardened cylinder liners. A programme of renovation and rehabilitation of the Patiala plant has been drawn up. An additional four-tonne induction furnace is being provided there to meet the increased demand of molten metal. Also an additional line is planned for development of new type of rings. Increased production at Patiala and contribution from the new Bangalore plant has enabled the company to produce good results for 1978. Sales, profits and margins are all higher than last year. Dividend has been stepped down from 20 per cent to 15 per cent, which is payable on an enlarged capital.

DENA BANK registered significant progress in deposit growth and in credit disbursal to priority sectors in 1978. The bank opened 61 new branches during the year, taking the total number of branches to 765. Out of the new branches, 32 were opened in rural centres and eight in semi-urban centres. At the end of the year, 481 branches or 62.7 per cent of total were in rural and semi-urban centres. Total deposits of the bank rose from Rs 512 crores to Rs 614 crores in 1978, the rate of growth of deposits being 19.9 per cent which compares favourably with the average growth rate of 18.6 per cent registered by the banking system. Dena Bank's advances increased by Rs 42 crores in 1978, from Rs 358 crores to Rs 400 crores. Priority and neglected sectors were the recipients of the bulk of incremental credit. Advances to the priority sectors increased from Rs 101 crores to Rs 125 crores, thus registering a growth rate of 24 per cent. The share of priority sectors in the total net advances constituted 34 per cent as against 30 per cent at end of 1977. Dena Bank has thus achieved the target of 33.3 per cent share for priority sector advances in total advances well ahead of time. Agricultural credit accounted for 8.6 per cent of the bank's total advances at the end of 1978, advances to small scale industries for 18 per cent and advances to other priority sectors for 7.5 per cent. The share of advances under the Differential Interest Rates Scheme in the bank's total credit improved from 0.3 per cent to 0.53 per cent. Dena Bank has adopted the strategy of organising workshops and credit camps at different centres to encourage economically weaker sections to take up self-employment ventures. The bank organised 149 credit camps in 1978 and financial assistance of about Rs 7 crores was extended through these camps to about 10,000 small borrowers, one-fifth of whom belonged to the scheduled castes and scheduled tribes. Dena Bank's total income during the year was Rs 59.06 crores as against Rs 50.86 crores in 1977. Expenditure was Rs 58.35 crores against Rs 50.17 crores. After making necessary provisions, profits stood at Rs 70.3 lakhs in 1978 as against Rs 68.8 lakhs in 1977.

NEW DELHI

Hot Air on Public Distribution

B M

THE much-advertised expanded production-cum-public distribution scheme of Mohan Dharia, holding the portfolio of civil supplies in addition to external trade in the Union Cabinet, is ready to be launched from July 1. The scheme is claimed to have been given final touches at a conference with the state chief ministers and civil supplies ministers at the same time as the more pressing problem of coping with police unrest was discussed in the capital. In the context of a marked spurt in prices and thriving black market even while the traders too have chosen to take to the agitational course, direct intervention of the government in the market on the scale on which it is planned to be done will be widely welcomed. But the question is whether Dharia's scheme will really work for the purpose for which it is ostensibly designed.

In addition to foodgrains, the fair price shops registered under the scheme — eventually planned to total nearly three and a half lakhs — will handle a variety of items, among them tea, coffee, matches, toilet and washing soaps, exercise books for students, cheap cloth and kerosene. The state governments will be free to add to this list any other item they consider desirable. How exactly the problem of procuring and supplying all these items in adequate quantity, of reasonable quality and at competitive prices will be resolved, however, remains very much obscure.

Dharia when confronted with this problem said the other day that the government will not hesitate to impose a levy on producers and even take over their entire stocks to feed the system. But which producers did he have in view? The producers of the commodities proposed to be covered are farmers, except for controlled cloth and kerosene which are in the public sector. It is unthinkable that the system of purchasing agricultural commodities as a price support operation even while free movement and free trade are being encouraged will be altered to suit Dharia's scheme the logic of which postulates monopoly state trading in these commodities. Equally infructuous is likely to be his threat in respect of manufacturers of items such as matches, washing and toilet soaps, tea, coffee, salt and bicycle parts which are proposed to be brought within the ambit of the enlarged production-cum-distribution scheme.

Production costs and prices of commodities have a way of breaking artificial restraints and official policies have contributed in no small measure to raising their prices in order to promote their production by ensuring a "fair return" to the producers. These arrangements are bound to come into direct conflict with the idea of taking over stocks from producers, partly or wholly, at a fixed price which will be determined by the rival concept of "fair price" for the consumer. The only way to smoothen out the conflict will be to pump in more and more subsidies into the production-cum-distribution system being proposed by Mohan Dharia. This indeed is built into his entire scheme and if pursued on the scale proposed by him, it will indeed amount to subsidising sections of population having access to public distribution supplies at the cost of those, comparatively more vulnerable sections, who do not enjoy this facility.

Experience with the public distribution system to the extent it is being already operated should be taken into consideration before embarking on its expansion on the proposed ambitious scale. Besides bureaucratic inefficiency and corruption, a marked feature of public distribution has been the large-scale subsidisation both in procurement of supplies and their sale. As matters stand, the benefits of subsidisation tend to favour the viable sections rather than the vulnerable sections in whose name the public distribution system is ostensibly organised. This has been true even of foodgrains, not to speak of controlled cloth, sugar, kerosene or milk. The fact indeed is that public distribution has resulted in many cases in pre-empting commodities in short supply for consumption of selected privileged sections and areas, and, in the process, worsening the position of those, by and large vulnerable sections, who have to fend for themselves in the open market, both as regards availability and price.

The kind of ambitious public distribution system Dharia has conceived will also require commitment of resources — financial, managerial and administrative — which will be beyond the capability of the government to undertake in our system of mixed economy. It must also be realised that whatever resources are committed to trading will be that much resources diverted from investment in production which must occupy a higher priority at the present stage of our socio-economic development. A public distribution system, if it is to serve the right social and economic purpose must, therefore, be limited to a very few items of critical mass consumption, such as foodgrains, with emphasis on extension of its coverage to vulnerable sections rather than to increasing the number of items to be covered. Another direction for improvement of the system should be gradual withdrawal of subsidy except to the extent it is clearly earmarked for those below the poverty line.

Another idea built into the scheme is that the existing retail trade channels, in marked contrast to wholesale trading, should be substituted to a considerable extent by shops to be run by co-operatives and Panchayats and, finally, by the educated unemployed with financial assistance and credit at a preferential rate of interests from the nationalised banks. It would appear that priorities are getting mixed up here. Instead of generating new employment we are heading towards a massive displacement of those already self-employed by others who will, in addition, extract higher margins from their newly granted privileged position. This is bound to encourage a system of trading in commodities of mass consumption in sheltered conditions which will be ultimately at the cost of the consumer for whose benefit Dharia's scheme is claimed to be designed.

It is in the context of all these problems that the planners have been suggesting — but rather meekly, as is generally the case with their intervention in these politically difficult and uncertain times — that government should not take on more responsibility in the field of trading by seeking to cover more items than it can control with stocks in hand and where a measure of rationing is called for. They would prefer to confine this activity, therefore, only to wheat and rice, cheaper varieties of cloth produced in nationalised mills and imported edible oils. Dharia, on the other hand, though he found it necessary to caution the more enthusiastic chief ministers at the recent conference

against picking up items which are in short supply in the open market, wants the government to be involved in retail trading in goods which are even otherwise freely available at competitive prices in the open market.

Very relevant in this context, of course, is the reaction of the traders and the countrywide agitation being organised by them. The main demand of the agitation is abolition of the sales tax. But its real inspiration is the feeling that private trade is likely to be subject to some form or other of squeeze if any serious attempt is made to hold the price-line. The traders will feel cheated if the opportunities for making super profits which inflationary conditions offer are denied to them. There is evidence enough, however, that the spectre of inflation might induce the government to halt, if not reverse, its general drift towards lifting prices and distribution controls in some of the sensitive commodities. Interesting in this context, of course, is the influence that infighting among factions in the ruling party is having in prompting the traders to take the agitational course.

SCIENTIFIC RESEARCH

Paper Guidelines on Foreign Collaboration

IN its 167th Report, the Public Accounts Committee of the Fifth Lok Sabha had drawn attention to several aspects of biological warfare implications of some research projects with foreign collaboration. In a follow-up report (200th) the PAC provided further evidence in support of its apprehensions. The research projects mentioned by the PAC were:

(1) The Genetic Control of Mosquitoes Unit (GCMU Project).
(2) The Bird Migration and Arbo-Virus Studies at the Bombay Natural History Society.
(3) The Ultra-Low Volume Spray Experiments for Urban Malaria Control at Jodhpur.
(4) The Pantnagar Microbial Pesticides Project.
(5) Some of the research projects undertaken in Calcutta and Warangal in collaboration with the Johns Hopkins University.

This report briefly examines the action taken by the government in this regard after the findings of the PAC had been made available to it.

Despite being told by the Ministry of Health and Family Planning that it was not necessary to further enquire into the issue raised by the PAC Report, the Union Cabinet decided that a Committee consisting of the Defence Minister, the Petroleum and Chemicals Minister and the Health Minister should consider and decide the action to be taken on the PAC's recommendations. This Cabinet Committee in turn appointed a high-powered committee consisting of H C Sarin as Chairman and M G K Menon and M S Swaminathan as members to examine the PAC findings. By and large the high-powered committee gave a clear chit to the GCMU project. However, on some dubious aspects of the project where the evidence cited by the PAC was extremely significant, this committee too raised objections, albeit in an extremely mild way.

According to this committee, the GCMU research was directed primarily to assess "the operational feasibility" of the genetic control technique, and not immediately for disease-control. Only after successful techniques were standardised could these be used in the control of the diseases. It further notes that *Culex fatigens* and *Aedes aegypti* were two species which were technically easier to handle and breed, and considerable information was available on them, while *Anophgles stephensi* was known to be very difficult to colonise. "The choice of the first two species for experimentation in the earlier stage appears to be in line with the objective of the GCMU which was to assess the operational feasibility of the technique and not the actual control of the disease."

Regarding the working of the project, however, the committee expressed some reservations. In view of the fact that radiation sterilisation did not suffer from the disadvantages involved in inducing sterility by chemosterlisants, it was "not clear" to the committee why the first method was not used. The committee also noted that no special permission or government clearance was obtained to bring translocated strains of these mosquitoes species into the country nor was clearance sought from the drugs controller. Further "in their deep involvement and enthusiasm for the work, the unit appears not to have been sensitive to the implications of transmitting abroad or openly publishing the data relating to the mosquito population dynamics and vector susceptibilities".

The most significant aspect of the committee's finding is its reference to the widespread lack of consciousness about biological warfare implication of such research. "It is clear that there was no malafide intention on the part of the scientists and officials either at the signing of contract for the project or later in its progress, nor did the conduct of experts working on the project give room for any suspicions of biological warfare aspects. The fact, however, is that there was a lack of awareness of biological warfare aspects generally in the scientific community in India of which those concerned with the GCMU were but a small part."

In addition, the Committee also made some recommendations which are significant. These were:

(1) No research project on vector borne diseases should be undertaken with any foreign funds and personnel without scrutiny and without the specific approval at an appropriate political level.
(2) Even when such projects are indigenously undertaken the data should be cleared from the security point of view before publication. Further, whenever such field releases of mosquitoes or other vectors are proposed to be undertaken, the vector strains concerned should be specifically cleared by the Virus Research Centre, Poona, where facilities for this purpose should be created.
(3) Government should immediately set up a committee of scientists, administrators and legal specialists to chalk out in detail practices, procedures and associated policies for regulating the import of micro-organisms.
(4) The various laws on the import of hazardous chemicals should be immediately reviewed and regulatory mechanisms at the stages of importation, distribution and usages should be made more effective. Schedules and lists of these Acts should be reviewed periodically to include newer chemicals and materials. The executive function of the various levels of implementation of rules and regulations should be clearly delineated.
(5) All projects undertaken with foreign assistance should be examined from the point of view of national priorities and security before they are approved by government.
(6) In all scientific projects even when they involve international collaboration, the Project Direc-

[illegible] an Indian.

(7) In the GCMU project foreign post-graduates were brought in to the country to work as consultants to the Unit. This should not be permitted in any research project.

(8) In sensitive areas the work should be done exclusively by Indian scientists. However, if foreign consultants are essential for any phase of such project, suitable working procedures should be devised to ensure security.

In the above findings and recommendations of the high-powered committee, several points raised in the 167th and 200th Report of the PAC remain unanswered. For instance, nothing is said of the working being done at the Vector Control Research Centre, Pondicherry, where much of the GCMU staff shifted after the project was discontinued, or of the potential value which the information made available by the Project would hold for a yellow fever attack. The high-powered committee is equally silent about the role of US Public Health Service which had met the costs of this project and also retained exclusive power of veto over the appointments of the principal investigators.

Thus it is clear that in spite of the painstaking work undertaken by the PAC in mobilising a mass of evidence on some aspects of the security hazards of foreign collaboration, the subsequent action by the government has been concerned more with somehow sidetracking or suppressing the real, basic issues of concern.

The 200th report of the PAC had suggested adoption of certain guidelines for clearance of collaborative research ventures. Among these was one that specified that such ventures should not only be of 'potential value' for the country but also have immediate productive utility. But it now appears that while the government has reacted favourably to the adoption of the guidelines suggested by the 200th Report of the PAC, it has, however, made an exception regarding this guideline. Now, not only are ventures of 'immediate productive utility' open for foreign collaboration, but also those related to 'fundamental research'.

But even the most elaborate and carefully spelt-out guidelines, in themselves, cannot ensure that a research project involving foreign collaboration will always remain above board. Instances are even now not lacking of the most innocuous sounding research project being potentially capable of great mischief. For instance, in a recent project surveying the incidence of bonded labour some of the German collaborators collected blood, urine and blood samples in the Palamau district of Bihar which were then sent outside the country for further analysis. There have been other instances in the past of such samples being collected by US defence agencies, in all likelihood for biological warfare experiments.

Another recent example is the Indo-US tie-up to study Indian weather — part of Monex-79. According to a UNI report dated December 27, 1978, "The Indo-US tie-up will cover the Arabian Sea, the Indian Ocean and the Bay of Bengal to record as many meteorological observations as possible. The US will fly the gear-equipped airplanes. Indian and US scientists will also measure what goes on in the turbulent lower part of the atmosphere, analyse dust outbreaks over the Bay and the Arabian Sea during the monsoon and monitor the characteristics of rainfall associated with tropical depressions in the Bay". Is it advisable to permit this kind of collaboration with its weather warfare implications, especially in view of the fact that part of this project would also reportedly involve flights by sensitively instrumented American Navy reconnaissance planes over the Indian territory along the north and the north-eastern borders?

Yet another dubious research project is the one under which a unit of the Smithsonian Institute (a known collaborator of the US Department of Defence and a partner, from 1967 onwards, in the bird migration studies in India whose biological warfare implications have been exposed) based in the Hamis and Matho monasteries of the highly sensitive region of Ladakh is making an anthropological film. The clearance readily given to such dubious projects would indicate that the guidelines on security aspects of foreign collaboration often exist only on paper and are not always followed in actual practice.

(For dispatches from Correspondents follow page 1002.)

THE MADRAS ALUMINIUM COMPANY LIMITED

MALCO

Registered Office: Mettur Dam - 636 402

Highlights of the speech of Shri C.G. DEVAYA, MANAGING DIRECTOR, delivered at the 19th Annual General Meeting held at the Inauguration Hall, MALCO Campus, Mettur Dam on Saturday, the 9th June 1979.

This is the first meeting at Mettur with the shifting of the Registered/ Head Offices from Coimbatore. We moved in here to operate closely with the manufacturing department to solve the many problems we have. Old scores had to be forgotten and new friendships formed. A new philosophy of togetherness had to be imbibed. This has worked out well for your company.

PERFORMANCE

After a lapse of a few years your company has been able to earn a net profit of Rs 1.11 crores during 1978, after the provision of Rs 1.9 crores for depreciation for the year. Unfortunately, this is however inadequate for the declaration of dividend as previous year's arrears of depreciation have to be cleared.

The production achieved at 23,117 tonnes of aluminium with a total turnover of Rs 20.99 crores was the highest ever reached comparing against the previous best of 18,968 tonnes with a total turnover of Rs 15.44 crores. The Tamil Nadu Government was good enough to provide a steady demand load of 67 MVAs throughout the year. If 7 more MVAs would have been provided we could have achieved 24,000 tonnes Low controlled prices and likely power cuts continue to be our main problems.

CONTROLLED PRICES

The low controlled prices are hurting us very badly. A new pricing policy was announced by the Central Government in October, 1978. Dual pricing has been abolished. New retention and selling prices have been established. The increases given for Malco at Rs 8,820/- per tonne (basic) for EC ingots and Rs 9,155/- for EC rods are inadequate with the cost of production spiralling up. Even at 92 per cent capacity utilisation during 1978 there was a loss of Rs 50 lakhs on the sale of controlled metal due to low controlled prices. This loss was made up through the sale of non-controlled metal such as CG ingots, rods, billets and alloys to achieve the profits during the year.

There has been further increase in the Tamil Nadu State in the power tariff by 4 paise per unit amounting to a cost increase by about Rs 800/- per tonne of aluminium with effect from 1/5/79. With the increase in the cost of the other inputs, low retention prices and the price control on CG ingots, we are operating at a serious loss with effect from May, 1979. There is urgent necessity for the retention prices being increased.



Shri C G Devaya

Due to the shortage of aluminium, 70,000 tonnes of metal will be imported by the Central Government during 1979. The ruling FOB International price of aluminium EC ingots is about Rs 13,000 per tonne (basic). There is world wide shortage even at this price. Where then is the justice of Malco obtaining only Rs 8,820/- per tonne of EC Ingots? If, for instance, the company were to be permitted to export part of the production, high profitability would be immediately ensured. We have not been asking permission to export. This is only an illustration for justifying higher retention prices. We need adequate profits. Besides paying dividends to shareholders, the plant is to be modernised and expanded so that the full potention of Malco can be exploited. These aspects have been seriously neglected in the past.

We have represented all the above facets to the Ministry of Mines & Metals and the Bureau of Industrial Costs & Prices. It is our impression that they are fully sympathetic to Malco's needs. We are looking forward to quick justice so that the wheels of a vital industry may not grind to a halt. We have suggested sanction of an interim increase of at least Rs 1,900/. per tonne. This is now needed as 'Oxygen for a patient in distress'.

ELECTRICITY

During the end of 1978 a barter deal was made with AP Government with the blessings of the Tamil Nadu Government regarding the supply of power during the year 1979 and 1980 Through a trilateral agreement, 6,000 tonnes of EC metal is being supplied annually to units nominated by the Andhra Pradesh Government in return for 120 million units of power to be supplied to Malco through Tamil Nadu Government during the lean summer months. Through this agreement it has been possible to obtain exemption from the 15 per cent power cut recently enforced by the Tamil Nadu Government with effect from 27th March 1979. Power cut is the deadliest of our hazards and this strategy has done us well. I am sure you would wish me to convey your special thanks to the Governments of Tamil Nadu and Andhra Pradesh for enabling this arrangement to be finalised and in particular to the Minister for Electricity of Tamil Nadu Government and the Secretary, PWD and Chairman of TNEB. This agreement would enable the Andhra Pradesh Government to carry out their electrification projects with greater speed. For Malco, the loss would have been about Rs 50 lakhs due to power cut even upto June 1979. But this has been averted through this barter agreement.

The matter regarding the Tamil Nadu Government's claim for Rs 95 crores towards excess consumption of electricity still rests with the High Court. We look forward to a just decision. A grave situation arising out of misunderstanding needs to be put right through wisdom on all sides.

The scope for the expansion of our primary metal capacity from 25,000 to 31,000 tonnes is under discussion, with Andhra Pradesh Government having informally agreed in principle to consider supply of this power on a barter basis. We have the electrical conversion equipment and the investment would be only about Rs 4.5 crores for increasing the capacity. It would be necessary to obtain the approvals of the Tamil Nadu Government and the Financial Institutions for going through these expansion projects, which would move Malco towards being an economic unit.

Diversification and Expansion

We have taken up the following projects in the first stage as part of your company's strategy to improve our viability.

Aluminium extrusions (2,000 tonnes per annum).

Continuous cast sheets (7,000 tonnes per annum).

Production of alumina in the higher rate (150 tonnes per day).

The necessary loan assistance of Rs 290 lakhs has been obtained from the Financial Institutions. The extrusion press has been shipped from USA, Texas during the end of May. We should be in production of extrusions by end 1979.

The continuous casting machine and allied equipments to be obtained from France would be commissioned during early 1980. It is the intention to integrate the continuous casting project with yet another new project for the production of cold rolled sheets in view of the profitability. For this supplementary project a further loan assistance of about Rs 5.5 crores would be required.

The increased production of alumina will be achieved in early 1980.

Research and Development

It is planned to extract about 300 kilograms of gallium annually from the sodium aluminate liquor. This project is in collaboration with NRDC and the pilot plant has been successfully established at the CECRI, Karaikudi.

Cost Reduction

This has been achieved through reduction in the cost of raw materials and engineering stores through broad based competitive purchases. Further cost reduction is planned through fuel oil substitution by producer gas for lowering the cost of steam and installation of mini computers for automatic voltage control to lower electricity charges in the smelter.

Assistance Obtained

The Financial Institutions have specially expedited the process of making the finances available. This has speeded up the progress of projects. Our Bankers, Indian Bank and State Bank stepped in to assist us on each occasion when there was need. The Central Government and Tamil Nadu Government, on their part have assisted Malco in its various programmes for improving our operational efficiency. My colleagues in your Board have rendered valuable guidance based on the rich experience that the individual members of the Board possess.

Our collaborators M/s Alumetal, SPA, Milano have continued to render excellent technical support to ensure the growth and viability of Malco.

Your Company greatly appreciates the very valuable assistance obtained from the above agencies.

Our Customers

The earlier policy has been to supply metal on the basis of the past off-take by our customers. With the barter agreement with the Andhra Pradesh Government the metal had to be supplied on priority to the units nominated by the AP Government as also the units nominated by the Tamil Nadu Government, who supply power at subsidised rates. I could only apologise to our good customers and tried to explain that power cut had to be somehow averted. This was the only alternative to Malco for sheer survival through optimum utilisation of the capacity. The Central Government was also not happy at first as this conflicted with their guidelines for the distribution of the metal. The realisation that the barter agreement with the Andhra Pradesh Government has resulted in the normal production of metal by Malco during the power cut in Tamil Nadu during summer of 1979, would have enabled the position being better appreciated.

Employees

The decision to shift the Registered and Head Offices of the Company in the interests of the efficiency has inconvenienced 40 families who had to move from Coimbatore to Mettur. The staff have co-operated greatly in the interests of the company and this deserves your special appreciation.

Our employees, workers and the supervisory staff, at all levels, have played their role with particular emphasis on higher efficiency and improved productivity. The labour relations have been good without any impediments to production. There have been of course, the dialogues and discussions, all well within the accepted norms of collective bargaining. During 1979 a better deal has been given to the staff and workers through recent settlements. This has been possible, thanks to the good performance of the company. I would like to specially commend to you all the employees for their excellent performance.

Managing Director

As you would have seen in the press there has been considerable propaganda and certain unusual events in the High Court and elsewhere. The Company Law Board's sanction for my continued appointment beyond 20/3/79 had been questioned. The temporary injunction order by the High Court, issued on a writ petition from a shareholder, restraining me from acting as Managing Director was since vacated. In the circumstances in which I was appointed, perhaps, there is bound to be power politics and certain efforts to displace me. This has been accepted by me as part of the game. It makes an interesting study. On my part, I have concentrated on doing my best for the well being of your company, with the support of your Board and the employees.

1979

The trend for 1979 which was satisfactory until April has been adversely affected due to the higher power tariff from May, 1979 as also the increased cost of inputs. This has to be solved only through the higher retention prices asked for. Several basic problems have been solved. Production is normal. Diversification is now a reality. The key for the viability of Malco, which produces the wonder metal of the modern age, is now very much in the hands of the Central Government. Given a fair treatment and with the spade work completed it should not be now far off for Malco to commence declaring dividends. I am aware of the impatience of the shareholders which is understandable.

Note · This does not purport to be a record of the proceedings of the Annual General Meeting.

Bank of Baroda

Head Office : Mandvi, Baroda

Balance Sheet as at 31st December, 1978

31-12-1977 Rs.	31-12-1977 Rs.	CAPITAL AND LIABILITIES	31-12-1978 Rs. P.	31-12-1978 Rs. P.
		1. CAPITAL :		
6,25,00,000	6,25,00,000	Paid up Capital .. .. (Wholly owned by the Central Government) (including Rs. 3,75,00,000.00 Capitalised by transfer from Reserve Fund)	6,25,00,000.00	6,25,00,000.00
		2. RESERVE FUND AND OTHER RESERVES :		
8,75,00,000	8,75,00,000	Reserve Fund under Section 17 of the Banking Regulation Act, 1949.	9,75,00,000.00	9,75,00,000.00
		3. DEPOSITS AND OTHER ACCOUNTS :		
		Fixed Deposits:		
	83,12,57,101	(a) From Banks 108,26,74,554 95		
	810,99,92,959	(b) From Others 964,99,39,925 86		
	894,12,50,060		1073,26,14,480.81	
	360,90,77,824	Savings Bank Deposits	461,77,65,470.02	
		Current Accounts, Contingency Accounts, etc. :		
	4,99,61,836	(a) From Banks 13,53,58,227 12		
	337,84,52,097	(b) From Others 421,64,74,926 90		
1597,87,41,817	342,84,13,933		435,18,33,154.02	1970,22,13,104.85
		4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC. :		
	88,60,28,757	(i) in India .. .. . (includes an amount of Rs. 12,52,96,859.10 borrowed from the Industrial Development Bank of India & Rs. 19,71,21,129.00 borrowed from the Agricultural Refinance & Development Corporation)	79,06,27,479.14	
106,49,03,466	17,88,74,709	(ii) outside India	24,66,82,990.62	103,73,10,469.76
		Particulars —		
		(i) Secured :		
	NIL	(a) by part of Investments and Bills *per contra*	18,028.98	
	1,83,86,287	(b) under the Refinance Scheme of the Industrial Development Bank of India vide 5.1 (i) *per contra*	2,78,57,808.88	
	6,29,46,828	(c) under the Refinance Scheme of the Agricultural Refinance & Development Corporation vide 5.1 (i) *per contra*	19,71,21,129.00	
		(ii) Unsecured :		
	7,53,32,577	(a) under the Refinance Scheme of the Industrial Development Bank of India 5.1 (i) *per contra*	9,74,39,050.22	
	4,21,91,526	(b) under the Refinance Scheme of the Agricultural Refinance & Development Corporation vide 5.1 (i) *per contra*	NIL	
	86,60,46,248	(c) Others	71,48,74,452.68	
	106,49,03,466		103,73,10,469.76	

Balance Sheet as at 31st December, 1978

31-12-1977		PROPERTY AND ASSETS	31-12-1978	
Rs.	Rs.		Rs. P.	Rs. P.
		1. CASH :		
153,60,15,635		In hand and with Reserve Bank and State Bank of India (including foreign currency notes)		129,04,42,905.05
		2. BALANCES WITH OTHER BANKS :		
	6,10,55,010	(i) in India on Current Account	1,63,23,363.33	
	21,83,54,781	(ii) outside India on Current Account ..	24,57,89,990.37	
97,84,49,446	69,90,39,655	(iii) outside India on Deposit Account [including Rs. 99,00,000 (£ 6,00,000) kept with Bank of India London branch pending adjustments]	119,98,11,488.53	146,19,24,842.23
16,75,45,932		3. MONEY AT CALL AND SHORT NOTICE:		12,37,34,866.01
		4. INVESTMENTS AT COST OR MARKET VALUE WHICHEVER IS LOWER (in aggregate) :		
	350,50,80,385	(i) Securities of the Central and State Governments and other Trustee Securities	440,77,71,945.75	
	NIL	Treasury Bills of Central Government ..	50,00,00,000.00	
		(ii) Shares :		
	5,27,268	(a) Fully Paid Preference Shares ..	9,13,430.40	
	2,78,72,193	(b) Fully Paid Ordinary Shares.. ..	3,08,13,175.34	
	NIL	(c) Partly Paid Preference Shares ..	NIL	
	52,67,965	(d) Partly Paid Ordinary Shares ..	51,60,000.00	
	8,70,68,447	(iii) Debentures or Bonds	8,77,03,342.48	
	4,50,000	(iv) Units of Unit Trust of India	4,50,000.00	
		(v) Other Investments (Foreign) :		
	33,37,40,468	(a) Government Loans, other Bonds and Treasury Bills	25,27,28,484.16	
	4,31,841	(b) Fully Paid Ordinary Shares.. ..	5,04,805.75	
	4,45,35,100	(c) Fixed Deposits	3,06,79,600.00	
400,49,73,667	NIL	(vi) Gold	NIL	531,67,24,784.08
		5. ADVANCES :		
		(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors) (see Note No. 1)		
		I. Loans, Cash Credits, Overdrafts, etc.		
	616,23,82,360	(i) in India Rs. 752,01,74,454.24 (includes an amount of Rs. 12,52,96,859.10 relating to medium term advances in respect of which finance has been obtained from the Industrial Development Bank of India and Rs. 19,71,21,129.00 obtained from the Agricultural Refinance & Development Corporation as *per contra*)		
	127,12,60,168	(ii) outside India Rs. 147,24,16,707.26		
	743,36,42,528		899,25,91,161.50	
		II. Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments) :		
	220,09,45,419	(i) payable in India Rs 242,42,94,278.62		
	52,04,05,739	(ii) payable outside India Rs. 53,12,27,650.74		
1015,49,93,686	272,13,51,158		295,55,21,929.36	1194,81,13,090.86

Bank of Baroda

Balance Sheet as at 31st December, 1978

31-12-1977 Rs.	31-12-1977 Rs.	CAPITAL AND LIABILITIES	31-12-1978 Rs. P.	31-12-1978 Rs. P.
43,73,04,074		5. BILLS PAYABLE		68,40,48,717.47
		6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as *per contra* :		
	82,08,96,124	(i) payable in India	97,61,55,462.87	
147,27,35,197	65,18,39,073	(ii) payable outside India	61,29,95,528.35	158,91,50,991.22
17,67,08,847		7. OTHER LIABILITIES including net amount realised to date in respect of assets under collection of the former New Citizen Bank of India Ltd. Rs. 1,74,445.41 (excluding in Bangla Desh pending repatriation Rs. 4,919.80)		19,37,01,345.52
129,08,53,897		8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS *per contra*: ..		171,52,51,353.97
6,55,63,387		9. ASSIGNED CAPITAL HELD AT OUR BRANCHES IN FOREIGN COUNTRIES UNDER LOCAL BANKING REGULATIONS/LAWS *per contra*:		11,73,23,993.11
		10. PROFIT AND LOSS :		
	60,04,127	Balance as per Balance Sheet as at 31st December, 1977..	62,52,587.45	
	60,04,127	*Less :* Amount remitted to Government in terms of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.	62,52,587.45	
	NIL	Balance	NIL	
	3,75,02,587	Profit for the year as per account annexed	3,27,51,911.26	
	1,57,50,000	*Less :* Amount transferred to Reserve Fund	1,00,00,000.00	
	2,17 52,587		2,27,51,911.26	
	1,50,00,000	*Less :* Amount transferred to Contingency Account for Bonus payment to Staff as and when finalised	1,60,00,000.00	
	67,52,587		67,51,911.26	
	5,00,000	*Less :* Amount transferred to Staff Welfare Fund	5,00,000.00	
	62,52,587		62,51,911.26	
	NIL	*Less :* Amount transferred to Research Fund	5,50,000.00	
62,52,587		Balance being amount to be transferred to Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.		57,01,911.26

Balance Sheet as 31st December, 1978

31-12-1977		PROPERTY AND ASSETS	31-12-1978	
Rs.	Rs.		Rs. P.	Rs. P.
		Particulars of Advances :		
	645,47,76,402	(i) Debts considered good in respect of which the banking company is fully secured ..	772,18,35,222.01	
	90,76,86,738	(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security including advances under joint and several pronotes	103,95,82,718.84	
	279,25,30,546	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal securities of the debtors	318,66,95,150.01	
	NIL	(iv) Debts considered doubtful or bad, not provided for	NIL	
	1015,49,93,686		1194,81,13,090.86	
	5,19,29,003	(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	7,84,83,031.30	
	4,42,86,413	(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies as, members	8,97,023.87	
	5,19,34,655	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other person	7,84,88,724.51	
	4,58,67,035	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of banking company are interested as directors, partners, or managing agents or in the case of private companies, as members	4,42,86,412.85	
	3,71,70,662	(ix) Due from banking companies	2,01,69,918.43	
		6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as *per contra:*		
	82,08,96,124	(i) Payable in India	97,61,55,462 87	
147,27,35,197	65,18,39,073	(ii) Payable outside India	61,29,95,528 35	158,91,50,991.22
129,08,53,897		7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS *per contra* : ..		171,52,51,353.97

Bank of Baroda

Balance Sheet as at 31st December, 1978

31-12-1977 Rs	Rs.	CAPITAL AND LIABILITIES			31-12-1978 Rs.	P.	Rs.	P.
		11. CONTINGENT LIABILITIES:						
	79,86,655	(i) On partly paid shares of Joint Stock Companies	Rs.	96,60,000.00				
	39,49,560	(ii) Claims against the banking company not acknowledged as debts	Rs.	57,73,838.89				
	186,76,64,712	(iii) Money for which the banking company is contingently liable (including Rs. 5,97,850.00 for guarantees given on behalf of the officers of the Bank and Rs. Nil for guarantees given on behalf of Directors of the Bank)	Rs.	199,05,60,826.69				
	48,41,85,821	(iv) Liabilities on Bills of Exchange rediscounted	Rs.	43,61,14,093.62				
	19,27,20,000	(v) In respect of advances assigned under participation certificates scheme	Rs.	41,59,20,000.00				
	74,93,29,794	(vi) Liability on account of outstanding Forward Exchange Contracts for purchases and sales	P. Rs	132,58,79,289.21				
	98,86,32,261		S. Rs	185,35,17,044.00				

NOTES :

1. Included in advances is a sim of Rs 1,54,32,085.04 due from a Textile Unit which has been nationalised. According to the Bank claims in respect of post take-over management liability have been lodged with appropriate authorities. Out of the above amount, the claims to the extent of Rs. 20,95,699.82 have already been passed in favour of the Bank, to to be realised for the compensation money payable to the owners of the Textile Units. But the Bank has filed an appeal against the decision and has claimed the full amount. The Bank has also filed suits against the Guarantors besides the claim referred to above In this context it has not been possible to ascertain the shortfall, if any, that may arise on final settlement of this claim and accordingly, no provision has been made in the account in respect thereof.
2. Reconciliation of various heads of inter-branch accounts both Indian and Foreign, are in arrears and many old items remain to be cleared for the past several years. At some of the branches details/balancing/reconciliation of accounts relating to Demand Drafts Payable. Drafts Paid Without Advice, Deposits, Advances, Balances with other banks including State Bank of India and foreign banks, etc, are in arrears. Further Suspense Account, Sundry Creditors, Clearing Account and Bank reconciliation statements at some of the branches include long outstanding items pending scrutiny and adjustments. Steps are being taken in this regard including strengthening up of internal control system.
3. Amount of Participation Certificates issued and outstanding was shown in the Balance Sheet as at 31st December, 1977 under the heads "Borrowings from other Banking Companies, Agents, etc." and "Advances". In the Balance Sheet as at 31st December, 1978 the outstanding amount of such Certificates is deducted from both these heads and the same is shown under the head "Contingent Liabilities"; previous year's figures have also been correspondingly regrouped.
4. Previous year's figures have been regrouped wherever necessary to make them comparable with those of the current year.

2064,30,63,272	TOTAL	2520,47,01,887.16

Balance Sheet as at 31st December, 1978

31-12-1977 Rs.	31-12-1977 Rs.	PROPERTY AND ASSETS	31-12-1978 Rs. P.	31-12-1978 Rs. P.
6,55,63,387		8. AMOUNTS REMITTED AS ASSIGNED CAPITAL TO OUR BRANCHES IN FOREIGN COUNTRIES UNDER LOCAL BANKING REGULATIONS/LAWS *per contra* :		11,73,23,993.11
	6,45,46,234	9. PREMISES AT COST AS PER LAST BALANCE SHEET	6,74,40,827.38	
	28,94,593	Additions during the year	65,16,625.26	
	6,74,40,827		7,39,57,452 64	
	47,00,869	Additions on revaluation of Foreign Properties credited to Contingency Account ..	82,30,968.07	
	7,21,41,696		8,21,88,420.71	
	NIL	*Less* : Sales during the year	1,28,477.54	
	7,21,41,696		8,20,59,943.17	
5,76,15,476	1,45,26,220	*Less* : Depreciation to date	1,61,91,851.82	6,58,68,091.35
		10. FURNITURE, FIXTURES, ETC. LESS DEPRECIATION :		
	13,16,67,081	Furniture, Fixtures etc. at cost as per last Balance Sheet	15,73,60,907.47	
	2,66,65,962	Additions during the year	3,53,73,089.97	
	15,83,33,043		19,27,33,997.44	
	9,72,136	*Less* : Sales during the year	11,72,206.66	
	15,73,60,907		19,15,61,790.78	
8,48,79,182	7,24,81,725	*Less* : Total Depreciation to date	8,85,81,802.30	10,29,79,988.48
		11. OTHER ASSETS :		
	1,334	(i) Shares of Bank of Baroda (U.K.) Nominee Ltd (Subsidiary)	1,334.49	
	93,35,953	(ii) Shares of Bank of Baroda (Uganda) Ltd. (Subsidiary)	93,35,952.68	
	10,20,130	(iii) Shares of Bareilly Corporation Bank Ltd. *	10,37,449.50	
	4,23,716	(iv) Shares of Nainital Bank Ltd. *	4,22,555.50	
	6,57,82,824	(v) Interest accrued on investments (gross). .	8,27,98,038.66	
	10,95,48,177	(vi) Other accrued on income.	20,81,66,042.96	
	2,01,67,405	(vii) Stamps & Stationery	2,33,85,142.54	
	11,05,68,571	(viii) Amount recoverable in cash or in kind. .	15,81,11,459.37	
	5,62,51,110	(ix) Clearing adjustments	35,33,47,961.73	
	36,34,22,931	(x) Advance Payment of Taxes and Tax deducted at source	45,19,57,676.85	
	1,61,932	(xi) Net assets of Narayanganj Branch (Bangla Desh)	1,61,932 35	
	8,54,71,141	(xii) Branch adjustments (Net)	18,20,93,434.17	
	NIL	(xiii) Silver	NIL	
82,94,37,767	72,82,543	(xiv) Subscription for Investments	23,68,000.00	147,31,86,980.80
		*holding exceeds 51 % of the Capital.		
NIL		12. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS . ..		NIL
2064,30,63,272		TOTAL ..		2520,47,01,887.16

Bank of Baroda

Profit and Loss Account for the Year Ended 31st December, 1978

31-12-1977 Rs.	Rs.	EXPENDITURE	31-12-1978 Rs. P.	Rs. P.
97,41,65,455		1. Interest paid on deposits, borrowings, etc. ..		115,25,27,500.18
30,02,64,776		2. Salaries, Allowances, Provident Fund, Gratuity, etc. ..		37,09,30,548.70
1,54,736		3. Directors' and Local Committee members' fees and allowances ..		1,59,681.18
5,24,19,647		4. Rent, Taxes, Insurance, Lighting, etc. ..		6,70,76,738.37
23,48,663		5. Law Charges ..		42,79,580.44
1,44,32,741		6. Postages, Telegrams and Stamps ..		1,77,98,165.07
		7. Auditors' Fees :		
	2,12,950	(a) To Statutory Auditors (including Branch Audit Fees) ..	2,31,200.00	
15,63,584	13,50,634	(b) To Branch Auditors ..	17,85,634.90	20,16,834.90
1,46,97,254		8. Depreciation on and repairs to the banking company's property ..		1,88,36,851.77
1,86,87,576		9. Stationery, Printing, Advertisement, etc. ..		2,21,14,090.72
NIL		10. Loss from sale of or dealing with non-banking assets ..		NIL
3,62,10,023		11. Other Expenditure (including Rs. 330/- expenses of Bank of Baroda (U.K.) Nominees Ltd.) ..		4,62,17,008.61
3,75,02,588		12. Balance of profit (Subject to provision for Bonus to staff) ..		3,27,51,911.26
145,24,47,043		TOTAL ..		173,47,08,911.20

Notes : (A) I Particulars of Remuneration to the Chairman and Managing Director and Executive Director paid or provided for during the year ended on 31st December, 1978.

1977 Chairman & Managing Director Rs.			1978 Chairman & Managing Director Rs. P.	1978 Executive Director (from 24/7/1978) Rs. P.
44,500	1.	Salary.	46,000.00	17,088.85
3,708	2.	Bank's contribution towards Provident Fund.	3,833.20	1,423.95
3,139	3.	Medical expenses reimbursed.	1,167.42	175.00
—	4.	Leave Travel Concession reimbursed.	3,131.00	—
4,450	5.	The monetary value of any other benefits or perquisites (Calculated in accordance with Income Tax Rules).	4,600.00	1,708.88
55,797			58,731.62	20,396.68
	II.	Amount paid to Shri R. C. Shah, Chairman & Managing Director in respect of his services with the bank prior to appointment as Chairman & Managing Director and not included in above.		
52,500		(a) Gratuity	—	
1,121		(b) Leave Travel Concession	—	
53,621			—	

III Recovery for use of furniture from Chairman & Managing Director and Executive Director is as per Central Government order.

1977		1978
37,16,680	(B) Expenditure on Advertisement	44,48,046.49

SHRI A. D. DIXIT
Deputy General Manager (Operations)

SHRI. P. K. SENGUPTA
Deputy General Manager (Senior)

SHRI B. M. SHUKLA
Executive Director

Directors
SHRI J. N. PATEL
SHRI R. M. DESAI
SHRI V. K. LAKSHMANAN
SHRI KRIPAL SINGH SHEKHAWAT
SHRI ANAND N AMIN
SHRI C. G. CHOKSHI
SHRI IBRAHIM ASHRAF
SHRI R. JANKIRAMAN
SHRI BALDEV SINGH

Place: Bombay
Date: 31st May, 1979

SHRI R. C. SHAH
Chairman & Managing Director

Profit and Loss Account for the Year Ended 31st December, 1978

31-12-1977 Rs.	Rs.	INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	31-12-1978 Rs.	P.	Rs. P.
126,20,79,117		1. Interest and Discount			153,58,94,784.86
18,55,84,730		2. Commission, Exchange and Brokerage ..			19,37,96,502.56
34,699		3. Dividend from banking companies in which holding exceeds 51%			48,957.67
46,28,630		4. Rents			46,84,271.59
NIL		5. Net profit on sale of investments, gold and silver, land, premises and other assets ..			1,71,896.76
NIL		6. Net profit on revaluation of investments, gold and silver, land, premises and other assets			NIL
NIL		7. Income from non-banking assets and profit from sale of or dealing with such assets ..			NIL
1,19,867		8. Other receipts			1,12,497.76
145,24,47,043		TOTAL ..			173,47,08,911.20

REPORT OF THE AUDITORS

To,

THE PRESIDENT OF INDIA

1. We have audited the foregoing Balance Sheet of Bank of Baroda as at 31st December, 1978 and also the foregoing Profit and Loss Account of the Bank for the year ended upon that date in which are incorporated the returns of 32 branches audited by us, 589 branches audited by other auditors, returns last received as at 30th June, 1965 only of the Narayanganj branch in Bangla Desh and unaudited returns in respect of 743 branches (including 1 foreign branch opened in October, 1978) not visited by us. The branches audited by us and those audited by other auditors have been selected by the Bank, in accordance with the guidelines issued to the Bank by the Reserve Bank of India.

2. The Balance Sheet and Profit and Loss Account have been drawn up in Form "A" & "B" respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly they disclose such matters as were required to be disclosed in the case of Banking Companies prior to Nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956.

3. Subject to the limitations of such disclosure as stated in para two and on the basis of the audit indicated in para one

   AND further subject to the limitation of the information furnished to us as disclosed in Note No. 2 and its implication on accounts and subject to Note No. 1 regarding non-provision in respect of the nationalised textile unit, we report that

   (a) in our opinion and to the best of our information and explanations given to us and as shown by the books of the Bank :—

      (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars, and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1978.

      (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the year ended covered by the Account.

   (b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

   (c) the transactions of the Bank which have come to our notice have been within the powers of the Bank.

   (d) the returns except for the branch in Bangla Desh, received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

Place : Bombay.
Date : 31st May, 1978

Kantilal Patel & Co.
Chartered Accountants

P. C. Hansotia & Co.
Chartered Accountants

Borkar & Muzumdar
Chartered Accountants

ALEMBIC GLASS INDUSTRIES LIMITED

Speech of Shri R. B. Amin, Chairman, Board of Directors, at the 34th Annual General Meeting of the Company held at Baroda on Tuesday, 12th June, 1979.

Ladies and Gentlemen,

I welcome you all to the 34th Annual General Meeting of the Company. The Accounts for the year ending 31st December, 1978 and the Directors' Report have been forwarded to you earlier and with your permission, I shall take them as read.

Your Company recorded another year of increased output and sales, in spite of a number of adverse and unfavourable factors affecting its performance. In our plant at Baroda, one unit feeding two lines of production was out of commission for some time because the furnace was being converted to a bigger unit which could eventually accommodate more lines of production. Two other units were also closed for short periods on account of repairs, particularly affecting the production of pressed ware, However, the overall output was increased from 42.9 thousand tons in 1977 to 45.4 thousand tons in 1978, on account of higher production at Bangalore.

Sales revenue crossed the Rs. 10-crore mark during 1978. At Rs. 10.5 crore for the year it was Rs. 1.17 crore i. e. about 12 per cent ahead of the sales figure for 1977. The intensity of competition already prevailing in the market further intensified because the overall capacity now established in glass industry is well ahead of the total demand. Prices are therefore constantly being depressed and margins are very narrow and unremunerative. Our operational earnings were eroded by exorbitant increases in the costs of energy inputs; for a power intensive industry like ours, this presented a massive setback and handicap. In Baroda, the price of natural gas was raised by the Oil and Natural Gas Commission, unilaterally and arbitrarily, by 32 per cent, at one shot, from Rs 382.15 to Rs 504.00 per 1000 cubic metres. Thus, for more or less the same throughput as last year, your Company had to pay Rs 22 lakhs more. Power rates went up for our Whitefield Unit as well; the new tariff means an increase of 70 per cent and the power bill in the year under review is higher by about Rs 20 lakhs over that in 1977. You will agree that this kind of one-sided, abrupt and unequal business behaviour shown by government monopolies is most unsatisfactory. The existing government monopolies for coal and oil should be broken up and there should be several agencies to produce and supply. Without decentralisation through de-nationalisation and devolution for all government monopolies in our economy such as in railways, airways, banks, insurance, steel, coal and oil etc, the economic picture for the future is very dark indeed. Irregular and insufficient supplies of soda ash added to the problems of the industry. Costs of various papers and boards for packaging increased substantially during the year. Other costs and expenses also went up and although considerable economy was enforced and achieved, the profitability of your Company was adversely affected by the simultaneous impact of these various factors.

Another basic factor which chronically, continuously and relentlessly handicaps the development of glass industry and saps its potential for growth and contribution to the improved standard of living of our people is Excise Duty. Because of the ease with which it can be levied and collected, it is being imposed and augmented in a manner in which it has become a major constraint on increased production of many industries; equally and simultaneously, it has put so many goods and services beyond the reach of our people because the tax element is so heavily loaded in the prices of most articles meant for day-to-day consumption.

Excise rate of 35% on glassware is excessive and counter productive in as much as the glass container is an input for other user industries such as, food and beverage processing industries, dairies and pharmaceuticals which in turn, provide for daily necessities for the people. Alternatively, these wares and containers are bought by households. By no stretch of imagination can articles like glass tumblers and bowls etc, be regarded as luxuries. The final price for the consumer is heavily loaded by the excise elements of all inputs upto the manufacturing stage of glass containers, and the subsequent excise element on the glass container itself, along with other inputs which go in to make up the final consumer pack as in beverages, pharmaceuticals, processed food articles and so on. As it is, raw materials such as soda ash and oil or electricity going into the basic manufacture of glass bear sizeable excise duty or cess. At the other end of the chain, where all glass containers necessarily require to be packaged for onward carriage, packing materials are already subject to prior excise levy under different heads. As a result, there is a progressive build-up of costs marking up the price to the consumer. The products of the glass industry and the user industries connected with it, are thus going beyond the reach of most consumers. The inherent strength and contributive capacities of both the glass industry and the user industries in respect of a better life for our people, are made to suffer and languish. For the consumer, any increase in excise duty is also inevitably accompanied by the additional loading of other taxes such as octroi, sales tax etc, so that the excise rate of 35 per cent on glass ware would ultimately end up as about 50 per cent. With this sort of excise burden at every stage, how do we expect to raise the standards of consumption of the general public and to satisfy their modest aspirations for a little more sparkle in their lives? This approach to indirect taxation involving very high excise rates at each step of manufacture can only damage the fabric and enervate the performance of the national economy. We would urge Government to give serious consideration to these dangers inherent to our national economy in the cascading effect of excise and so on.

The best solution would be a tax on added value. If we have to persist with multipoint excise at each stage as we are having now it has to be very low rate; in no case should it exceed ten per cent. If this approach is adopted, the entire economy will be energised; there will be greater production, employment and well being and there will be an automatic check on inflation. At the same time, the overall revenue accruing to government from excise will be more and more progressive.

Before I conclude, I place on record my appreciation of the hard work and efforts made, during the year under review, by the managers as well as the staff and workers at Baroda and Bangalore. I also thank my colleagues on the Board for their counsel, assistance and co-operation.

I now commend, for your consideration, the Directors' Report and the Annual Accounts of the Company for 1978.

Note: This does not purport to be a record of the proceedings of the *Annual General Meeting.*

Indian Overseas Bank

IOB's Performance in 1978 in Brief

Nineteen Seventy Eight proved to be another successful year for Indian Overseas Bank in its operations both in India and abroad. The Bank achieved significant growth in many important areas.

Deposits-Global

The Bank's global deposits and other accounts at Rs. 894.6 crores witnessed a handsome growth of Rs. 239.3 crores (or 36.5%) against Rs. 185.4 crores in the preceding year.

Deposits-India

Aggregate deposits in India grew by 37.5% (or Rs 213 crores) against the growth rate of 22% achieved by the banking system.

Rate of growth-Deposits

Indian Overseas Bank maintained, for the fourth successive year, its record of highest rate of deposit growth among the nationalised banks. Over the last four years, the Bank's deposits in India expanded 3½ times to reach Rs. 780 crores as of end 1978. IOB's share in all-bank deposits improved from 1.5% in 1969 to 2.7% in 1977 and further to 3.1% in 1978. Success on the deposit front has been achieved in the face of lower interest rates, decelerated branch expansion and severe competition both from within the Banking industry and from non-banking financial institutions.

Deposit Mix

A feature of deposit growth was the sizeable contribution from Savings and Current deposits. Together they were responsible for half of the incremental deposits during 1978 – Savings 31.5% and Current 18.5%. The share of Savings in total deposits edged up from 23.6% (end 1977) to 25.7% (end 1978) and that of Current from 13.7% to 15.1%. With Term Deposits accounting for only half of the additional deposits mobilised, their share in total dropped from 62.7% to 59.2%.

Rural & Semi-urban Deposit build up

Deposits at rural and semi-urban branches rose by 43% during the year against 39% in the preceding year. Their contribution to total deposit increment was nearly one-fourth. As of end 1978, rural and semi-urban branches were responsible for about 23% of the Bank's deposits in India.

Deposit Accounts

The customer growth as reflected in the number of deposit accounts was satisfactory. The addition during the year was 3.8 lac accounts.

Credit Global

Gross credit of the Bank on a global basis rose by Rs. 133.6 crores or by 31.6% to stand at Rs. 555.2 crores.

Credit-India

Gross credit in India, increased by Rs. 100 crores which is about 28% over the previous year.

Priority Lendings

Priority sectors claimed 37.3% of incremental growth. Priority credit stood at 33.7% of total lendings against the stipulated norm of 33⅓%. Outstanding advances to priority sectors improved from Rs. 117.5 crores (end 1977) to Rs. 154.7 crores (end 1978) — an increase of Rs. 37.2 crores (or 31.6%) well above the 1977 increment of Rs. 30.1 crores. Total lending accounts under priority sectors as of end 1978 numbered 4.22 lacs.

Rural Credit

Agricultural credit recorded a sharp growth of 43%, raising the total level of farm credit to Rs. 71.6 crores. The share of farm lendings in gross credit at 16.6% as of end 1978 was one of the highest amongst public sector banks. Half of the direct agricultural advances were made to small and marginal farmers, who held the bulk (68%) of the bank's total farm borrowal accounts. Nearly 3 lac farmers have received credit so far for both production purposes and for subsidiary occupations.

In the sphere of village adoption, the thrust during the year was on ensuring all-round development of villages by provision of credit and other services, and wherever necessary, by involving government authorities and voluntary agencies. The number of villages and hamlets adopted till end 1978 was 383; the average number of farmers financed in each village/hamlet was about 80.

Lendings to Small Scale Industries

Moderate progress was registered in extending credit to the small scale industries. Total outstanding advances increased by Rs. 7.3 crores or by 16.5%, to exceed the Rs. 50 crore mark. As on end December 1978, lendings to small scale industries formed 11.2% of gross credit. The number of small scale units financed increased by 3,283.

Finance for Employment Promotion

Good progress was made in extending credit under various schemes designed to assist the employment-oriented sectors such as small transport operators, small traders and other self-employed categories. Aggregate outstanding advances to these sectors registered a 35% growth or Rs. 8.2 crores, the same as last year. Nearly 25,000 new borrowers including Harijans and Tribals received credit during the year. As of end 1978 the total number of beneficiaries under employment-oriented lendings has touched the one lac mark.

Export Credit

Export credit received a thrust during the year. Outstanding advances reached Rs. 39 crores against Rs. 28.0 crores a year earlier.

DIR Advances

For the third successive year, DIR advances remained above the 0.5% norm stipulated by the Government of India. As of end 1978 the ratio was 0.8%.

Rural/Semi-urban Credit/Deposit ratio

The credit deposit ratio in the rural/semi-urban sector was nearly 60%, taking into account the advances sanctioned by the Bank's urban/metropolitan branches to industrial units for factories located in rural/semi-urban centres.

Regional Rural Banks

The two Regional Rural Banks sponsored by IOB viz. The Pandyan Grama Bank (Tamil Nadu) and the Puri Gramya Bank (Orissa) made considerable headway. Between them, in a short span of about two years, they have financed about 64,000 small and marginal farmers and artisans.

District Credit Plans

District Credit Plans covering the Bank's seven Lead

Condensed Balance Shee

Previous Year			CAPITAL AND LIABILITIES	31st December 1978	
Rs.	Rs.			Rs. P.	Rs.
6,00,00,000		1.	Capital		6,00,00,000.
3,74,19,823		2.	Reserve Fund and other Reserves		6,24,05,441.
654,89,28,048		3.	Deposits and other Accounts		894,57,06,696
		4.	Borrowings from other Banking Companies		
42,11,47,161			Agents etc.		72,52,19,802.
9,62,92,417		5.	Bills Payable		18,15,81,890.
		6.	Bills for Collection being Bills Receivable		
40,42,75,729			As per contra		50,99,74,664.
6,73,13,030		7.	Other Liabilities		8,11,89,855.
		8.	Acceptances, Endorsements and other		
76,36,30,176			obligations-as per contra		114,31,08,070.
		9.	Profit and Loss Account:		
	3,61,20,362		Profit for the year ended 31-12-1978	3,77,60,538.55	
	2,25,20,000		*Less:* Amount transferred to Reserve Fund	2,50,00,000.00	
	1,13,33,109		Provision for Contingencies	1,03,06,068.62	
			Bonus to Staff (Colombo, Singapore and		
	6,62,253		Seoul branches only)	8,29,469.93	
16,25,000	3,44,95,362			3,61,35,538.55	16,25,000
840,06,31,384					1171,08,11,422

Districts were launched early in 1978, for implementation from the beginning of April, 1978. The plans envisage a total credit outlay of Rs. 129.1 crores—86% for the agricultural sector. 9.8% to the industrial sector (including small scale industries), and the balance to the service sector. 60% of the Plan outlay had been disbursed before the close of 1978 as against the target of 75% for the year.

IOB made an earnest attempt to fulfil the credit outlays accepted in the 137 non-lead districts. As compared with the cumulative credit allocation of Rs. 20.5 crores to priority sectors for the year 1978-79, lendings during April-December 1978 were of the order of Rs. 25.6 crores — 69% to agriculture, 17% to industries and the rest to the service sector.

The implementation of district credit plans and the financing of various schemes contained in the plans are being closely monitored so that it becomes an effective tool for the integrated development of the districts. District Industries Centres have been set up in five of the seven Lead Districts. The Bank has deputed senior officers to serve as credit managers at these centres.

Branch Expansion

52 new branches were opened in 1978—33 of them in unbanked rural centres, raising the total number of branches in India to 706 as of end 1978. 14 Extension counters were established during the year against 11 in 1977, taking the total number of Extension counters to 60. 63% of the bank's branches now operate in rural and semi-urban centres, against 43% on the eve of nationalisation — reflecting the tremendous diversification in geographical operations the Bank has achieved.

The policy of decentralisation of administrative machinery for the sake of efficient conduct of operations and to be as near the people as possible,

at 31st December 1978

Previous Year		PROPERTY AND ASSETS	31st December 1978
Rs.			Rs. P.
69,25,93,382	1.	Cash (Including balances with Reserve Bank of India and State Bank of India)	116,30,40,373.75
17,62,37,178	2.	Balances with other Banks	16,45,04,878.43
2,64,91,318	3.	Money at Call and Short Notice	9,21,66,830.06
182,17,68,116	4.	Investments	255,80,89,622.23
422,90,92,151	5.	Advances and Bills Purchased and Discounted	555,18,06,096.56
40,42,75,729	6.	Bills Receivable being Bills for Collection-As per contra	50,99,74,664.72
76,36,30,176	7.	Constituents' Liabilities for Acceptances, Endorsements and other obligations-As per contra	114,31,08,070.33
3,65,50,540	8.	(a) Premises	3,87,41,694.94
11,45,902		(b) Building under construction	20,96,083.65
3,89,82,446	9.	Furniture and Fixtures	4,53,58,491.29
20,98,10,978	10.	Other Assets	44,18,71,603.36
53,468	11.	Non-Banking Assets acquired in satisfaction of claims	53,013.10
Nil	12.	Profit and Loss Account	Nil
840,06,31,384			1171,08,11,422.42

received further stimulus during 1978. An additional Regional Office was opened at Chandigarh for better development and control. IOB now has 12 Regional Offices to coordinate branch activities within their command areas.

International Business

The Bank's international business continued to grow substantially. The deliberate attempt made to get a bigger share of foreign exchange business was reflected in a growth of over 75% in the volume of merchant business handled. Apart from export/ *import transactions and other conventional services*, the Bank extended its expertise to international clients in the area of project financing, Euro currencies transactions etc.

Overseas Branches

The Bank's 10 branches abroad — 7 at Hong Kong, 1 at Singapore, 1 at Seoul, and 1 at Sri Lanka acquitted themselves creditably during 1978 as reflected in a 50% expansion in their combined resources. Their growth in key result areas being — deposits 20%, advances 39%, investments 68%, and profits 52%.

Profits

Net profits registered a 4.5% increase to reach the record figure of Rs. 3.77 crores. Ratio of profits to working funds continue to be the highest among nationalised banks.

Capital Funds

The ratio of capital funds to deposits, at 1.4% in 1978, is also the highest among nationalised banks.

Personnel

1978 saw an accelerated tempo of recruitment and training to sustain business growth. The intake was 2140 — 167 officers, 1552 clerks and 421 subordinate staff — against a total of 1840 in 1977. In line with the national policy, members belonging to Scheduled Castes and Scheduled Tribes were given due importance in recruitment. The Bank's personnel strength at the end of 1978 was nearly 13,100 against 11,115 a year ago. As many as 1177 officers and 1419 clerks were imparted in house training. 336 officers participated in courses offered by external agencies.

Customer Service

The quality of customer service extended by the Bank was constantly kept under review. For the convenience of customers Evening Banking facilities were introduced in a number of branches. Further, the Teller System came into being in many more branches. The Bank placed special emphasis on the "Savings Advisor" theme in a massive promotional campaign to better customer service.

UTTAR PRADESH

Fizzling Out of Traders' Agitation

K R Krishna Gandhi

THE traders' agitation in Uttar Pradesh which at one stage looked like becoming a major threat to the state government has fizzled out for the time being. The threatened 'Bharat Bandh' on June 5 by the UP Udyog Vyapar Pratinidhi Mandal (an organisation of the traders of UP only recently formed) turned out to be a fiasco after the compromise between the government and a section of traders. The traders' rally in Lucknow on the same day which was proposed to be converted to a meeting to be addressed by the chief minister did not take place at all. In the Ravindralaya Hall where after quite a bit of confusion a meeting was held, the leadership was sharply divided and no future programme of action was announced. The 10-day state wide agitation thus ended on a note of confusion.

The agitation began on May 26 in Lucknow when the special survey squads of the sales tax department were attacked by traders following the sealing-off of a shop for inspection in the Aminabad Market. As soon as the shop was sealed, traders of the nearby shops collected and chased the survey squad which took refuge in the Aminabad police station. The crowd of traders surrounded the police station and started throwing stones. The police in a bid to disperse the crowd lathi-charged first but later resorted to firing. Soon the trouble spread to other parts of the city. The Kaiserbagh bus station was attacked and about two dozen buses damaged. Two jeeps of the sales tax department, one UP roadways bus and one mail van were set on fire. Attempts were also made to set on fire a post office and branch offices of the Andhra and Canara banks. Curfew was clamped down on the disturbed areas of the city following these incidents.

More than 100 persons, including some policemen, were injured in these incidents. Large scale arrests were made to bring the situation under control. The President of the UP Udyog Vyapar Pratinidhi Mandal, Lala Vishwambhar Dayal Agarwal then gave a call for an indefinite UP Bandh to protest against the police firing and to press for the abolition of sales tax. The death of Harish Chandra Agarwal, hurt in the May 26 police firing, on May 28, added an edge to the agitation which spread fast to other cities of the state.

The abolition of sales tax had been one of the election promises of the Janata party and one of the major damands of the former Jana Sangh. The traders demanded a judicial enquiry into the incidents of May 26 in Lucknow. They were supported in this by most of the opposition parties and by leaders of the former Jana Sangh (at present excluded from the state cabinet headed by Banarasi Dass). Government categorically rejected the demand for sales tax abolition on the ground that such a measure could be taken only by the Centre. The state's finance minister Madhukar Dighe (of the former BLD) clarified in the assembly that the survey squads were formed last year by the previous government headed by Ram Naresh Yadav. He went on to give some figures regarding the survey work done so far according to which discrepancies were observed in 90 per cent of the cases surveyed, the sales tax evasion being of the order of Rs 40 lakhs.

By May 30, the traders' hartal had spread throughout the state with hartal being observed in district headquarters and small towns also. In Lucknow it was the fourth day of hartal. The traders' agitation by now began to show signs of becoming a political struggle between the former Jana Sangh and BLD factions of the Janata party with the demand raised for the dismissal of the finance minister from the cabinet. The Janata Yuva Morcha (Youth wing of JS) organised processions in district headquarters while pressnotes were issued by leaders of the former Jana Sangh supporting the traders' demands. In Delhi two prominent Jana Sangh MPs, Kanwarlal Gupta and Shivnarain Sarsonia, demanded a judicial enquiry into the police firing, and requested the Janata party president to direct chief ministers of the Janata state governments to abolish sales tax. It may be mentioned here that Kanwarlal Gupta is actively associated with the Akhil Bharatiya Vyapari Sammelan now being formed.

On the other side, in the BLD Camp, Raj Narain appealed to the people not to allow the traders to take undue advantage of the situation. Ram Naresh Yadav accused political organisations of trying to create violence in the name of traders' agitation. The UP finance minister warned the traders of punitive action if they did not withdraw the hartal.

On May 30 the chief minister announced the withdrawal of hartal by traders. A probe into the Aminabad incidents by the Divisional Commissioner, Lucknow, and the suspension of the work of the special survey squads for one week was ordered.

However the president of the UP Udyog Vyapar Pratinidhi Mandal has denied that the hartal was being withdrawn. Such a withdrawal would be decided by the executive council of the Mandal on the basis of the talks with the chief minister. The executive council of the Mandal met the same day, but, no decision was taken. The decision was postponed to June 1, according to a spokesman of the Mandal. Meanwhile the hartal was to continue as before.

On May 31 the truck operators of Kanpur, the biggest commercial and transport centre in the state, joined the hartal thus further aggravating the already grave situation. A procession of traders on motor cycles and scooters was also taken out. In the meeting held in the evening the president of the Mandal announced that strike would continue till sales tax was abolished and the finance minister removed from the ministry. The chief minister countered accusing vested interests among the traders of sabotaging the compromise and refused to have any further talks with the traders. He said that action would be taken against the traders if they continued their hartal.

The executive of the Mandal met on June 1 and announced the decision to continue the state wide hartal till their demands were met. A call to traders in other states to observe 'Bharat Bandh' on June 5 was given. The following day, early in the morning, the president of the Mandal and 24 other top leaders of the traders were arrested in Lucknow. It was announced that no permission would be given to stage the rally in Lucknow on June 5, called by the Mandal. Arrests were also reported from the other important cities of the state.

Following the arrests, traders gradually began to open their shops in Lucknow and other big cities. A major factor acting as a pressure on the traders was the fast decreasing sympa-

thy of the public to this hartal. Even among the traders, petty shopkeepers, panwallahs, and thela wallahs whose participation in the agitation was low were actually forced to close their shops because they ran out of stocks. Meanwhile a number of trade unions and a section of the students publicly came out against the hartal. All this led to a division among the leadership over the direction the agitation should take.

On June 4, a section of the traders led by Jagdish Arora, the General Secretary of the UP Mandal met the chief minister and a compromise was arrived at. According to this all the arrested traders other than those directly involved in the violent incidents were to be released the next day and the work of survey squads suspended till further notice. Action against the Assistant Sales Tax Commissioner and the Lucknow City Magistrate as demanded by the traders would be taken only on the basis of the enquiry to be conducted by the Divisional Commissioner of Lucknow.

The news of the compromise had spread by the evening to most parts of the state. In the nearby Kanpur and certain other towns the compromise was denounced as a move to sabotage the traders' agitation and arrangements were made as scheduled to go ahead with the plan for rally in Lucknow. From Kanpur itself some 2,000 traders left for Lucknow to join the rally. On June 5 morning contingents of traders from various parts of the state had assembled in the Begum Hajrat Mahal Park in anticipation of the meeting previously announced. They were astonished to find no preparations for the meeting. The shops in Lucknow were all completely open while in most other cities there was complete hartal. There was confusion all around with the traders coming from outside finding no one to welcome them and guide them. Finally a meeting was held in the Ravindralaya Hall where the traders from Kanpur mounted a bitter attack on the Lucknow traders and demanded apology from the General Secretary of the Mandal. The compromise was described as a total surrender. The meeting ended with no announcement of future plan of action.

By the morning of June 6, most of the arrested leaders were released even though some traders claim that the real leaders are still in jail. The President of the Mandal has announced that the agitation would continue with the traders adopting new methods like not collecting sales tax from the public and not paying it to the government. However divisions in the leadership are still persisting, and for the time being, there is unlikely to be a fresh threat from the traders.

BOMBAY PORT

Labour Made the Scapegoat

Gayatri Singh

THE problem of congestion in Bombay Port has been receiving a great deal of publicity in the Press. Even *Washington Post* named Bombay port as "the worst in the world". The average waiting period for ships has indeed gone up to about 50 days. The waiting period for container ships too (which occupy a berth for hardly more than a day) has gone up to about 10 days. Severe congestion in the port has caused interruption of crude oil supplies from Iran, slowing down industrial activity in the Thane area. Ships registered at Bombay port are having to be diverted to other ports. Rapeseed tankers, for example, are being diverted from Bombay to Calcutta. Reportedly, in early March this year, the line-up of vessels waiting to be berthed was as follows: 62 vessels idling in stream: 1 carrying cement, 3 carrying edible oil, and 3 carrying fertiliser. Those registered and sent to other ports numbered 49. The problem has been aggravated over the last few years. Whereas in 1976 the *longest* wait was 41 days, today the *average* wait is about 50 days.

The port authorities and the government, while expressing their concern at the situation, are prone to blame labour. The shipowners lament the losses they incur on account of congestion. Each ship idling in stream, waiting berthing, loses Rs 30,000 per day. The demurrage payable to the BPT is as burdensome. Losses to the economy due to congestion in the port have been claimed to be Rs 500 crores in 1977-78, and the losses due to ship-days lost in the same year at Rs 20 crores.

Bombay is India's premier port. It handles more cargo than Calcutta and Madras put together. The port is said to have handled cargo estimated to be 15.59 million tonnes in 1978-79 (as compared to 6.3 million tonnes in 1947) and made a net surplus of Rs 4.91 crores.

While acknowledging the gravity of the problem, given Bombay's primacy as a port, it has to be underlined that the two main reasons for the congestion are poor administration and an exceptionally poor policy towards labour.

Poor administration affects the port in a number of ways. There is, for instance, the cargo spillout from the warehouses which chokes the docks. Reportedly, early this year, nearly 2,000 containers, each of an area 20 metres square, were scattered all over Indira Dock. While the total capacity of sheds and warehouses is 46,000 tonnes, the sheds are overflowing with about 60,000 tonnes of cargo. Apparently, the consignees do not pick up their goods quickly enough from the port godowns and warehouses because the Bombay Port Trust rates are actually lower than those of the commercial godowns and warehouses. Naturally, cargo not cleared in time slows down the movement of trucks, discharge of goods and the subsequent berthings. All this increases the turn-around time of ships.

It was only when congestion in Bombay port got much publicity that the government issued instructions to the port trust, asking them to require that consignees lift their cargo within seven days. Thereafter, government threatened, their cargo would be auctioned.

Cargo spillout from the warehouses causes chaos in many ways. As there is very little space for the systematic dumping of cargo, import and export cargo is often stacked one on top of the other and get mixed up. Cargo stacked on the roadways outside the godowns hinders loading and unloading operations and hence, prevents free movement of ships. Cargo, such as asbestos bags, stacked in the open are frequently run over by trucks and torn open.

Moreover, cargo spillout increases the chances of accidents. Every accident results in suspension of work or slowing-down of operations. Cargo is not supposed to be stacked near the side of a ship. Yet this safety regulation is blatantly ignored. Not only is cargo stacked near the side of ships, it is also stacked very near the cranes and at times directly under them. Indeed, every available corner is used up. The book of rules and regulations relating to dock safety seems to have been thrown into oblivion.

Containers off-loaded from the holds have first to be put onto the shore by

wi[illegible] [illegible] up by giant fork-lifts and placed onto the trucks. In no circumstances is a winch driver supposed to place the container (which invariably weighs more than 30 tonnes) directly onto the truck, because being on the ship he cannot see the truck clearly and the slightest misjudgment would result in the crushing of those on shore. Cargo sprawled all over the shore makes it impossible for the winch driver to follow this elementary safety rule. Numerous accidents have resulted from this.

Obsolete equipment is one of the main reasons for the slow loading and discharging of cargo. In March this year, the Industry Minister said that "the handling of cargo was done by outmoded cranes and mechanical gears. About 66 per cent of the gears were operational and half of the mechanical gears were available out of which two-thirds were operational." Besides, the winches were worn out. Winch and crane cables are generally frayed. Hydraulic cranes are continually going out of order. Crores of rupees worth of modern equipment lies rusting owing to administrative shortsightedness. For the last five years, expensive and modern cranes, purchased from Jessop, for over Rs 1 crore, have been lying rusting in 13 Indira Dock. The port authorities have refused to pay the crane operators the extra charge demaned for operating heavy lifts (loads greater than 5 tonnes — in this case upto 15 tonnes). Of the other cranes 50 per cent are out of order at any time.

There are no facilities to receive container or modern LASH ships. Expansion of Indian shipping has been too tardy to catch up with the demands of traffic — not to speak of the worldwide trend towards development of large vessels supposed to cut unit costs. Oddly, labour is being blamed for even these failings over which it has no control whatever.

Current customs procedures, which require all sorts of cumbersome procedures, of examination and verification, also cause delays in cargo movement. Testing of import cargo is a good example of red tape in the customs department. Import cargo requires laboratory testing and analyses prior to duty assessment, and this requires five to six days if local customs authorities are competent enough to carry out the testing. If, however, more comprehensive testing is required, it has to be carried out in Delhi. In many cases such import shipments cannot be cleared from the docks until the chemical testing has been cleared. Meanwhile, import cargo must remain in the docks — leading to congestion and impeding full utilisation of docks and sheds.

There are a very large number of clearing agents in the port. Indian clearing agents are licensed by local customs authorities. The latter have not attempted any rationalising of the clearing agent function. A common rule of thumb applied by customs authorities seems to require merely that the clearing agent possesses two import or export documents per month in order to have his annual licence renewed. The surfeit of clearing agents is not a help to clearing efficiency.

Night navigation as a means of reducing congestion has been ruled out by the port authorities because a large number of fishing vessels operate in the main channel. A study team report on the major ports of India by the 'International Association of Ports and Harbours' in July 1968, however, criticised this policy. It said that one of the express purposes of the Harbour Patrol Police was to prevent the obstruction of traffic by small fishing vessels, and that anyway "fishing boats and small craft were quite adept at avoiding large vessels transiting the main channel".

It is therefore most misleading to blame labour for the congestion in Bombay port. The fact is that, despite the congestion, the port labour handled 15.59 million tonnes of traffic in 1978-79 against a pre-estimated 14.86 million tonnes. This performance was possible because of the piece rate scheme, which has pushed up the intensity of dock labour to levels comparable to the highest in the world. The piece rate scheme was introduced in 1947. Before the introduction of the scheme it took 30 days to load a 10,000-tonne ship; today it takes five days. It is precisely this piece rate scheme that is responsible for the huge profit of the port. The current year's net surplus is estimated at Rs 4.91 crores. The port has Rs 100 crores accumulated in the bank and is earning sizeable interest every year. Nevertheless, beyond a point, the effects of using absolete equipment manifest themselves. Hence the present congestion in the docks.

Labour shortage is another important reason for the congestion in the docks. For example, the port has 22 pilots out of a sanctioned strength of 34, and 17 berthing masters out of a sanctioned strength of 19. They are thus overworked. It must be emphasised that the work of the port pilots is highly skilled, requiring the highest degree of concentration. By forcing the slender staff of pilots to work double-shifts, the management of the port is only increasing the possibility of accidents and crippling the operations. Several other categories of workers too are understaffed and overworked. The foremen and supervisors, for example, are often required to work excessive overtime, thus reducing their efficiency and slowing down work. Atrocious conditions of work compound this shortage, making efficient and relaxed working impossible. For example, labour, working on container vessels at night, work by the light of hurricane lanterns in this premier port city of India.

It is wrong, therefore, to view labour unrest, struggles and strikes as the *cause* of congestion. Precisely the opposite is true. It is the already existing congestion, coupled with high levels of intensity of labour, that leads to labour unrest.

Thus, on April 24, a foreman was killed and a contract labourer seriously injured when a container which was being lifted by a winch swung against them as they worked in the hold of the ship. While the contract labourer was covered by the Compensation Act, no such rules applied to the foreman as his salary was over that of the stipulated maximum covered by the Act. As the dead body was being removed to the mortuary, foremen and supervisors gathered around and asked the stevedoring company concerned to pay compensation on 'compassionate grounds'. This request was refused. What was at first a 'request' based on 'compassionate grounds' then turned into a 'demand' based on "workers' rights". A spontaneous agitation began resulting in a united strike of all foremen and supervisors. The entire port was closed down for two days. At the end of the second day, the stevedoring company relented under pressure — and signed an agreement for compensation.

From the very first day of the strike the leadership of the Transport and Dock Workers Union headed by S R Kulkarni sided with the stevedoring company. This was not unexpected. Indeed, the coincidence of interests, of the union leadership and the management of the stevedoring companies, is well known and widely discussed among workers. Therefore, despite it, the workers went it alone. In no circumstances could their demand be considered 'excessive' or 'unwaranted'. Incidentally, a contract labourer crippled for life in a simiar accident a few months ago was paid a 'compensation' of Rs 450 such examples are the rule. The Compensation Act is rarely observed.

Peasant Movement in Awadh

David Hardiman

Agrarian Unrest in North India, The United Provinces 1918-22 by Majid Hayat Siddiqi; Vikas Publishing House, New Dehli, 1978; pp xiv+247, Rs 60.

IN June 1920, Jawaharlal Nehru agreed to see a party of two hundred peasants who had walked to Allahabad city from their villages in Awadh fifty miles away. Jawaharlal later wrote in his autobiography of this meeting with the peasants: "They told us of the crushing exactions of the taluqadars, of inhuman treatment, and that their condition had become wholly intolerable. They begged us to accompany them back to make enquiries as well as to protect them from the vengeance of the taluqadars who were angry at their having come to Allahabad on this mission. They would accept no denial and literally clung on to us. At last I promised to visit them two days or so later." Jawaharlal went, and found the countryside of Awadh ". .afire with enthusiasm and full of a strange excitement". Everywhere the peasants were holding meetings to protest against the harsh exactions of their landlords. "I listened to their innumerable tales of sorrow, their crushing and ever-growing burden of rent, illegal exactions, ejectments from land and mud hut, beatings; surrounded on all sides by vultures who preyed on them — zamindar's agents, money-lenders, police; toiling all day to find that what they produced was not theirs and their reward was kicks and curses and a hungry stomach."

This movement had started in the Pratapgarh district of Awadh in late 1919, when some peasants had refused to carry out various tasks for their landlords. The movement had spread to other parts of south-east Awadh, to the districts of Faizabad, Sultanpur and Rae Bareli. In the first instance the organisation had been carried out by village leaders, but later on a sadhu called Baba Ram Chandra had taken over the leadership of the movement. It was he who had led the peasants to Allahabad to see Jawaharlal Nehru in June 1920. After his visit to Pratapgarh, Nehru gave vigorous publicity to the grievances of the peasants in his Allahabad newspaper, *The Independent*. In October 1920, he, Gauri Shankar Misra and Baba Ram Chandra established a central organisation for the peasants, the Awadh Kisan Sabha.

In January 1921 the movement entered a new phase when the peasants began to take direct action against the landlords and money-lenders by looting their property. The nationalist leaders hurried to Awadh to pacify the peasants. Hard on their heels came the police, armed with lathis and rifles, to thrash the peasants and shoot them down. The army was called in to march through Awadh to demonstrate the strength of the Raj. By April, the peasant movement in south-east Awadh had been crushed.

Later in the year, a similar movement against the landlords started in the northern Awadh districts of Hardoi, Bahraich, Barabanki, Sitapur and Lucknow. This, the Eka movement, was also started by village leaders, but this time, after the violence of early 1921, the urban nationalists refused to give any support. Many even condemned the peasant activists as *badmash* and dacoits. In March 1922 there were clashes between police and peasants, and once again the army was called in to intimidate the peasants. With this force behind them, the police and landlord's henchmen moved into the villages to burn the peasants' huts, loot their property and rape their women. By April, the movement in northern Awadh had been crushed also.

Majid Siddiqi has now provided us with the first full length study of the Kisan Sabha and Eka movements of 1919-22. He has brought to light important new information on these movements. For instance, he is able to show that Jawaharlal Nehru was wrong to describe Baba Ram Chandra as the initiator of the Kisan Sabha movement (a view repeated recently by S Gopal in his biography of Nehru, on page 46). Siddiqi shows that the villagers themselves started the agitation against the landlords. During the early stages, the leader in Pratapgarh district was a man of Rur village called Jhinguri Singh. It was he who persuaded Babu Ram Chandra to become the leader of the movement. Before that time Baba Ram Chandra had had very little to do with Pratapgarh district. Likewise, the Eka movement was started and led throughout by a Pasi of Hardoi district called Madari Pasi. Siddiqi has also unearthed a hitherto unpublished and extremely interesting description of the movement by Baba Ram Chandra which, it is to be hoped, will be published in full at some stage.

One of Siddiqi's main arguments is that the peasant movement in Awadh was "... a child of the politics of Indian nationalism" (p x). He says on page 217: "By December 1920, the Congress and the liberals had helped the Kisans to stand on their feet." He argues that the Eka movement was crushed more quickly than the Kisan Sabha movement because the Eka leaders were peasants rather than middle class Congressmen (p 207). He concludes: "The proposition of Marx, that the peasantry must be led from the outside by a class more articulate in its capacity to formulate ideas for the peasantry, was thus once more confirmed" (p x).

Siddiqi's material gives rise to rather different conclusions to this, however. He shows quite clearly that the peasant movements were started and organised by the peasants themselves. In many cases, the nationalist leaders refused to have anything to do with the peasants. When they did take an interest, their chief concern was to water down the radical demands of the peasants and prevent them from taking direct action against their oppressors, the taluqadars. When the peasants started to appropriate the property of the landlords and moneylenders in early 1921, Gandhi hurried to Faizabad and lectured the peasants (p 180): "You should bear a little if the zamindar torments you. We do not want to fight with the zamindars ... Zamindars are also slaves and we do not want to trouble them." During the same period, Jawaharlal Nehru travelled about Awadh telling the peasants that 'Gandhi Baba' was opposed to all forms of violence. When he heard that some peasants had looted a taluqadar to cries of "Mahatma Gandhi ki jai", he hurried to the spot and, in his own words: "...spoke harshly to them for the shame they had brought on themselves and our cause and said that the guilty persons must confess publicly" (J Nehru, "*Autobiography*", p 61) About two dozen peasants raised their hands in confession. They were drag-

ged off by the police and thrown in jail.

Rather than 'helping the kisans to stand on their feet', as Siddiqi makes out, the nationalist leaders appear to have betrayed the peasants. The history of the peasant movement in Awadh appears to refute rather than confirm Marx's proposition, for the peasant movement came into being without the help of upper class leaders and it existed in spite of them.

Siddiqi has a second line of defence for the nationalist leaders. On page 216 he argues that although there *appeared* to be a clash of interests between the peasants and the Congress leaders, *in fact* their interests were the same. The essential struggle, according to Siddiqi, was against colonial rule. The Congress leaders were attacking colonialism in a direct way by trying to throw out the British. The peasants were attacking colonialism in an indirect way, for the taluqadars were only the puppets of the British. In 1921 and 1922 the nationalist leaders had some justification in sacrificing the short-term interests of the peasants to the wider long-term interests of the national struggle.

Here, it seems, Siddiqi has forgotten another proposition of Marx that although the dominant classes invariably *say* that they are fighting for all the people *in fact* they are advancing their own narrow class interests. Whenever it comes to the test, the higher classes will readily sacrifice the interests of the lower classes. In this case, Siddiqi's material provides ample confirmation for Marx's proposition. Siddiqi's case becomes even weaker when we consider the post-independence history of Awadh, for even today, thirty years after the demise of British rule, the landlords of Awadh maintain much of their arbitrary power over the peasants. Thirty years of Congress rule brought very little for the peasants of Awadh.

These attempts to defend the nationalist leaders have diverted Siddiqi from what should have been his real task — to write a history of the continuing struggle of the Awadh peasantry against the taluqadars. Most of the important aspects of this history have been relegated by Siddiqi to his footnotes. Thus the description of pre-twentieth century peasant agitation in Awadh is confined to a footnote taking up half of page 53. The material in this footnote shows that there was a history of landlord-tenant disputes stretching back to at least the mid-nineteenth century. Later, on page 195, another footnote informs us that the Kisan Sabha movement continued in Awadh after 1922, with large peasant rallies during the 1920s and major agitations in 1930-31. This information is vital to the whole story, for it shows that there was a continuing tradition of anti-landlord agitation in Awadh, of which the 1919-22 movement was just a part. If we see the movement in this light, we can understand very clearly why the Congress leaders were so peripheral to the 1919-22 agitations.

Siddiqi fails to make use of his rich material in other important respects. He treats the matter of peasant organisation in a very inadequate manner. In a footnote on page 110, he informs us that Baba Ram Chandra organised the peasants through their caste panchayats. Later, on page 214, we are told that Baba Ram Chandra became a virtual Kurmi himself by marrying a Kurmi woman and organising a Kurmi Kshatriya Sabha. Obviously, caste organisation was central to the whole movement. Yet Siddiqi makes no attempt to draw out the implications of this. He merely equates caste and class in a superficial manner (p 111) and leaves it at that.

Another area in which Siddiqi's footnote material is highly suggestive is that of peasant consciousness. The peasants were yearning for an age of justice under the rule of an enlightened raja. Thus, the movement spread from village to village in mid-1920 with the message that Jhinguri Singh had declared himself Raja of Rur and that he had "swallowed all laws" (footnote on page 116). Later in the movement a popular song was composed which declared: "*Baba Ram Chandra ke rajwa, praja maja urawena*" (in the raj of Baba Ram Chandra, the people will make merry) (footnote on page 112). In this footnote, Siddiqi makes a perceptive observation: "The notion of *raja* and *praja* is so deeply ingrained in the psyche of the Oudh peasant that the idiom used even with regard to a peasant leader is concerning a raj (*rajwa*) and subjects (*praja*)". If Siddiqi had taken this observation further he might have been able to tell us more about the strengths and weaknesses of the movement. On the one hand, the peasants took a very radical stand against unjust landlords. They had powerful ideological beliefs for which they were prepared to fight, suffer, and even die. On the other hand, the peasant's consciousness was limited by the belief that a raja was needed to inaugurate the era of justice. This made them susceptible to outside leaders who were likely to work against their class interests. Therefore, although the peasants took a far stronger stand against feudal landlordism than did most of the Congress leaders. their ideology was suffused with a false consciousness which weakened their struggle.

In this manner, Siddiqi raises more questions than he answers. He has revealed a wealth of interesting material, but has failed to analyse it properly, and has instead resorted to tired and discredited formulas. In many cases, the material directly contradicts his conclusions. If we are to do justice to the peasants of Awadh in their long and valiant struggles against the taluqadars we clearly need a different framework of analysis which places the peasants at the centre of the stage rather than at its periphery.

Feudalism and Kinship in Marwar

Hira Singh

Rajput Polity: A Study of Politics and Administration of Marwar, 1638-1774 by G D Sharma, Manohar, Delhi, 1977; pp 333, Rs 50.

SHARMA's book is a welcome contribution to history and sociology. Credit goes to Sharma for taking up the task of investigating the evolution of political structure of a Rajput princely state during Mughal period, in a way different from that of conventional historians. Sharma's work breaks the artificial and zealously guarded boundary walls between conventional sociology and conventional history. Even though the book has some limitations and the author has chosen to evade some serious issues (which he was in a relatively better position to examine), that does not undermine the overall significance of his approach.

The main theme of the book centres around the nobility (locally known as the *sardars* or the *thikanedars*) of Marwar. It raises some important questions relating to the composition and structure of the nobility of Marwar. Who were these nobles?

What was their origin? What were the relations between nobles and their chiefs? How did the relations between nobles and the chiefs gradually undergo a transformation from co-parceners to feudatories? What were the relations between them and the Mughal Emperors?

It was the beginning of the 13th century. Rao Asthan along with his two brothers, Sonag and Ajay, was camping at Pali, on his way from Kannaj to Gujarat. The territory around Pali was held by the Paliwal Brahmans in their capacity as the *gurus* of the Rajput rulers of Marwar (Udaipur), while in the neighbouring areas the members of the Mer tribe had established their dominance. As the position of the rulers at Mewar weakened, they were not able to provide the necessary protection to their grantee gurus — the Paliwals. It was under these conditions that the Paliwals approached the encamping Rathors, Rao Asthan and his brothers, to protect them against the turbulent Mers in return for a payment of 45¼ *taka* everyday. Rao Asthan not only contained the Mers, but also captured several villages in the neighbourhood, and established his overlordship over the area.

Rao Jodha was fifteenth in the direct line of descent from Rao Asthan. On May 12, 1459, he laid the foundation of a new fort and a new city, named Jodhpur, which remained the capital of the Rathor dynasty until the merger of the state into Rajasthan.

With every succeeding generation following Rao Asthan the Rathors kept on capturing new territories. In this process of territorial expansion the sons and the brothers of the ruler were allowed to hold the territories conquered by them. These holdings were recognised as their *thikanas* (estates). This practice was called *bhai-bant*; that is, being members of the same clan and co-conquerors, their claim over their respective territories was the same that of the ruling chief over his.

It was during the reign of Rao Maldeo (1532-62) that an attempt was made, for the first time, by the ruling chief to transform the *bhai-bant* holders into *bhai-bandh chokars* (servants of the state). In simple terms this was an attempt to impose a tributary system on what was essentially a kinship system of landholding, and to subjugate the kinsmen-sardars to the dominance of the ruling chief. This marks the beginning of the end of the first phase of development of society in Marwar, in which kinship was the basis of union between the ruler and his sardars. This process, however, reached its culmination during 1562-82, when Emperor Akbar established his suzerainty over Marwar. With this the Rathor sardars not only lost their age-old right to choose their leader from among the kinsmen, but were forced to accept the subjugation of an alien authority (the Moghals) who were not even of their clan. Thus was laid the foundation of a new basis of relationship between the ruler and the sardars of Marwar — a relationship of dominance and subjugation. This marks a transition from kinship toward feudalism.

This process of transition was formalised during the reign of Maharaja Sur Singh (1594-1619). He put to an end the traditional system of *bhai-bant*, and issued *pattas* to the *thikanedars*. *Patta* was, above all, a confirmation of the overlordship of the ruling chief over the entire territory of the state, and a *thikanedar* was granted a part of it in retun for service (mainly the military service) and some payment (military cess). Thus, the system of *pattedari* converted the kinsmen-sardars into the servants of the state and of the ruler.

Having shown the origin of the *pattedari* system Sharma goes on to provide very interesting details of the various points of co-operation and contradiction between ruling chiefs and the sardars, between ruling chiefs and the Moghal Emperors and between Maghal Emperors and the sardars.

Sharma does not address himself consciously to any specific issue. His work is mainly in the spirit of fact-finding, and the strength as well as the weakness of the book derives from this. However, the facts adduced throw light on some very crucial and controversial problems in Indian historiography. One such problem is the nature of relationship between ruling chief and his sardars in Marwar. One is immediately reminded, in this context, of the famous controversy between James Tod on one hand and James Lyall and William Crooke on the other. Tod was ridiculed and chided by Lyall and Crooke for drawing an analogy between lord-vassal relationship of medieval Europe and the chief-sardar relationship of 19th century Rajput states. Lyall and Crooke insisted that the essence of chief-sardar relationship in the 19th century Rajputana, Marwar included, was kinship and as such these states were not 'states proper' but tribal clannish settlements.

Sharma's data show that since the days of Rao Maldeo the rulers of Marwar were making attempts to convert their kinsman-sardars into their tributaries. By the time of Sur Singh, with the help of the Moghal Emperor, the *bhai-bant* system (in which kinship was the basis of land-holding by the sardars) had been transformed into *paattedari* system (wherein service to the state and ruler was the basis of land grant to kinsmen). Any serious violation of the *patta* conditions might lead to confiscation, in part or full, of the *thikana* estate.

But Sharma, contrary to his own facts, draws a wrong inference, that it was the general state of confusion in the later part of the 18th century — a corollary of the weakening and virtual collapse of the central authority — which gave Rajput societies a semblance of feudalism. In fact, the author has marshalled enough evidence to the contrary to show that it was during the days of Akbar, the peak of the Moghal period, that the ruling chief of Marwar established his dominace over his sardars. In other words, the hegemony of feudalism over kinship was established in the dawn of the Moghal period, and not towards its dusk, as implied by the author (p 293). In fact, the dusk of the Moghal period marked a decline of feudalism in Marwar when the sardars, taking advantage of the general chaotic conditions created by the disintegration of the Moghal authority on one side and the rise of the Marathas on the other, started asserting their autonomy and independence.

One must appreciate that Sharma's approach is unconventional but he has failed to carry it to its logical conclusion. The main weakness of the work is that it does not include in its framework those on whose labour both the nobles and the chiefs of the state depended. Sharma's main claim is that he seeks to reconstruct the evolution of economic-political structure of society in Marwar; one may rightly ask — is it possible to reconstruct the economic evolution of a society without even mentioning who were the basic producers, and what was the form of production relations? Again, is politics only a matter of what transpires within the ruling class? In this matter Sharma shares with conventional historians the chief limitations of the latter's framework. which begins and ends with the palace, to the exclusion of those on whose labour is founded the entire glory of the palace.

Oral Testimony as Historical Source Material for Traditional and Modern India

Lotika Varadarajan

Unlike the African situation which is based on a degree of fundamental homogeneity, as revealed in the classic work of Jan Van Sina, oral tradition in India betrays considerable heterogeneity.

First is the category of information classified under sruti *which has been handed down from one generation to the next with clearly built-in safeguards to reduce, if not obviate, corruption and distortion in course of transmission.*

Second is that category which can be said to comprise a much looser corpus of material permitting of expansion and incorporation of new material over periods of time. Itihasik *and* pauranic *materials, as also relevant manifestations of folk culture, may be included in this group. For purposes of convenience a further distinction may be made between Hindu sacred knowledge as defined under* sruti *and* smriti *and traditional craft and technical knowledge.*

A third category may be postulated, viz, oral testimony relating to pockets of Indian society transformed by currents generated by modernity while remaining bound to the umbilical cord emanating from the previous cultural mould.

The first portion of this paper relates to the first two categories, while the third aspect is briefly dwelt upon in its concluding part.

ORAL TESTIMONY is one among several sources on the basis of which historical enquiry may be made. Oral testimony relates to that category of historical information which is transmitted from group to group or from one generation to another by means of oral transmission.[1] Oral history, therefore, relates to a technique of information-gathering rather than constituting an independent branch of historical enquiry.[2]

The use of oral testimony for the writing of history is by no means a modern innovation. Hearsay and on-the-spot enquiry have been utilised since the time that history had first begun to be written. In more recent times the method utilised by the British for bringing together the *Mackenzie Collection* of manuscripts, and framing chapters such as those devoted to festivals and shrines in the *Gazetteers* demonstrated the utilisation of this tool. However, until recent times oral sources have not been given the overt recognition accorded to other sources such as literary, epigraphic and monumental evidence. This may perhaps have been because the appropriate methodology by which an inchoate mass of oral information could be transformed into valid historical data had not received adequate attention. Even today, despite the advances which have been made, a great deal more remains to be done particularly in the field of folklore, superstition and myth.

Oral testimony may be elicited in different ways according to the scope of the particular problem. For the writing of political history accurate factual data is of prime importance. Once the authenticity of a particular occurrence on the time scale has been established, the *hows* and *whys* of the event can be scrutinised in greater depth with the use of oral testimony. The Oral History Project being conducted by the Nehru Museum, New Delhi, is utilising oral sources in much this manner.[3] An even richer field in which oral testimony can be used is that of social history. While social history, like other branches of the discipline, is written within the confines of chronology and factual data, human motivation and individual as well as group choice are of greater concern. Totally irrational factors may become valid pointers to historical enquiry if these are of social consequence. The reservations formulated by David P Henige with regard to the scope of oral material is very relevant to the ambit of this paper. D P Henige has stressed the inadequacy of oral information for the framing of chronology in view of the fact that oral information appears particularly rich in societies which have a non-calendrical vision of their past.[4] To the social historian the unravelling of specific distortions may itself prove valuable indices to the nature of bygone social pressures of which there is no mention in the fields of literary and inscriptional evidence.

The feature which is of particular significance in the Indian context is that the oral method was the preferred means of communication in traditional India. By traditional India is meant that segment of the indigenous cultural framework which can be said to have remained peculiarly rooted to patterns of thought and behaviour evolved in undivided India during what may be loosely termed as the Vedic period and which continued into later times. Oral testimony has accrued from many different quarters. In the present essay oral testimony relating to Buddhist, Jain and Islamic cultures have not been taken up for examination. Unlike the African situation which is based on a degree of fundamental homogeneity as revealed in the classic work of Jan Van Sina,[5] oral tradition in India betrays considerable heterogeneity. First is the category of information classified under *sruti* which has been handed down from one generation to the next with clearly built-in safeguards to reduce if not obviate corruption and distortion in course of transmission. Second is that category which can be said to comprise a much looser corpus of material permitting of expansion and incorporation of new material over periods of time. *Itihasik* and *pauranic*[6] materials as also relevant manifestations of folk culture may be

included in this group. For purposes of convenience a further distinction may be made between Hindu sacred knowledge as defined under *sruti* and *smriti*[7] and traditional craft and technical knowledge. A major difference between the two fields is that the vocational aspect inherent to the latter is absent in the former. Moreover, the latter has necessarily to premit greater elasticity as new inventions, techniques and processes have, at each stage, to be incorporated within the existing corpus prior to onward transmission. However, the social context governing transmission of information and avoidance of fallacy is common to both. A third category may be postulated, *viz*, oral testimony relating to pockets of Indian society transformed by currents generated by modernity while remaining bound to the umbilical cord emanating from the previous cultural mould. The first portion of this paper relates to the first two categories, while the third aspect is briefly dwelt upon in its concluding part.

In India the privilege to *learn* or to *know* has always been linked to the "worthiness" of the recipient, and is related to the extent of receptivity shown and the degree of mastery achieved. It has never been accorded the status of an inherent right.[8] Even after scripts had evolved there was always a preference for the transmission of knowledge through oral rather than written means. This was because it was feared that the written word being accessible to a wider public, might fall into wrong hands with the attendant dangers of distortion and vulgarisation.[9] Since the language used was Sanskrit there was also the purely practical aspect that mispronounciation could lead to total distortion in meaning. The fact that the educational system encouraged the emergence of a power elite enjoying a dominant role in the social structure is not really relevant to the theme of this essay.

The educational system was initially developed to serve the needs of sacred knowledge. It performed its task in an admirable manner and served as the prototype subsequently followed in all *gurukkuls*. There was close contact (*antevasin*) between taught and teacher in the ashram school set amidst sylvan surroundings. The development of Vedic knowledge itself passed through several stages prior to being constructed into a definitive mould. The initial stage was that of *mantra darshana* when thoughts were first conceived through visions by sages and rishis. Then came the stages of *samhita* and *brahmana* when this corpus was orally brought together, preserved, systematised and interpreted. By this time the body of knowledge has become very large. The *sutras* were devised to permit quick and easy recall.[10] Each of the four vedas was associated with ten individual compositions which were collectively known as *dasagrantha*.[11] The student who wished to make any headway in the field of learning had to master the entire corpus associated with at least one veda. This gave rise to appellations such as Dwivedi, Trivedi and Chaturvedi which have continued into modern times.

There were clear rules for the learning of the various texts which made up the contents of the early curriculum. The attributes of sound such as pronounciation, stress, rhythm, accent and verbal juxtaposition were exploited to the full to ensure accuracy in transmission.[12] No progress was allowed until the guru was completely satisfied that the set portion had been adequately mastered. There were various devices to facilitate memorisation on the part of the *brahmacharin* and easy recall on the part of the *grihasta*.[13] Permissible levels of variation became institutionalised through the recognition of different *sakhas* or recensions, each having its own school of reciters or *charanas*[14] The necessity for the preservation of Vedic tradition by oral means led to the development of specific branches of learning such as *siksa* (linguistics), *pratisakya* (euphonic modification necessary for turning the word text/*pada* into the hymn/*samhita*), and *anukramanis* (indexes providing the number of hymns, verses, words and even syllables of the sacred text as a means for checking of validity).[15] Since the oral method was the most common means of transmission of knowledge, memorisation constituted a strong concomitant in the educational process.[16] Meaning was, in a sense, secret and hidden until realised through correct pronounciation and memorisation. Understanding could not be achieved without correct enunciation.

The methodology evolved for the transmission of craft and technical knowledge in India has, unfortunately, not received the degree of attention reserved for the transmission of sacred knowledge. The linking of occupation to caste helped to preserve expertise as this evolved through successive generations.[17] Craft and technical knowledge could perhaps be said to have been divided into two streams — the *gurukkul* stream and that of vocational training undertaken against the backdrop of familial relations. There was some intermingling from the beginning as craft and technical knowledge had, to a certain extent, necessarily to be grafted onto Vedic knowledge.[18] The building of the sacrificial altar, the prediction of auspicious moments, the training provided in the *upavedas*,[19] all had a scientific-cum-technological bias. The education imparted to princes included an element of vocational experience.[20] The *Dhanurveda Samhita* of *Vasishta*[21] and the *upanayana* laid down by authors like Charaka and Sasruta prior to the pursuit of a career in medicine[22] are suggestive of the existence of a considerable body of technical and scientific knowledge. If a *vaishya* was to perform his function well he was expected, apart from his knowledge of agriculture, to also possess the rudiments of commercial geography, arithmetic, some linguistic skills as well as practical details of trade.[23] The *grihya sutras* provided the incentive for the development of architectural treatises such as the *vastu shastras*. The *shilpi shastras* and *natya shastras* were concerned with aspects of the plastic and performing arts. During the Gupta period the urbane urbanite or *nagarika* was expected to have some acquaintance of sixty-four *kalas*. This shows that some kind of formalised system for the transmission of craft-learning must have existed from early times. By this period *gurukkuls* had proliferated and the content of the curriculum followed differed from one to another. Technical knowledge was not necessarily transmitted through the same channels as craft knowledge although some degree of inter-connections must have existed. Normally craft and technical knowledge would be vocational. When sufficient advances had been made, thus making formalisation possible, the new corpus of knowledge would be grafted onto the *gurukkul* pattern thus ensuring a degree of inter-meshing between sacred and secular learning.

In occupations requiring a low degree of skill, knowledge was directly passed from father to son or teacher to taught by means of oral instructions and practical demonstration and training. By and large these activities were associated with members of the *sudra* caste.[24] Usually a knowledge of reading and writing was not necessary but in some occupations certain Sanskrit works had to be learnt by heart.[25]

The guild system operated only at the level of protection of economic interests and had no bearing on the nurturing or transmission of technical

and craft expertise. Where a higher degree of skill and finesse were involved in avocations such as sculpture, architecture, painting and the manufacture of art textiles, there was an adherence to some form of apprenticeship operable within the confines of the caste system.[26]

As in the case of transmission of sacred knowledge, in this field also the process was shrouded in secrecy. For this reason, if information in these areas is required today one of the most fruitful paths of investigation is that of oral enquiry. The entire gamut of activities stretching from indigenous methods of navigation to that of weaving and fashioning of prize textiles can best be explored in this manner. However, since the enquirer is, in more cases than not, a rank outsider in the given social milieu, the collection of oral data has to be engaged upon with the utmost tact and self-effacement. At the initial stages the trust of the informant has to be acquired. This enquirer, stepping into virgin territory, is not even sure about the scope of enquiry. At this stage the injection of a tape recorder cannot but arouse suspicion. Nor, in the absence of primary information, can a questionnaire be meaningfully framed. These tools of enquiry can be brought into play at the second stage although both have to be used with considerable discretion.

Another important corpus of oral information available in India is that of *itihasik* and *pauranic* lore.[27] This category has certain distinguishing features. Vedic knowledge was available only to the three upper castes.[28] After about 300 BC the position of women began to decline and they began to be prohibited from participation in Vedic sacrifices.[29] In order to bridge the cultural gap between the educated and the less privileged members of the society, to endow the cultural framework with increased elasticity and to provide a greater sense of unity and identity, *itihasik* and *pauranic* lore came into existence.[30] These compositions were originally recited in simple Sanskrit at public gatherings by professional reciters called *sutas* and *pauranikas*.[31]

There are certain attributes which make *itihasik* and *pauranic* literature of special interest to the historian particularly with regard to the moulding of the Indian psyche and the attitudes of tradition-bound Indian women. Although from the literary point of view the eighteen puranas and two epics have been included within the *sruti* category of sacred literature being accorded the status of the fifth veda, from the functional point of view, these have more in common with the *smriti* category of literature. The *sloka* rather than the *mantra* form found in *itihasa* and *purana* permit far greater variation in meaning, and, in a sense, reflect regional variations arising from differences in cultural patterns.[32]

During the later Vedic period when the student was exposed to *Itihasa* and *Purana*, he had also to master the *Upaveda* linked to the veda of his choice. The Upaveda was the subsidiary discipline which enabled the householder to earn a living. The *Rgveda* was associated with medicine (*Ayurveda*), the *Yajurveda* with military and defence sciences (*Dhanurveda*), the *Samaveda* with dance, drama and allied pursuits (*Gandharvaveda*), and the *Atharvaveda* with agriculture and technical sciences (*Arthasastra*). The practice of trade and commerce was divided between the *Yajurveda* and the *Atharvaveda*.[33] The study of such a system would surely reveal much of interest to the social historian.

Itihasik literature recited by *sutas* may be linked to a later development, that of the maintenance of geneological records found particularly in evidence in Rajasthan and Gujarat. In Rajasthan the maintenance of the *vamsavali* and *pidhiavali* is associated with the *charan* community, while in Gujarat custody of the *vahi* is the privilege of *vahivanca* barots.[34] The *barot* is totally dependent on oral sources for the compilation of data entered in his ledger.[35] It is claimed that veracity is ensured by the presence of the village *panch* during the ceremony of inscription of details of family history.[36]

While Vedic culture with its attendant penumbra of ritual, sacrifice and ceremony, was clearly monopolised by the Brahmins, Pauranic culture opened doors to other modes of religious experience. *Bhakti* and *yoga* were given a new importance while *vrata* and the undertakings of *tirthas* or religious pilgrimages became recognised forms of activity.[37] This generated a considerable body of oral material which is indicative of social mores of the times. Apart from this religio-mythical body of knowledge, oral communication also reflected itself in folklore and associated media such as ballads, proverbs, parables, riddles, superstitions and beliefs arising from observance of totems and taboos. It would be difficult to differentiate between folklore and religious mythology as the former drew heavily from the latter. Other idioms clustered around religious themes and found expression in dance, drama and song. Among these may be mentioned *yakshagana*, *terukuttu* or street play, the *bhagavata mela nataka* relating to the sport of Krishna, *kirtans*, *bhajans*, and *kathas* performed in different parts of the country. Many divergent aims found expression in these forms — edification, entertainment and the fostering of cultural homogeneity. The rural *mela* and *heat* fall into a different category but neither can be excluded from the ambit of oral information.[38]

It is obvious that the extraction of information from this category of oral testimony constitutes a very difficult task. If it can be done, however, it can be an extremely useful source. Oral testimony can rarely be used alone but can prove a very valuable adjunct to more conventional sources such as literary, epigraphic, numismatic and monumental evidence. Jan Van Sina[39] has demonstrated very well how the structural method may be used to distil information from oral sources particularly in the African context. However, scholars have pointed out possible pitfalls in an uncritical adoption of such an approach.[40] David Lewis[41] has explored the world of traditional Polynesian navigation on the basis of oral testimony and practical experience, and the adoption of similar approach may yield much information in the field of Indian craft and technology. The work of Romila Thapar may also be quoted in this context.[42]

The citing of oral sources however has some inherent difficulties. A historian is totally circumscribed by the nature of source material available, and these are usually referred to in the footnotes. Oral information is rarely cited in this manner. Doubtless this is because a historian is chary of citing a source unless its authenticity can be proved beyond doubt. There is also the fear of invasion of privacy if the identity of the oral informant is explicitly revealed. As a result the extent to which oral testimony may have shaped conclusions reached or inferences drawn is rarely made evident. The fact that oral testimony falls more within the domain of social anthropology poses methodological problems for the historian wishing to make use of this tool. The major difficulty arises from the fact that oral information has usually to be processed before it is ready for use, particularly the material which can be gleaned from sacred and mythological narrative. There has to be a proportionately greater investment in

manpower before an adequate distillation of the kernel of historical source material may be secured.[43] However, since traditional India, as defined for the purposes of this essay, remains a living reality, oral material would constitute a very important source for an understanding of the current social milieu.

Upto now the main emphasis has been on the attempted identification of sources of oral testimony as related to traditional India. An initial exploration has been made of the information this corpus may be expected to yield to enable a better understanding of the dynamics of social relationships of the past. The formulation of chronology based on oral evidence, so important to scholars working on Africa, is of secondary significance in the Indian context. An effort is now made to demonstrate the utility of oral testimony in another field by utilising the findings of a study made of a non-Hindu group in contemporary times. This investigation reinforces the view that oral data is of relevance to the study of social relations in any given period of Indian history.

A study was made of the East Indian community which is native to the urban centre of Bombay extending into Greater Bombay. This group was chosen for several reasons. Being converts from Hinduism to Christianity, they would have an anchorage in the social contours of their previous religion while opening themselves to the currents of modernity generated by the adoption of their new faith. Literacy would not be linked to position within the social hierarchy as the opportunities provided by mission schools conducted in English and the vernacular medium would open the doors of learning to all. The existing corpus of printed material on community history[44] can be utilised to pinpoint areas in which oral testimony could be used to secure a richer understanding of community relationships. Oral testimony has shown its utility not so much in the sphere of collection of factual data as in providing a corpus of information on the basis of which inferences may be drawn. The element of subjectivity remains a questionable component but it needs to be emphasised that as in any other category of historical source material, findings are open to reassessment subject to the availability of additional information.

The East Indian community[45] is an extremely heterogeneous group both from the point of view of origin and culture, as well as standard of life and occupations followed. It is a society which has perhaps been subjected to a much greater degree of change than other groups and oral testimony demonstrates this more clearly than references to the printed word. Broadly speaking the East Indian community may be divided into two groups, the urbanised East Indian and the rural East Indian.

Even though it is claimed that Christianity was established in this part of the Konkan as early as the first century AD by the ministrations of the apostle, Saint Bartholomew, this appears to be based entirely on literary evidence. Unlike the Syrian Christian sect in Kerala, there is no extant doctrinal evidence of this early form of Christianity. The group ethos of East Indians is projected backwards in time only to the point when conversions were effected by the Portuguese in the sixteenth century. This fact of chronology has caused the prevalence of a basic dichotomy. Whereas social mores hearken back to a much older caste-ridden heritage, this is allowed expression only at one level. The Portuguese converts had been so well insulated from their erstwhile religious compatriots that the culture which they embraced by virtue of being Christian ran along grooves which were quite separate from the mores and beliefs which formed part of their older heritage.

The superstitious beliefs and lore of the East Indians have a quaint folk flavour but are singularly free of any recognisable Hindu influence. When there is a relapse into brahmanical little tradition as when blood sacrifice is offered, or obeisance is made to Sitala Devi at the time of the affliction of small pox, the East Indian is able to slip freely from one ambiance to another without perceptible signs of guilt. The two worlds are not allowed to impinge on one another. During the wedding ceremony while blood sacrifice may be offered on the way to Church, within the Church there is rigid adherence to orthodox Catholic ritual. Where these practices have shown signs of decline, this has not been so much a result of the strengthening of the Christian faith as because of higher levels of education achieved and increasing inroads of urbanisation.

If the purely social practice of East Indians were to be considered and if the Westernised elite group were to be left aside, these would be found to bear a deep Hindu impress. Certain taboos such as familiarity between father-in-law and daughter-in-law are part of larger all-India phenomenon. Eating habits, social relationships and behavioural patterns bear a strong affinity to those prevalent among Hindus.

In certain areas there is an amalgamation of East and West. This is particularly in evidence in East Indian music.[46] One of the more unfortunate areas is that of addiction to liquor which can be clearly traced to Occidental influence. East Indian cuisine is a happy mixture of Portuguese preferences and indigenous culinary achievements. A somewhat curious feature is that whereas in Goa, beef eating was regarded as virtually synonymous with the state of being Christian,[47] East Indians traditionally *eschewed beef. Samavedi* and *Koli* Christians in the past abstained from pork despite the palate-tickling properties of the East Indian *piece de resistance, sorpotel.*

A notable feature of the community is the total absence of any explicit feelings relating to caste. Whereas in the past endogamous marriage practices tended to prevail, commensality was practised from the beginning. Where endogamy was in evidence it tended to be explained in terms of occupational differences rather than caste origin.

The community as a whole is showing marked evidence of accelerating social change. The attendant stress, however, appears to be taking a greater toll of the Westernised urban elite rather than its rural brethren. Within the city of Bombay, East Indians tend to cluster around certain areas such as Kotachiwadi in Girgaum, in Mazagaon and Bandra. Wherever faceless modern urban architecture has not intruded, these areas have the unique flavour associated with the East Indian *gaothan*, an institution which has to be visually perceived to be fully appreciated. These urbanised East Indians not only share the general ethos relating to the origin of the community but also betray a far greater Western bias in their social mores. The problem of renewal is not an easy one under such circumstances. When, added to this, there is the threat that they the original sons of the soil, are in danger of being edged out of their natural habitat by those endowed with sharper business acumen coming in from other parts of the country, their helplessness cannot but find expression in a deep sense of malaise. The feature of added poignancy is that unlike caste Hindus, East Indians can-

not easily settle in other regions of India without considerable disorientation and feelings of rootlessness.

The rural East Indians, the Vadvals, Samavedis, Kolis and Kumbars to mention a few among them, are in a much happier position as there is no chasm separating them from their non-Christian neighbours. They do not have any identity crisis with which to grapple, nor are they faced with any imminent threat of physical displacement. With improvement in economic status and attainment of higher education a greater cohesion between urban and rural East Indians may well come into being. Already, there is increasing inter-marriage among the different Catholic groups in Bombay and a more homogeneous and viable unit may well emerge.

The study of the East Indian community of Bombay and greater Bombay[47] demonstrates very clearly the differences in approach and methodology required when dealing with material outlined in the earlier portion of the paper as against the corpus emerging from contemporary social life. In view of the availability of primary printed material, questionnaires can be framed. Because of the prevalence of a high standard of literacy and exposure to modern media even among the rural segment, the introduction of the tape recorder would not prove counter-productive. Despite these differences in methodology, the particular contribution of oral testimony to the scope of historical enquiry remains a constant factor. It opens windows into areas of social relations which would either be dormant or remain overlooked if other categories of source material alone were to be taken into consideration.

Notes

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1. This definition may be contrasted with that given by D P Henige. According to Henige oral testimony refers to the corpus of orally transmitted material which specifically recounts the past. The time span is usually limited to three generations, this being the maximum period accorded to personal testimony. Oral poetry, heroic recitations and folk tales have been excluded by him on the ground that these forms are essentially unconcerned with duration and sequence. David P Henige, "The Chronology of Oral Tradition: Quest for a Chimera", Oxford, 1974, p 2.

2 See Paul Thompson, "The Voice of the Past, Oral History", London, 1978, p 54. For the special kinds of insight available from this category of material, see *The Indian History Review*, Vol III, No 2, 1977, E P Thompson "Folklore, Anthropology and Social History", p 251.

3 The team, comprising five members under the Directorship of Haridev Sharma, started functioning towards the close of 1966. Three categories of participants in the freedom movement were chosen for interview — politicians, civil servants and social workers. Interviews are tape recorded. These are corrected, edited, sent back to the interviewee for acceptance, and then transcribed onto paper and filed for future reference by scholars. The original tapes are not necessarily preserved. The whole process is time consuming and in the absence of the required manpower, the pace is necessarily slow.

4. David Henige, *op cit*, pp 118-120, 190-191.

5 Jan Van Sina, "Oral Tradition", Penguin University Books, 1973.

6 See below note 27.

7 Please refer to M Monier Williams, "Sanskrit-English Dictionary", *Sruti* and *Smriti* q v; R K Mookerji, "Ancient Indian Education", London, 1947, pp 162, 164.

8 For the qualities of the student please see P V Kane, "History of Dharmasastra", Volume II, Part I, Poona 1974, pp 330-331.

9 D G Apte, "Our Educational Heritage", Baroda, 1961, pp 177-178. Cf P V Kane, *op cit*, pp 321-325, 347-349.

10 R K Mookerji, *op cit*, pp 162-164.

11 The *dasagrantha* comprised (i) The veda of choice (ii) its brahmana (iii) its aryanka (iv) grihya sutras, (v-x) the six *angas* comprising *siksha*, *kalpa*, *vyakarna*, *jyotisha*, *chhandas*, *nirukta* Apte, *op cit*, p 174, F E Keay, "Indian Education in Ancient and Later Times", Oxford University Press, 1938, p 34.

12 D G Apte, *op cit*, p 175; R K Mookerji, *op cit*, pp 213-214.

13 D G Apte, *op cit*, pp 182-184; cf P V Kane, *op cit*, p 328.

14 R K Mookerji, *op cit*, p 78.

15 *Ibid*, p 21.

16 D G Apte, *op cit*, p 178; R K Mookerji, *op cit*, pp 224, 239-240.

17 For caste and community in craft and technical tradition see J Bertrand, *"Letters Edifiantes et Curieuses de la Nouvelle Mission du Madure"*, Vol I, Paris, 1865, letter written at Madura dated December 1840, pp 420-421.

18 The brahmanical hold on the *silpin* must have, to a certain extent, been organic rather than being based only on the existing pattern of social relationships as is made out by R Lannoy. Please see Richard Lannoy, "The Speaking Tree", Oxford University Press, 1971, p 27.

19 For *upavedas* see below. The curriculum at the University of Taxila is said to have included the study of three vedas and eighteen *shilpas*. The subject matter included in the latter category is, however, unknown. A S Altekar, "Education in Ancient India", Banaras, 1934, p 128.

20 See P V Kane, *op cit*, pp 363-364. C Sivaramamurthy ("The Painter in Ancient India", New Delhi, 1978, p 11) mentions a prince whose education included the principles of examination of gems, woodwork and ivory carving.

21 This was a later work which laid down norms pertaining to *Dhanurveda* or military training. The epics have no references to a specific upanayanam related to this vocation. See A S Altekar, *op cit*, pp 44-45.

22 *Ibid* pp 42-43. For the meaning of the word *upanayana* please see P V Kane, *op cit*, p 269.

23 *Ibid*, pp 364-365; Whereas in the earlier period this training was imparted in the home and the *gurukkul*, during later times special schools called *mahajan* schools came into existence. Here the notation used by *mahajans* in their calculations was imparted to caste members. F F Keay, *op cit*, p 64.

24 *Cf* the mythical origin of *pushan* or the sudra caste in R K Mookerji, *op cit*, pp 157-158, also Milton Singer, ed "Traditional India", Jaipur, 1975 Stella Kramrisch, "Traditions of the Indian Craftsmen", pp 18-24. In Tamil Nadu Vishvakarman Brahmins monopolise such activities tracing their ancestry to the five sons of Vishvakarma, Manu, Maya, Tvastra, Silpi and Visvajna associated with the working of iron, wood, brass, copper and alloys, stone and gold and silver respectively A K Coomaraswamy, "Medieval Sinhalese Art," New York, 1956, p 63.

25 These works contained traditional rules pertaining to a particular craft In south India *Vastu Sastris*, usually members of the goldsmith caste, know rules pertaining to domestic architecture. They are consulted by all those wishing to con-

form to traditional norms. Keay, *op cit*, p 72. In this connection oral information elicited from a master carpenter of the *sutar* community resident at Baroda during a recent interview is of interest. Although couched in allegorical language the broad base of craft knowledge is made evident. According to the informant, Mistri Nanalal Lallubhai Shilpi Shastri (address: Kashta Kala Gruha, Dandia Bazar, Baroda), a master of carpentry would possess a knowledge of the 64 *kalas*. Since the five sons of Visvakarma (see above n 24) were bound by fraternal ties, each could imbibe knowledge from the other, i e, a carpenter would not only be able to work through the agency of wood, but would also be able to handle stone and metal. The disciplines of *jyotisha* and water divining were ancillary to the practice of carpentry. Domestic dwellings had to be so aligned in accordance with *shastric* injunctions as to promote the welfare of its inmates. The task of construction of wells would be rendered smoother if water divining were known. The family of the above named practitioner possesses a manuscript copy of *Rajavallabha* by Mandana. The text, partly in Sanskrit and partly in Gujarati, had been transmitted from generation to generation with the family. Earlier only caste apprentices would be accepted by the *guru*. Chosen students who had shown their aptitude, would be taught Sanskrit to enable them to read the *Shilpa shastras*. Mere book learning was considered very inadequate and had to be enriched and supplemented by oral instruction and practical training received from the *guru*. The master would pass on his innermost craft secrets to his chosen student, and this need not necessarily be his own son. If no one conformed to the desired standard, the master would carry his knowledge with him to the funeral pyre.

6 A K Coomaraswamy, *op cit*, pp 64-68; P V Kane, *op cit*, p 365.

7 *Purana* literally means any old tale or ancient lore. Earlier *puranas* had to follow the literary convention of division into five parts but in later times this became blurred. *Itihasa*, derived from *iti ha asa* (so indeed, it was) denoted, at least in theory, the recording of actual events F E Pargiter, "Ancient Indian Historical Tradition", Delhi, 1962, pp 21-25, 33-39, 41, 54.

28 R K Mookerji, *op cit*, p 267.

29 S G Kantawala, "Cultural History from the Matsyapurana", Baroda, 1964, p 95.

30 For the original constituents of *Itihasa* and *Purana* please see F E Pargiter, *op cit*, pp 33-34, 36-38, 54. The Puranas not only functioned as commentaries on the Vedas but included much other matter. They comprised a growing corpus of information related to subjects such as cosmology, astronomy, astrology, philosophical doctrine, ethics, morality, administrative procedure and justice and common principles of law and equity. For greater palatability moral principles were introduced through anecdotes. It was from the same fountain-head that institutions such as the *kirtan*, *katha* and *bhajan* were to develop later. D G Apte, *op cit*, pp 200-202.

31 Milton Singer, *op cit*, V Raghavan, "Methods of Popular Religious Instruction in South India", p 130; F E Pargiter, *op cit*, pp 21-25, 33-34, 54, 58; D Chattopadhyaya, ed, "History and Society", Calcutta, 1976, Romila Thapar, "Origin Mythus and Early Indian Historical Tradition", p 281. *Suta* had a caste connotation while *pauranika* was a generic term denoting anyone who recited the puranas, PKD.

32 Unlike the *mantra* which is accented, the *sloka* is free of any accentuation. *Slokas*, therefore, lend themselves to considerable variations in enunciation, and the same text can have a range of different meanings. This constitutes a departure from the strict uniformity imposed by the *mantra* form. PKD.

33 PKD. See P V Kane, *op cit*, p 335.

34 *The Indian Economic and Social History Review*, XIII, 1976, N P Ziegler, "Marvari Historical Chronicles: Sources for the Social and Cultural History of Rajasthan", pp 220, 228. *The Eastern Anthropologist*, IV, pp 166-169, T N Dave, "The Institution of Bards in Western India".

35 Milton Singer, *op cit*, A M Shah and R G Shroff, "The Vahivanca Barots of Gujarat: A Case of Geneologists and Mythographers", pp 46-47.

36 Oral information: courtesy, Bhagwatray Narvasinh Barot, Sultanpura, Baroda.

37 F E Pargiter, *op cit*, pp 27, 30, D G Apte, *op cit*, pp 200-202.

38 *Ibid*, 202-203. For further details please see Milton Singer, *op cit*, V Raghavan, pp 135-136, S Parmar, "Traditional Folk Media in India", New Delhi, 1975, pp 25, 28, 39, 53, 78-79.

39 For citation please see note 5 above.

40 Please see Edmund Leach, *ed*, "The Structural Study of Myth and Totemism", London, 1967.

41 David Lewis, "We the Navigators: The Ancient Art of Landfinding in the Pacific", Canberra, 1975.

42 See essay in the work quoted above in n 26, also *Indica*, 13, 1976, pp 37-48, "*Dana* and *Dakshina* as Forms of Exchange".

43 *Cf* Edmund Leach, *op cit*, pp 1-47, Claude Levi Strauss, "The Story of Asdiwal"; also n 3 above for methodology pursued in Oral History Project undertaken by the Nehru Memorial Museum and Library, New Delhi.

44 Among these may be cited \ Almedia, "A Brief History of the East Indian Community of Bombay, Bassein and Salsette", Bombay, 1887; B W Baptista, "The East Indians, Catholic Community of Bombay, Salsette and Bassein", Bombay, 1950; B A Fernandez "Bandra, Its Religious and Secular History", Bombay, 1927; S N Gajendragadkar, "East Indian Fisher Folk", University of Bombay, 1970; C J Godwin, "Change and Continuity: A Study of Two Christian Village Communities in Suburban Bombay", New Delhi 1972. S T Sheppard, "Bombay Place Names and Street Names" Bombay, 1917; Percival Strip Olvia Strip "The Peoples of Bombay", Bombay, 1944, M M de Souza, "The Indian Christian Community: A Social Study" (unpublished MA dissertation, University of Bombay, 1927); Lawrence D'Mello, "Autobiography" (unpublished typescript copy dated May 25, 1968), available at Library University of Bombay.

45 There are diverse explanations a to the origin of this term. It i used to designate the inhabitant of the islands of Bombay who are said to have adopted Christianity initially as a result of the missionary activity of the apostle S Bartholomew, and later as a result of the proselytising drive of the Portuguese. As a community members take pride in differentiating themselves from Anglo-Indians on the one hand and Goan as well as Mangaloreans on the other. All adhere to the Roman Catholic faith.

46 Lawrence D'Mello, resident o Bandra, is an authority on East Indian music.

47 A D'Costa, "The Christianisation of the Goa Islands, 1510-1567" Bombay, 1965, p 24.

47 The author is deeply grateful for the help received from various members of the East Indian community Among them special mention needs to be made of A B Dias, Saraswati Dias, V C Fernandez, Martin Fonseca, Melville Mendes, Bruno Ferreira (all residents of Bombay), R D D'Silva (resident of Bassein,) J T Alphonso (resident of Agashi), The generous encouragement given by Mother Mary Braganza, Principal Sophia College, is thankfully recorded.

Employment Planning for Scheduled Castes and Scheduled Tribes

P Hanumantha Rayappa

Deepak Grover

This paper attempts to study the problem of employment and unemployment among the weaker sections of the community, particularly the scheduled castes and scheduled tribes, and the various attempts made by government to improve their living and working conditions.

It begins with a brief socio-economic and demographic profile of the SC and ST population and is followed, in Section II, by an account of their condition in work as well as in unemployment. Section III lists various schemes designed to ameliorate their living and working conditions and also attempts an evaluation of these schemes. This section mainly focuses on employment generation, income augmentation, skill formation and response and non-response aspects. The last section lists the Sixth Plan objectives and strategies for providing employment to the SC and ST and discussed their relevance and feasibility.

I
Socio-Economic and Demographic Profile

THE main distinguishing characteristics of the scheduled castes and the scheduled tribes are their rurality, illiteracy, economic backwardness (lower income, higher incidence of indebtedness, fewer assets, etc) and social retardation (low status, disabilities, etc). The same characteristics are prevalent among the general population also but they are more prominent in the case of scheduled groups. These two groups, the scheduled castes and the scheduled tribes, constitute the 'core' among the weaker sections in India However, it is indeed difficult to identify the weaker sections as they are spread over all areas, occupations and social groups.[1]

The number of persons belonging to scheduled castes was enumerated to be 80 million (about 15 per cent of the total population) and the number belonging to scheduled tribes was 38 million (about 7 per cent) in 1971.[2] Nearly 88 per cent of the scheduled caste population and 97 per cent of scheduled tribe population lived in rural areas in 1971 as against 77 per cent among the scheduled population in the country.[3] Between the two, the scheduled castes are more evenly spread over the country. The scheduled tribes are more secluded and mostly live in inaccessible hill, forest, desert areas or near the sea.

The level of literacy among the scheduled groups has been very low. Almost 90 per cent of these two groups were illiterate in 1961. The literacy levels rose from 10.3 per cent to 14.7 per cent among scheduled castes and from 8.5 to 11.3 per cent among scheduled tribes during 1961-71. During the same censal decade, the levels of literacy among females rose from 3.3 per cent to 6.4 per cent for scheduled castes and from 3.2 per cent to 4.9 per cent among scheduled tribes.[4] Since educational facilities have been opened up only in recent years for weaker sections, the differentials in school enrolment ratios increase with the level of education between the scheduled and non-scheduled populations.[5]

With regard to income levels of these two groups, no data are available either from population censuses or from any other source for the country as a whole. Some idea of their position in income distribution, however, can be obtained from a few census village survey monographs inn 1961. The data tabulated for 30 villages in the state of Karnataka (based on these census village survey monographs) clearly show that the scheduled groups are situated in the lowest income brackets.[6]

Not only is the scheduled population poor and concentrated in the lower income brackets, but it is also deeply in debt An idea of the extent of their indebtedness can be obtained from the National Sample Survey (16th round) and from special surveys conducted in certain tribal pockets.[7] The data provided in these surveys clearly indicate that the extent of indebtedness is more pronounced among scheduled households than among households of the general population. The National Sample Survey data, for example show that 62 per cent of rural households and 47 per cent of urban households among scheduled castes are in debt as against 52 per cent in rural and 34 per cent in urban areas among the non-scheduled households.[8] Their credit needs which are mainly to meet household subsistence expenses are met by the money-lender, trader and landlord resulting in varying degrees of bondage.

Another facet of poverty among weaker sections is the ownership of fewer assets — assets such as agricultural land. Three-fourths of scheduled caste cultivating households cultivate less than 5 acres of agricultural land compared to nearly half among the non-scheduled households. Even though the situation appears to be better in the case of scheduled tribes when compared to scheduled castes, the land actually available for cultivation may be smaller than what is shown in the 1931 Census.[9] The tribal areas of residence being mainly desert, hill or forest, the land available for cultivation would also be inferior in quality

Not only are land holdings smaller in size and inferior in quality, the ownership of other assets too appears to be quite negligible. For example, findings in surveys in Andhra Pradesh, Uttar Pradesh and Gujarat point out that not only did the scheduled groups own less and inferior land but also were poorer in the ownership of other assets such as draft animals, irrigation wells, farm implements, etc.[10] As a result, they are unable to provide any security in order to get benefits such as credit. Thus, they suffer discrimination in the actual availability of facilities. It is also quite likely that the benefits offered to them by agencies such as the government or co-operatives might be misused as they are situated below the subsistence minimum level.

In general, the areas where the tribals live and work are secluded and backward. Also the tribal areas happen to be poorly integrated with the rest

of the economy. The extent of backwardness of these areas can be gauged by the data provided in the Planning Commission document.[11] These data clearly show that in areas where tribals predominate the agricultural productivity per hectare of land is relatively low, irrigation facilities are inadequate and infrastructural facilities such as roads and electricity are poor. In those areas where the scheduled castes are in larger number the area may not be backward, but the access to these facilities for the weaker sections may not be the same as for other non-scheduled groups. They are likely to be discriminated because of their low social and economic standing.

Even though the scheduled castes and the scheduled tribes are concentrated among small cultivators and agricultural labourers, it is naive to equate them with the other weaker sections in rural India. In the first place, in the village caste hierarchy they have been regarded as belonging to very low status. Second, most of the attached workers and bonded labourers are mainly drawn from the scheduled groups. Third, wage rates for similar kinds of work and in similar occupations are likely to be different based on caste considerations. The nature of activities the workers are engaged in are more traditional and less remunerative, particularly among the scheduled tribes. Some more aspects may be enumerated to add to the above list. Among the scheduled groups, castes and tribes differ in their living patterns and, again, there are differences by regions and subgroups among them. For these reasons, the scheduled population of India stands on a different socio-economic footing when compared with other weaker sections on the rural scene.

II

Participation in Work and Unemployment

The data on work force participation provided by the census and other sources clearly point out that the work force participation rates

$$\left(\frac{\text{Total number of workers}}{\text{Total Population}} \times 100\right)$$

are higher among both the scheduled castes and the scheduled tribes than among the general population. In 1961, among males in rural areas, work participation rates were 61.4 for scheduled tribes, 60.1 for scheduled castes and 57.5 for the non-scheduled population. In the case of females in rural areas, the differences were greater. The female participation rates were 52.5 for scheduled tribes, 35.9 for scheduled castes, and 28.2 for the non-scheduled population.[12] As between the two scheduled groups, scheduled tribes have much higher participation rates than scheduled castes. A similar picture emerges from the 1971 census. This phenomenon can be observed not only at the national level but also at the state and local levels as well.

Data on activity status (with a day as reference period in contrast to usual activity in the census count) provided by the National Sample Survey (25th round) for weaker sections (non-cultivating households and wage earner households) also bring home the point that the annual labour force participation days per person are high in the case of weaker sections. As has been pointed by Sinha these sections work over 300 days in a year in the case of males and over 275 days in a year in the case of females.[13] Since the scheduled caste population forms the core among the weaker sections in the rural setting, labour force participation among the scheduled groups should be on the higher side. The work participation rates being higher among the scheduled groups it is expected that children and women and the more elderly are drawn into work force as they are forced to work to eke out a living.

The concentration of workers belonging to scheduled population in agriculture has been highlighted by the data provided by the census and other sources. In the case of scheduled tribes 86.6 per cent of total male workers and 89.4 per cent of total female workers were engaged in agriculture in 1961. In the case of scheduled castes 69.3 per cent of male workers and 77.4 per cent of female workers were in agriculture. This is in comparison to 62.0 per cent of male workers and 78.3 per cent of female workers among the non-scheduled population.[14] This concentration of scheduled workers in agricultural sector continues in 1971. The percentage of work force in agriculture (as cultivators and agricultural workers) bears a direct relation with work force participation. Among the other industrial categories, the scheduled workers are concentrated in other services, mining, quarrying, and household industry. Scavenging, tanning, curing of hides have been dominated by workers belonging to scheduled castes only. The occupational distribution of scheduled population when analysed by broad occupational categories will fail to give proper insight into the nature of activities they perform. Some of the traditional activities they perform are uncommon among the general population. They are traditional, more time consuming, less productive and remunerative in nature and explain the poor conditions in which they live and work.

The situation of these workers in urban areas does not appear to be better either. In urban areas, the concentration of scheduled workers is in primary or tertiary sectors which account for more than 50 per cent of the scheduled work force. It also needs to be noted that about one third of scheduled caste female workers are engaged in scavenging. One reason for their continuing in traditional low occupations such as scavenging, sweeping, etc, is the existence of a steady demand for their work. These low status activities have not been encroached upon by workers belonging to other caste groups. Therefore scheduled groups find it easy to obtain employment in such activities.

The number of persons belonging to scheduled castes and scheduled tribes who are employed in public sector undertakings is rather small compared to their share in the population. Only 3 per cent of total class I employees belonged to scheduled groups. Similarly their share in class II positions was only 5 per cent of the total in 1971. The employees belonging to scheduled castes are mostly in class III and class IV positions.[15] The lower representation of these workers in class I and class II positions is attributed mainly to their low educational attainment.

In the 1961 census an attempt was made to classify the persons reported as non-working into the unemployed category. The unemployed comprised persons in two categories of non workers: (a) persons previously employed and seeking work; and, (b) persons seeking work for the first time. No such estimates of the unemployed are possible in 1971 on the basis of the census classification of the non-working population. The unemployment figures obtained from the 1961 census show that the unemployment rates

$$\left(\frac{\text{Total unemployed}}{\text{Total Labour Force}} \times 100\right)$$

are higher among the general population than among the scheduled groups.

Among the scheduled tribes they are almost negligible. For example, the unemployment rate among the general population was 0.74, among the scheduled castes it was 0.51 and among the tribes it was 0.16.[16] However, it needs to be pointed out that the unemployment rates based on 1961 census are underestimated particularly in the rural areas and more so among females.[17]

The National Sample Survey in its 26th round (1970-71) obtained data on unemployment among weaker sections (households of marginal farmers and landless labourers) in the rural areas for states in India. Unlike census data these unemployment figures have a short reference period. Two striking things emerge from these figures. First, the unemployment rates in the rural areas are much higher in the National Sample Survey sample compared to the 1961 census figures. Second, female unemployment rates exceed the male unemployment rates. According to the National Sample Survey male unemployment rate was 6.4 and female rate was 10.1.[18] Therefore, the unemployment rates among the scheduled population may not be very high but definitely are not as low as what the census data indicate.

One other way of looking at unemployment among the scheduled groups is to look at regional data on unemployment provided in the Sixth Plan document The data are given for different regions within a state and provide some insight into the problem. Within a state, regions where scheduled tribe population predominate, unemployment rates are relatively lower except in one or two cases. On the other hand, no such pattern emerges in the case of scheduled castes. Since scheduled castes live with the general population they are more likely to be closer to the general population and regional data as such are not expected to indicate any pattern for the scheduled castes.

One possible explanation for this phenomenon of lower unemployment among weaker sections is that at higher levels of living, people can afford to be discriminatory in their selection of employment while lower income families cannot. Also, among the lower strata nature of job is not a consideration whereas in upper social groups certain occupations are a taboo. There are certain characteristics of the scheduled groups such as rurality, illiteracy and economic backwardness which point towards lower unemployment rates. Of course, the extent of unemployment reported depends on the concept of unemployment used. The available evidence on weaker sections tend to indicate lower unemployment levels on two counts (time criterion and willingness criterion) and relatively higher levels of unemployment on two others (income criterion and productivity criterion).[19] And, lower rates of unemployment might get compensated by higher incidence of underemployment.

III

Employment Schemes

During the last three decades several schemes have been initiated for the upliftment of the weaker sections.[20] Of course, these are not meant exclusively for the scheduled castes and tribes. These schemes aim to provide additional and seasonal employment and also supplement their income. Schemes such as *minor irrigation*, land reclamation and soil conservation are meant to provide new and seasonal employment. Schemes such as dairying, poultry and piggery are to provide additional employment and income. Public works programmes such as rural road construction, bunding etc, are offered as a source of employment during slack seasons.

Some of these schemes are supposed to ensure continuity of employment and income. Some other schemes are target-group oriented. Small and marginal farmers, landless agricultural labourers, artisans, persons engaged in household occupations, scheduled castes and scheduled tribes are the targeted populations. MFAL, SFDA, DPAP and CSRE are some of the schemes that are directed specially to the above mentioned groups. To use optimally existing skills and to provide job opportunities at different levels of skill is one of the major objectives of these schemes. Provision of new openings for the skilled, semi-skilled and unskilled persons is sought through these schemes. In Maharashtra under EGS a statutory guarantee is given for providing jobs to the rural unemployed.[21]

Thus, while most of these schemes envisage the provision of new and additional employment or employment during slack seasons there is no attempt made to really understand the problem of employment and unemployment among the weaker sections. Our analysis of data from census and other sources in the earlier sections reveals that work participation rates among weaker sections were considerably higher for scheduled castes and scheduled tribes and also that unemployment rates were much lower when time criterion was adopted. This fact also was highlighted by several micro village level studies. Sinha has argued that "Labour Force Participation Rates" as well as the annual "labour force days per person" are as high as is humanly possible among the weaker sections.[22] Provision of employment may be relevant to some selected groups among weaker sections such as women, children and the aged. New employment may be relevant for some others. Efforts made to wean them away from their traditional occupations into more productive and remunerative activities might not have met with success either.[23] But more important than providing additional employment is giving them better remuneration for their work and labour.

The available evidence on the earnings of these weaker sections uniformly points out that these workers are paid very low remuneration. Under the CSRE programme wages were fixed at Rs 3 per day.[24] Under EGS in Maharashtra in 1971, the average wage per day of an agricultural labourer was Rs 1.84 and that of a small cultivator was Rs 1.79. The revised wages in 1974 under the same scheme ranged from Rs 3.00 to Rs 4.50. On the basis of data from National Sample Survey Raj Krishna estimates Rs 1.38 to Rs 2.30 per day as the average actual wage.[25] The legislated annual minimum wage rates are in the vicinity of Rs 200 to Rs 1,800 excluding food, clothing and other necessities.[26] From these it becomes clear whether the living conditions of weaker sections can be better than what they are under prevailing conditions. Also the remuneration from their traditional activities has been very low.

There has been some controversy with regard to minimum wage rates that should be offered to rural labour in India. One view has been to offer lower than normal wages on the ground that this would not disturb the pattern of existing employment. If continuous rather than slack season employment is to be provided it would require wages at a level higher than those prevailing. Also this would enable to withdraw some labour from agriculture resulting

in more employment for those remaining behind.[27] Recently Sinha has presented a case for higher wage rate than what is prevailing. According to him prevailing rates will not only widen the existing disparities but also sizeable proportions of population will continue to live below the poverty line.[28] The existing systems such as bonded labour, 'jita system', also lead to exploitation of labour on the rural scene. And whatever the wage rate offered under public work programmes it does not guarantee any improvement in their consumption patterns which also happen to be on the lower side.

Not only is the level of income of weaker sections low but also low is their share in its distribution. According to one estimate the lowest 20 per cent of households accounted for 9.5 per cent of total consumption expenditure in rural areas.[29] The inequalities in income may be still greater. The ownership of assets by households of weaker sections in the rural areas is not good either. The poorest 10 per cent of rural households owned only 0.1 per cent and the richest 10 per cent owned more than half of total assets (mainly agricultural land) in 1971-72 as well as in 1961-62.[30] The plan document points out that up to the 1960s the land reform measures had no visible impact on the distribution of rural property. As on July 31, 1977, the estimated surplus area was only 5.32 million acres, the area "declared surplus" was 4.04 million acres, the area "taken over" by governments was 2.10 million acres, and the area actually distributed was only 1.29 million acres.[31] The efforts made in recent years in the direction of distributing surplus agricultural land may have had only a marginal impact. As a result of low income and lack of asset ownership, the majority of the scheduled population have had to depend on landlords, money-lenders, traders and other non-institutional sources for their credit needs. This in turn increases their 'bondage' with their credit suppliers. A substantial proportion of their borrowings are used for meeting consumption needs rather than for other productive uses.

The work programmes designed for the weaker sections in the rural areas do not take care of the skills of the weaker sections. It has been emphasised earlier that the literacy levels among weaker sections are the lowest, particularly so in the case of females. Therefore it should have been the prerogative of these schemes to induct some skill formation element built into the nature of these schemes. However, from a glance at the nature of these schemes it becomes clear that upgrading of skills or training among workers has not been given the due consideration it deserves.

Even though a certain percentage of jobs in the public sector undertakings were reserved for candidates belonging to scheduled castes and scheduled tribes many existing vacancies could not be filled due to non-availability of suitable candidates belonging to scheduled castes and scheduled tribes. The data show that many reserved vacancies had to be concelled on account of non-availability of eligible candidates.[32] This points out the need for providing special training facilities and relaxation of existing standards in order to accommodate the available candidates among the scheduled population.

One of the important measures taken to wean children and youngsters belonging to scheduled groups into schools and colleges is to provide scholarships and stipends both at the pre-matric and post-matric levels. An idea of the extent of help offered to these groups can be gauged from the growth of these scholarships over time. In recent years, the number of post-matric scholarships offered has more than doubled compared to 1950s and early 1960s.[33] As a result of these measures the number of students belonging to scheduled groups has multiplied in colleges and universities in the country.

However, there has been an uneven distribution of post-matric scholarships awarded to scheduled population across different states in the country. Among scheduled castes, states such as Maharashtra, Uttar Pradesh and West Bengal with a share of about 40 per cent of total scheduled population in the country have garnered about 60 per cent of total awards made. Similarly, in the case of tribes, only two states — Assam and Bihar — have taken a big chunk of about 70 per cent of total awards for their less than 20 per cent share in the scheduled tribe population.[34]

Not only is the distribution of awards uneven across states but also by individual castes and tribes within each state. For example, in Gujarat, Mahyavanshi caste have garnered a big chunk (about 68 per cent of the total awards in the state) out of total scholarships. Similar is the case in Maharashtra and Tamil Nadu (Mahars and Adi Dravida, respectively). Among tribal groups also, the distribution of scholastic awards has been uneven.[35]

It has been pointed out in several studies that the workers belonging to weaker sections are not willing to move out of their occupations and villages. There are many taboos among certain groups which restrict their social mobility. However, this may not be universal. This is the case particularly among workers who are only partially attached to the labour market — women, children and the elderly. This point was highlighted from the National Sample Survey data from the 25th round.[36] Visaria also found that more than half of male and two-thirds of female farmers were unwilling to take up work outside their farms.[37] Therefore before designing schemes to benefit the weaker sections there is need to locate the areas where pockets of surplus labour exist and are available for employment.

Many times the expected response from weaker sections may not be forthcoming. This non-response can take several forms. It has been reported that those who register as available-for-work may not report for work as and when required or the total turnout may be considerably less than expected.[38] Women appear to be more responsive to such work than men. The response also depends on the amount of rainfall and the expected crop yield during a particular agricultural year.[39] Also there is some evidence to show that drop-out may take place if the working conditions are not satisfactory or the nature of work is more strenuous.[40] This aspect has not been taken into consideration while locating or designing schemes.

Finally there are a few drawbacks and limitations of these rural employment schemes that are not conducive for the betterment of the lot of the poor. In the first place, most of the rural work programmes are of an *ad hoc* nature. They neither ensure continuity of employment nor income required for a minimum standard of living and working. They do not provide security of employment for those who have come forward to work on them.[41] Tarlok Singh refers to these schemes as relief measures rather than permanent solutions to either employment or poverty.[42] This factor may deter the weaker sections from discontinuing their traditional

activities however low the remuneration may be or to leave their traditional employers.

Second, even though these schemes are meant to benefit the weaker sections they may in actuality serve the rural better-off. This point has been highlighted in several studies. For instance, Dantwala cites two irrigation schemes where the actual beneficiaries happened to be big farmers. According to him a more equitable distribution of benefits would have considerably enhanced the employment potential of these schemes. This in turn requires major institutional changes in the rural agrarian structure.[43]

IV

The Sixth Plan

The draft report of the Sixth Plan (Draft Five Year Plan, 1978-83) lists the following three objectives to be achieved within a period of ten years;[44]

(i) the removal of unemployment and significant underemployment;

(ii) an appreciable rise in the living standards of the poorest sections of the population; and

(iii) provision by the state of some of the basic needs of the people in these income groups; needs like clean potable drinking water, adult literacy, elementary education, health care, roads, housing, nutrition, electrification and environmental improvement and some minimum services for urban slums as well as in rural areas.

In order to achieve the above named objectives the plan document presents a number of redistributive measures These are:

(a) *Distribution of assets*· The poor access of scheduled sections to assets like credit, irrigation, electricity etc, is to be overcome by a block level target group approach. Selecting blocks with higher proportion of scheduled population as a development priority is proposed. Within a block, adequate representation of scheduled persons on plan implementing bodies is expected to ensure access to these assets. The distribution of agricultural land is expected to increase both employment and social status. Adequate credit facilities that would be made available to the scheduled population are meant to help them own land.

(b) *Distribution of essential goods and services:* The scheduled population would be able to procure essential consumer goods, farm inputs and implements with the help of credit from commercial, lending, banking and co-operative agencies. These agencies would replace the traditional money-lenders. Transport, health and other essential services would be made available on a priority basis in areas where scheduled population predominates.

(c) *Provision of employment through public works programme:* The Sixth Plan envisages the provision of employment through public works programmes. It also proposes imparting skills to the scheduled population to improve their employability. In the Sixth Plan employment generation is built into the two basic development strategies, *viz*, Integrated Rural Development (IRD) and Minimum Needs Programme (MNP). The implementation of these two along with regulation of technology is expected to generate new as well as supplementary employment. While IRD takes care of developmental activity (agriculture, land use, water management, forestry, social infrastructure, village and cottage industries, dairying, agro and forest industries, etc) MNP makes available minimum needs.

The low employability of scheduled population stems from their poor skill and educational endowment. IRD, MNP and Backward Classes Plan provide for improvements in skill levels of these sections. IRD schemes for skill formation include training in agro and forest industries, dairying, repair and maintenance of agricultural tools and implements, etc. MNP takes care of elementary as well as adult education. Backward Classes Plan makes a more concentrated effort and provides for scholarships, stipends, freeships, mid-day meals, uniforms, book grants and hostel facilities. To increase the competitiveness of scheduled sections in various all-India and state services several pre-exam training and coaching centres have already been set up (seven coaching centres for all-India services, thirteen centres for state services and two centres for all-India Engineering Service Exams) while more new ones are proposed to be set up. Almost half of the backward classes plan allocation is to enhance the employability of the scheduled groups.

(d) *Development of scheduled population areas* A decentralised block level approach is a major sixth plan strategy for full employment, development, raising productivity and meeting minimum needs. Beginning with 2,000 blocks the entire 5,100 blocks of the country would be gradually covered to achieve plan goals by the end of seventh plan (1988). The priorities determining block selection include proportion of scheduled population as an important criterion. Thus, all blocks in tribal areas, contiguous non-tribal areas with more than 50 per cent tribal population and blocks with 20 per cent or more scheduled caste population would be selected on priority basis.

The tribals are also the beneficiaries under the backward areas plan. The tribal sub-plans are meant exclusively for them and are expected to cover two-thirds of the scheduled tribe population. The backward areas gain in the form of concessional investment and finance, finance, subsidised transport and special allocations for developing infrastructure. The sixth plan would encourage selective investment under area, regional and backward classes plan. Such investment will have an enlarged spread effect, will not push tribals further deep into the hinterland as happened earlier in case of non-selective investment and make them co-sharers in emerging benefits. This approach is expected to wean the scheduled sections away from their traditional occupations, attitudes and primitive agricultural and economic practices.

(e) *Organisation of the poor in order to plug the leakages in the redistribution programme* Organisation is expected to improve the bargaining power of scheduled and weaker sections and attain for them their due share in the benefits that accrue from planned development. Adequate representation on plan implementing bodies, improved and effective administration are also expected to be helpful in this context. Not only these measures are expected to plug the leaks but also obtain for them distributive and redistributive justice.

(f) *Consumption credit and debt relief*. Among the scheduled households a major need for credit is to meet their essential consumption needs. The need is more during lean months of the year and during the period of lean harvests. Without assets of any kind they turn to the available sources of credit — money-lender, landlord or trader — and enter into varying degrees of bondage. Once in debt they are always in debt. Debt relief and consumption credit available from co-operatives, banking institutions, etc, would help them to come out of the vicious cycle of debt and bondage.

The proposed financial outlays for

the welfare of the scheduled groups show a substantial upward revision. For example, as against Rs 327 crores budgeted in the Fifth Five Year Plan (1974-79), Rs 545 crores are to be spent in the Sixth Plan period (1978-83) for backward classes and Harijan welfare. (Almost half of this is for schemes to improve employability, about 30 per cent for economic schemes and rest for health, housing, drinking water, etc.) Similarly as against Rs 450 crores allotted in the Fifth Plan period for Hill and Tribal area development Rs 800 crores have been allotted for this purpose in the Sixth Plan.

From our analysis in earlier sections it became evident that persons belonging to weaker sections in general and scheduled castes and scheduled tribes in particular do not require additional employment except in the case of marginal workers. They are already overworking measured in units of time. Provision of seasonal employment may be relevant in certain cases. But, provision of new employment (non-traditional, more productive) or changing the status (monetary as well as social) of their present employment may be more relevant aspects of the problem. Also, majority of these new opportunities should be confined to agriculture, agro based industries, cottage industries or forestry.

From an overview of the strategies and measures proposed during the Sixth Plan period these issues do not clearly emerge. In the first place, in order to improve the working conditions of the scheduled population, it may be necessary to modernise the traditional occupations in order to make them more productive and remunerative. This implies adoption of micro planning rather than macro approach. Each tribe or caste may become the unit for the purpose of micro planning. Also, it is not very clear how provision of seasonal or additional employment will be differently impemented from what was being done during the last several years. The proposed schemes will continue to be of an *ad hoc* nature and would not ensure continuity of employment. The plan document does not, however, recognise this aspect. Of course, the document does state that the funds provided under the backward classes sector will be utilised mainly to diversify their occupations, train them for various trades and crafts and modernise their skills to make them more competitive.[45]

The problem of providing and improvising existing skills for these people will have to be considered from several angles. By providing scholarships, stipends and special training programmes the educational attainments of the youngsters can be improved who can later compete for white collar jobs in the market. This will lead to more jobs being filled by candidates claiming scheduled status. However, the major problem is with respect to those who are not in schools and colleges and who are working. It may not be practicable to call the workers for training exclusively. They have to be trained on the job and thus upgrade their skills. Therefore there is greater need to implant skill developing built into the nature of public work programmes. We are not sure whether this aspect has been given its due consideration in planning and implementing public works programmes.

The plan document is optimistic that measures such as land distribution and provision of institutional credit will improve the asset position of the weaker sections and will be able to provide better access to assets. It needs to be seen whether this will have more than marginal impact. On access to assets, in particular land, the plan approach is not pragmatic. There is just not enough land to go around. Then there is the problem of misuse of credit and other input facilities meant for weaker sections by others as well as by the weaker sections themselves. This is quite expected when majority of the scheduled population is entrenched below poverty line.

The idea of developing backward and tribal areas is good but whether the benefits will accrue to all the needy is doubtful. Provision of infrastructural facilities like roads, electricity, irrigation would definitely help to develop the backward areas there net impact on the weakest among the poor is to be seen. Also response from the weaker sections to the proposed schemes and strategies is yet to be studied and analysed. Some earlier schemes had pushed tribals deeper into the hinter-land, thus depriving them of not only plan benefits but also their existing means of livelihood.

Income position of the scheduled and weaker sections is porposed to be improved by encouraging them to take up activities such as dairying, piggery, forestry and horticulture. It is well recognised that these activities will require both time and inputs which are scarce commodities for the scheduled groups. Among the families who mostly earn their livelihood as agricultural labourers, there may be no time left with them to care for cattle, poultry or plants. Similarly such families might not possess the required inputs such as fodder, seeds, fertilisers and insecticides.

The plan document visualises improvements in productivity as a result of measures outlined earlier. These productivity measures are in turn expected to improve the living conditions. However, what is not clear is whether productivity increases will be matched by corresponding increases in wages. Also the document is not definitive on the question of fixing minimum wage laws and their effective implementation in the rural areas. Unless wage increases are effected the adverse impact on consumption levels and productivity are bound to be felt As has been pointed by Sinha programmes which provide additional work but at a wage rate which is inadequate even for the minimum living will be self-defeating in their purpose.[46]

Organising poorer sections to avoid misused of benefits intended for them as well as discrimination in job opportunities and remuneration is a welcome proposition. However, in the present environment the problems in this area are formidable. The organisational leadership should come from the persons among these weaker sections who can effectively tackle the problems. If it is not forthcoming, outsiders can easily manipulate and mislead them. The administrative machinery may not be capable enough to tackle all the problems even if an organisation comes into being. Mere legal protection may not be enough to save them from exploitation and harassment.

On the basis of our analysis, a few concluding observations can be made. In the first place, there is a need for careful analysis of data on weaker sections (particularly on scheduled castes and scheduled tribes) even though such data are scarce and are partially helpful for the purposes or planning. Greater caution is required in drawing policy inferences on employment and unmployment aspects based on these sparse data. More detailed inquiries are necessary for different caste and tribe groups at the national, state and local levels.[47] Second, the attempts made so far to ameliorate their living and work-

ing conditions are of an ad hoc nature and have not tackled the problem in its entirety. Better co-ordinated and more concentrated efforts are needed to successfully tackle their problems. Finally, the measures that are likely to be initiated in the future should be pre-tested for their relevance and feasibility. At the same time, careful monitoring of the results and their evaluation are required. All these aspects should form an integral part of the integrated development programme.

Notes

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2 Census of India, 1971, Series I, Part II-C(i) Social and Cultural Tables, New Delhi, 1977.

3 *Ibid.*

4 *Ibid.*

5 S N Dubey and Ratna Murdia "Administration of Policy and Programmes for Backward Classes in India", Somaiya Publications, Bombay, 1976, pp 55, 83.

6 Per cent Distribution of Village Households by Monthly Income, Karnataka, 1961 Census. (See Table A.)

7 National Sample Survey, Tables with Notes on Households Indebtedness, Sixteenth Round, July 1960-June 1961, Number 95, pp 15, 34; and Government of India, Planning Commission, All India Committee on Plan Projects, "Report of the Study Team on Tribal Development Programmes", Delhi, 1970, pp 220-224.

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11 Government of India, Planning Commission, "Draft Five Year Plan, 1978-83", New Delhi, 1978, pp 113-117.

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17 Planning Commission, "Report of the Committee of Experts on Unemployment Estimates", New Delhi, 1970, pp 23-24.

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21 (a) Government of India, Ministry of Agriculture and Irrigation; Report of the National Commission on Agriculture, 1976, Part XIII: Rural Employment and Special Area Programmes, New Delhi, pp 10-11, 33-33.
(b) Ranjit Gupta, 'Rural Works Programme: Where it has Gone Stray', *EPW*, May 15, 1971, pp 995-1004.
(c) N S Jodha, 'Special Programmes for the Rural Poor', *EPW*, March 31, 1973, pp 633-639.

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23 Efforts were made to improve working and living conditions of scheduled castes engaged in hereditary unclean occupations but these have not made much impact and there was resistance on the part of scavengers to change conventional methods of work. See *Draft Five Year Plan 1978-83*, p 254.

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27 United Nations, "Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala", ST/ESA/29, New York, 1975, pp 103-104.

28 J N Sinha; *op cit*, p 295.

29 *Draft Five Year Plan 1978-83*, p 8.

30 *Ibid*, pp 11-12.

31 *Ibid*, p 12.

32 Government of India, Planning Commission, "Report of the Seminar on Employment of Scheduled Castes and Scheduled Tribes", New Delhi, 1965, p 11.

33 S N Dubey and Ratna Murdia, *op cit*, pp 53-55, 77-83; L P Vidyarthi and B K Rai, "The Tribal Culture of India", Concept Publishing Company, Delhi, 1977, p 444.

34 S N Dubey and Ratna Murdia, *op cit*, pp 53-55, 77-83.

35 *Ibid.*

36 P M Visaria and L Visaria, 'Employment Planning for Weaker Sections in Rural India', *EPW*, Annual Number, 1973, pp 269-276.

37 Pravin Visaria, 'Estimates of participation Rates and Labour Force, Including and Excluding Unpaid Family Workers, For India, 1961-81', in Planning Commission, Government of India, *Report of the Committee of Experts on Unemployment Estimates* (Dantwala Committee), Delhi, 1970, pp 185, 187.

TABLE A

Population Group	Monthly Income Group (Rupees)			
	50 and below	51-100	101 and above	Total
General Population (Excluding Scheduled Groups)	24.8	38.2	37.0	100.0
Scheduled Castes and Tribes	48.6	39.4	12.0	100.0

Source: *Census of India, 1961, Series XI, Mysore, Part VI, Village Survey Monographs*, Registrar General's Office, Delhi, 1961-64. Monograph numbers: 1-4, 6-9, 10 (Chikaindgi and Yerdona), 11-15, 16 (Kagineli and Chakrabhavi), 17-19, 21, 22, 26, 28-30, 33, 34, 36 and 38.

38 D P Apte, *op cit*.

39 Government of India, Ministry of Agriculture and Irrigation, *Report of the National Commission on Agriculture, 1976, Part XIII: Rural Employment and Special Area Programmes*; p 35.

40 United Nations, "Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala", pp 995-1004.

41 Ranjit Gupta, *op cit*, pp 995-1004.

42 Tarlok Singh, 'Employment and Planning — Assessment and strategies in India', *The Indian Economic Journal*, April-June 1978, p 846.

43 M L Dantwala, 'Some Neglected Issues in Employment Planning', EPW, Annual Number, 1978, p 291.

44 The discussion hence onwards draws largely on relevant sections in *Draft Five Year Plan, 1978-83*.

45 *Draft Five Year Plan, 1978-83*, p 255.

46 J N Sinha, *op cit*, p 313.

47 Yogesh Atal *op cit*, pp 173-78 has argued for an analysis of poverty at family and individual level, rather than at the caste or tribe level.

Institutionalised Inequality in Kolar Gold Fields

G N Rama

THE report on the Kolar Gold Mines by George Mathew (*EPW*, April 7, 1979) dramatises the pathetic plight of not only 12,000 miners but their helpless dependents. Perhaps a brief discussion of the historical conditions leading to the present dismal state would place Mathew's description in perspective.

Until the 1970s Kolar Gold Field (KGF), especially the mining community, functioned as an insulated society impervious to any external influence. The social cleavages are much too rigid and have been ther over half a century. Until recently, if a person were a caste Hindu, aged 40 or over, the chances were that he lived in a spacious bungalow with a couple of servants, owned a scooter or car, played golf, was a member of exclusive clubs, had two children who would be educated outside KGF, owned a house in a prestigious locality in Bangalore, and accumulated some savings. On the other hand, if one were an Adi-Dravida Hindu or Christian (ADH or ADC) the chances were that he lived in a thatched or concrete hut located in a slum-like area, had about four or five children and a wife who worked as a cleaning woman, found it hard to provide two square meals, and was deeply indebted to Marwaries.

What is the source of such an ongoing disparity? Why are the bureaucrats, trade union leaders, and politicians insensitive to the depressing standard of living of gold miners? These are questions that Mathew fails to address himself to in his report.

Evolution of KGF Labour Force

Crucial to our understanding of the present outrageous differences in income and living conditions among the gold mine employees is the delineation of how the labour force was recruited, and the ranks assigned by the founder-owners of the industry — John Taylor and Sons of England. The main object of the British firm was to speedily exploit the yellow metal and ship it to England. Towards this end, they heavily invested in machinery and imported technical staff, but not in their blue-collar work force.

Some of the documents in the custody of the present bureaucrats (Central Administration Department) suggest that in the first 30 years, four different groups of employees were recruited. The managerial and technical personnel were 'imported' from England, junior technical and clerical staff were recruited from Kerala, the erstwhile Madras, and Mysore states, and underground coolies mainly from North Arcot district of Madras. Therefore, the entire labour force was immigrant in character with varying racial, linguistic, religious, caste, and class backgrounds. It was precisely such selective recruitment that resulted in the segregated housing, differential incomes, and status crystallisation in the years ahead. Therefore, the disparity between workers and officers was more due to careful design than to accident. For example, the mining colony was developed by the British owners taking into account racial and caste backgrounds of their employees. Fully fenced and landscaped bungalows with servants' quarters, and exclusive clubs were provided for their managerial and technical staff. But the caste Hindu white-collar employees were not given such preferential treatment, though they were provided with relatively adequate housing and other facilities.[1]

The underground miners (coolies) received the most cursory and inhuman treatment. In terms of origin, as Mathew points out, most of these coolies were from North Arcot district and belonged to Harijan castes. They migrated to KGF in a bid to get away from bonded labour.[2] Besides, an industrial setting seemed to offer certain prospects which the impoverished North Arcot villages did not. The documents show that the first generation of coolies were young and single. They came with a hope of earning enough money to enable their relatives to get out of bondage. Once in KGF, they found themselves in a situation not significantly different from the one they left behind in their villages. Their wages were low, and there was no job security, retirement benefits, medicare and so on. Further, most degradingly, the British owners housed them in single-roomed thatched huts which were segregated from the rest of the gold mining community.

It is not difficult to understand the basis of such blatant discrimination, which continues even today. Consistent with colonial thinking, the British owners never expected the coolies to be permanent employees living with their families. The colony of huts were referred to as "Camps" for Coolies. The assumption was that these coolies would return to their native villages after a few years and not establish families or households. Hence, those conditions which facilitate long tenure and commitment on the part of the worker to the mines were scrupulously denied. For example, a worker who was injured in an underground accident was simply given his wages plus return train fare to his village and retrenched from service. This was done despite the fact that there was a hospital which catered primarily to the officers' health needs. This situation prevailed until the trade unions became active especially after Independence in 1947.

In the meanwhile, the workers who migrated to these camps in search of a better deal continued to live in the huts with their large families — huts which were not fit to house even the pets of

the white masters. This was fertile ground for conversion of workers into Christianity, and the few Church organisations engaged in relief work had a lot of work to do. But as has been shown elsewhere, change of religion did not substantially improve the fortunes of the Harijan coolies.[3]

In short, the labour force of the gold mines, though highly stratified often on ascriptive criteria, was more often organised according to the whims and fancies of the British management. Obviously then, the KGF labour force was organised not just in terms of occupational ranks and skills but in terms of race and caste as well.

Restricted Opportunities for Mobility

The most important qualification for occupational mobility during the John Taylor regime appeared to be proximity; that is, those that had access to their British masters had greater chances of mobility than the ones who did not. For example, the ADH miners were too far below in the occupational gradation and seldom had opportunities to impress upon their masters their skills and competence. Lacking in clearly set rules, the bureaucracy was incapable of providing impersonal and rational channels for promotions. Very little was done to alter this situation even after nationalisation of the mines.[4] On the one hand, it was almost impossible for miners to move up through ranks, while on the other, they were ineligible for top positions since these required formal qualifications. However, the miners had little access to education. Obviously, the British management was hardly keen on providing such access as this could have resulted in short supply of cheap labour.

But the situation was different for the officials and white collar workers. The management supported the KGF School and Saint Joseph's Convent situated close to the exclusive residential area of officers and these schools admitted only children of white-collar staff, a practice which continued until 1956 or so. Besides, an educational allowance was given to those children who wanted to go to colleges outside KGF.

Furthermore, an examination of the payrolls of the officers (no such payrolls were available for miners until the middle of 1940s) reveal that there were frequent promotions, especially among the caste Hindu officials, in the 1940s and 1950s. For example, many agents, assistant metallurgists, auditors, assistant engineers and so on, were caste Hindus throughout this period. The criteria for such promotions were not stipulated. It appeared that loyalty, proximity, subservience, and an ability to appear hard-working were important for occupational mobility among officers. In any event, at the time of nationalisation almost all top positions were held by Britishers, with caste Hindus next in order.

In essence, if one examines the labour force, the salary structure, housing and other perks of the Kolar Gold Mines in the first fifty years of their history, one cannot fail to see the evolution of a hierarchic structure based not on any rational premises but on favouritism, discrimination, and exploitation. To make matters worse such a hierarchic structure was not only institutionalised but also insulated from any public scrutiny as the Gold Mines operated as an independent colony free of any internal criticism and protest, and external interference. This, to a large extent, explains the failure of trade unions and political leadership in exercising any influence on the management of the mines in the early period.

After Nationalisation

The demand for nationalisation of the mines in the 1950s must have come as a welcome development to the British owners for they knew that the mines could no longer be a productive and profitable enterprise. The machinery was antiquated, the mines were too deep with few new reefs in sight, the trade union movement had gained momentum making demands which the Britishers were not used to, and finally the British employees themselves were eager to return home as the socio-political milieu generated by the successful freedom movement was not conducive to their continuation. Consequently, the ownership of mines was transferred to the then Government of Mysore but many technical personnel stayed back with a view to train their Indian deputies who were willing and eager to step into the shoes of their masters.

By 1962 all but three Britishers had left KGF leaving behind their coveted positions and a colonial culture to their loyal caste Hindu subordinates. Once elevated to the positions of power, prestige and perks, the neo-colonial Indians wasted no time in emulating their departed bosses in terms of life style, accumulation of personal wealth, segregated living, exclusive recreational habits, and such other affluent preoccupations. But few appeared to have demonstrated awareness of their social and moral responsibilities. Their attitude and approach to work were essentially colonial. Here were a coterie of roughly twenty five top officials presiding over an unprofitable industry but totally oblivious to changing political and social conditions of a young nation. The future of the gold mining community rested in their hands but, as Mathew points out, they let it decay beyond rescue.

Was the gold mine bureaucracy any more open after nationalisation? Perhaps, but only in a formal sense. The recruitment was much more systematic and one could see token representations of ADHs among officers. But as I have documented elsewhere[5] family and caste backgrounds were critical for occupational success and nepotism and favouritism were prominent features in the recruitment and promotion process. It is obvious from the fact that after 15 years of government ownership and management of gold mines, the rigid occupational structure created by the British remained much the same. In 1971, 9 out of 10 officers were Brahmins, and 10 out of 10 miners were ADHs and ADCs. As the accompanying Table (based on a sub-sample of 281 Hindus only) suggests, in KGF one's caste tends to determine one's class.[6]

Following nationalisation there emerged aggressive trade unions, especially the ones led by the Communist party. Several welfare measures were introduc-

Percentage Distribution of a Sub-Sample of 281 Hindu Respondents Showing Caste and Class Convergence

(Caste) Varna	N(per cent)	Class Lower	Middle Class	Upper Class
Brahmin	52(18.5)	4(7.7)	28(53.8)	20(38.5)
Kshatriya	12(4.3)	10(83.2)	2(16.7)	—
Vaisya	25(8.9)	15(60.0)	7(28.0)	3(12.0)
Shudra	58(20.6)	31(53.5)	22(37.9)	58.6)
Panchama	134(47.7)	115(85.8)	18(13.4)	1(.8)

al — schools, medicare, accident benefits, gratuity and so on. But these were a pittance relative to the emoluments of workers elsewhere and, of ourse, to the prosperous officials and white collar classes. In 1971, the difference in the mean salary of a miner and a clerk with comparable period of service was roughly Rs 450 and between miner and an officer was roughly Rs 1,100 (excluding perks). The widening gap in income was set in motion by the British and none, apparently, was able to halt it let alone reverse it. The demands for salary increases have not been met yet, mainly because gold mining is no longer profitable and any trade union pressure by way of strike and so on would lead to an easy solution — closure of the mines, a dreadful prospect as far as the miners are concerned. Ironically, when there was a salary dispute between the Government of India and officers in 1965, the officers threatened mass resignation and government yielded to their demands. Besides, in the recent history of the mines, few officers have been retrenched but the retrenchment of workers has been going on for about 20 years.

There were two important developments in the 1960s which gave some relief to workers' families. First, a college was founded at the initiative of local politicians and trade union leaders in 1960. Initially about 90 per cent of the students of this college were from the gold miners' families. In a way the *KGF College opened up opportunities* for educational training which, in turn, led for the first time to occupational mobility for many. Second, the establishment and progressive expansion of Bharath Earth Movers Ltd (BEML) in the late 1960s came very handy for the graduates of KGF College. Today roughly 60 per cent of BEML clerical staff are children of miners who graduated from KGF College. But again such opportunities appear to be short-lived. Other than BEML (which has peaked its development now) there are very few openings for miners' children. True, they have degrees but they do not have additional qualifications such as political or other kinds of influence essential for job placement these days. As a result, today only a fraction of the graduates from KGF College have been able to find employment. The rest are with their parents constantly reminding them of their failure, and the continued failure of the society to give them their due.

Present Situation

In 1972, the Kolar Gold Mines, which operated as part of the Finance Ministry became a Corporation — Bharat Gold Mines Ltd (BGML). While this transformation did not usher in greater benefits to the workers it changed the fortunes of the neo-colonial officials whose positions of privilege had continued for roughly two-and a half decades. The Government of India was arguing since 1965 that the perks and the emoluments given to the gold mines officers were unprecedented and unparalleled. Yet it was unable either to retrench them or to cut down their income. After prolonged negotiations and arbitration the legal basis of jobs or positions became contract period, the employee could quit or could be denied renewal.

But this option was not exercised on either side mainly because the Government of India did not have the courage to terminate the services of an official as this would result in mass resignation, and officers themselves would not ruit as long as their comfortable positiion were not tampered with. When K V Subramanyam took over as the Chairman-Managing Director of the newly-formed BGML, he saw the disparities between the officers and the workers. Within two years he progressively retrenched senior and junior officials, did not renew contracts of those which came up for renewal — and this he did it with all the legal and administrative finesse he could command. The officers could no longer threaten mass resignation. Further, he obliterated all the colonia institutions such as exclusive clubs, golf courses and so on. Huge bungalows were converted into smaller flats and officers had the choice of either staying there or finding housing elsewhere. The consequence of such a move has been that most senior officers have either been retrenched or have quit. But even these measures have not altered the miners' lot in any recognisable manner.

In conclusion, the present generation of miners are victims of a system of institutionalised inequality which was thrust on them by the Britishers and assiduously mainained by their successors. One may understand the British policy as part of their colonial and imperialist strategy but the attitude and approach of the Indian officers and the government towards miners are despicable beyond imagination.

Notes

1 I have discussed at length the residential segregation in KGF based on caste and class in my book, "Family and Cast in Urban India, a case study", Vikas Publishing House, Delhi, 1977. See Chapter VII.

2 See G N Ramu, 'Migration, Acculteration, and Social Mobility among the Untouchable Gold Miners of South India', *Human Organisation*, 30 (2), 1971.

3 See Paul D Wiebe and G N Ramu 'Christian and Hindu Harijans Christian Programmes in India as Agents of Social Change', *Eastern Anthropologist*, 28 (3), 1975

4 The Kolar Gold Mines were actually nationalised in 1956 (not in 1947, as Mathew says) when K Hanumanthaiah was the Chief Minister of Mysore. In 1962 the mines were handed over to the Finance Ministry of Government of India. While the transfer of ownership did not alter the bureaucratic structure, the overall supervision was left to a senior IAS official who acted as the Managing Director

5 G N Ramu, "Family and Caste in Urban India: a Case Study", *op cit.*

6 *Ibid*, P 31. See also Chapters V and VII.

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RURAL EMPLOYMENT: FACTS AND ISSUES

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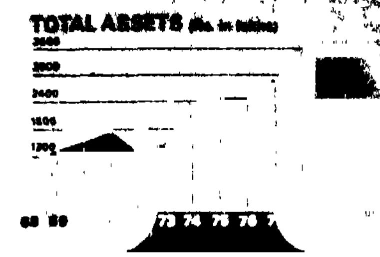
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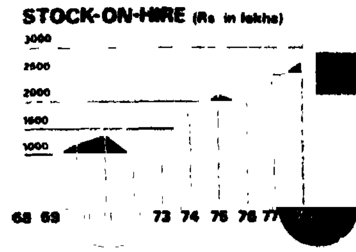
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25 years

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[illegible]id [illegible] [illegible]ustrialisation?

The meeting of the Aid-India Consortium at Paris earlier this month has been made to appear as an unqualified success for aid-givers and aid-receiver [illegible] W David Hopper, vice-president of the World Bank for Asia, was [illegible] doubt speaking for all the members of the Consortium when he said, after the meeting, that the World Bank had "nothing *but absolute approval for* India's strategy for development". And, as a just reward for such good conduct, the members of the Consortium were pleased to commit $ 3 billion in aid to India in 1979-80, without taking account of the likely contributions of UK and Canada, where new governments have only just assumed office and so were not in a position to make a formal commitment yet. Even if these two countries do no more than maintain their aid commitments at last year's level, total Consortium aid committed to India this year will be $ 3.4 billion, compared to $ 2.4 billion last year. India's aid diplomats can congratulate themselves on having achieved these excellent results. For, strictly speaking in terms of need, India's case for aid this year was a weak one since, for the fourth year in a row, there was a sizeable increase in the country's foreign exchange reserves in 1978-79. These reserves, excluding gold and SDRs, are currently well over Rs 6,000 crores.

The Indian officials' case for larger aid from the Consortium this year was based mainly on the expectation of a series of misfortunes overtaking the Indian economy in the near future. Among the dire possibilities highlighted were that the country's import bill would go up sharply on account of further increases in the prices of crude petroleum and petroleum products, that inward remittances from Indians employed abroad, which have been largely responsible for the accumulation of foreign exchange reserves, might taper off, and even that the agricultural situation might change so drastically for the worse as a result of monsoon failure that once again the country would need large-scale imports of foodgrains. The large trade deficit of Rs 1,062 crores in 1978-79 (despite which, however, there was a further accretion of Rs 720 crores to foreign exchange reserves during the year) was used to give a touch of credibility to these forebodings. Apparently, the World Bank and the other members of the Consortium had no difficulty in accepting that India might face a more or less grave balance of payments crisis very shortly and, on that ground, agreed to continue large-scale aid to this country, despite the current comfortable foreign exchange position.

However justified these prognostications of impending disaster may be, the central issue in the relationship between India and the aid-givers just now is an altogether different one and it seems to have been scrupulously avoided by both sides at the Paris meeting. This is quite simply that India's ability to absorb aid, as judged from the actual experience of the last few years, does not justify aid commitments on the scale proposed by the Consortium. According to the Explanatory Memorandum to the 1979-80 Budget, net external assistance (net of repayment and interest payments) in 1978-79 was just Rs 588 crores which was virtually one-half of the original budget estimate of Rs 1,115 crores. And the budget for 1979-80 starts in the first place with an estimate of only Rs 878 crores of net aid utilisation in the current year. The Secretary to the Department of Economic Affairs, who was India's chief aid negotiator at Paris, himself admitted that aid utilisation as a proportion of aid in the pipeline was likely to decline from 25 per cent last year to 19 per cent this year. Unused aid in the pipeline went up from Rs 2,878 crores at the beginning of 1978-79 to Rs 3,840 crores at the beginning of the current financial year.

This is not surprising. The experience with regard to aid utilisation is all of a piece with the overall performance of the economy, the outstanding feature of which has been the failure to use for investment and growth available resources in the form of large stocks of 'surplus' foodgrains, under-utilised capacity in many capital goods industries and growing foreign exchange reserves. Despite the existence of these resources, investment has failed to pick up. Outlay on the Central Plan in 1978-79 is known to have fallen short of the target of Rs 5,664 crores by about Rs 300 crores. In fact, given the sharp rise in prices of most investment goods, the shortfall in real terms is bound to have been much larger than that indicated by the lower financial outlay. For instance, in the power sector, to which so much importance is currently attached, the additional generating capacity commissioned in the first 11 months of 1978-79 was only 1,952 MW as against a target of 3,872 MW for the whole year. And the increase of a little over 7 per cent in the total Plan outlay of the Centre and the states proposed

for 1979-80 will, even if achieved, be more than neutralised by the rise in investment costs.

The government has managed to step up the utilisation of foreign exchange resources to some extent, not so much in a planned manner for development, but by relaxing import controls so that imports have gone up in response to market demand. Larger imports have also been necessitated by the relative stagnation in the output of a number of major industries like iron and steel, cement, etc. In fact, in the calendar year 1978 the entire capital goods sector of industry showed an increase in production of only 2.7 per cent. On the whole, imports went up by nearly Rs 800 crores or a little over 13 per cent in 1978-79.

However, even allowing for easy import of a wide range of products and also assuming continued low growth of production of a number of domestic industries, there are limits in the short run to how far a policy of import liberalisation can bring about a rise in imports and so make possible larger utilisation of foreign exchange resources, including aid. On the one hand, a number of structural constraints — principal among them, the highly skewed distribution of income and wealth which severely limits the size of the domestic market and the significant degree of oligopoly and concentration of market power in large-scale industry which restricts the pace of investment and capacity creation in response to even such expansion of demand as does take place — result in the failure to use available foreign exchange resources, including aid, for stepping up investment and growth. On the other hand, over the nearly three decades of attempted planned development with a good deal of the accent on import-substitution, a domestic industrial structure of sorts has been created for consumer as well as capital goods. It is true that a significant part of this industrial structure is controlled by foreign capital; an even larger part of it is dependent on foreign technology; and the gross inadequacy of indigenous research and development and technological advance has rendered most industries 'backward' compared to those of the industrialised countries. Nevertheless, even the limited extent of industrialisation that has taken place does mark India out from most other so-called developing countries. And this industrialisation does limit the possibility of massive expansion of imports of the type that other countries, without comparable domestic industrial development, have been able to effect with the help of aid.

This is not, of course, an unchangeable situation. A prolonged enough period of low investment and low additions to industrial capacity, together with a regime of progressively liberal imports, can whittle down the industrial structure which has been created so far. With that, resistance from domestic industry to larger imports will also wear out. Already, the rates of growth of industrial capacity in the seventies, especially in the major basic and capital goods sectors, have been far below those achieved in sixties. Massive foreign aid, by inducing and underwriting liberal import policies, can certainly accelerate this process. The large aid committed by the Consortium, which is clearly unusable and therefore quite meaningless in the short run, makes sense if it is seen as likely to secure this sort of de-industrialisation of India in the long run.

Congress Party

Another Parting of Ways

THE clash of interests between Indira Gandhi and Devaraj Urs began almost on the heels of the triumphant return of Devaraj Urs to power in early 1978, after his government had been dismissed following the split in the Congress organisation. For, after her own humiliating defeat in the 1977 polls and the equally poor showing of the party in the elections to the state assemblies in June 1977, the victory of the Congress (I) in the South, particularly in Karnataka, could not be seriously attributed to the alleged 'charisma' of Indira Gandhi. The repeated and straight-faced affirmations by Urs that he considered himself to be merely a loyal footsoldier in the army of Indira Gandhi served to rub salt into the wound; and the fact that Indira Gandhi had no option but to seek Urs's help in getting elected to the Lok Sabha from Chickmagalur could not have endeared him to her at all.

But to explain Indira Gandhi's attempts to politically destroy Devaraj Urs in purely personal terms and see it as yet another instance of Indira Gandhi kicking away the ladder she used to climb higher (the list of her victims is long) is to miss the political meaning of such breaks and it is to give undue credence to the claims of Devaraj Urs that he, personally, helped in the political rehabilitation of Indira Gandhi. Indira Gandhi's 'ingratitude' has nothing unique about it, for it conforms entirely to political behaviour; her need of Devaraj Urs has been almost as much as Urs's need of her, and if she was preparing to discard Urs, it was equally clear that he has had been preparing to discard Indira Gandhi.

A refreshing aspect of the Karnataka developments and the related developments in the Congress (I) is that the protagonists have not cared to garb their public posturings about what caused the split with any 'principles'. The publicly mentioned issue that is supposed to have caused the final break is the refusal of the Karnataka chief minister to agree to the suggestion that he should step down from the PCC(I) presidentship and allow a nominated successor to occupy that position, and, later, the defiance of the formal CWC (I) resolution dissolving the KPCC (I) and replacing it with an *ad hoc* body. Urs has naturally made much of his 'principled' stand against such 'ad hocism', claiming to be the democratically elected president of a democratically constituted body. But these public posturings equally transparently conceal the more obvious contentious issues — Indira Gandhi's anxiety that Urs may make a deal with the Central leadership of the Janata party and thus balk at going the whole way in fighting her personal battles against the Janata government and Urs's opposition to the not quite invisible impact of Sanjay Gandhi on Congress (I) politics.

Devaraj Urs has claimed in his letter to Indira Gandhi that it was only due to the baleful influence of Indira Gandhi that many Congressmen have been "driven into oblivion or into antagonistic camps" and that the time has now come for them to "re-assemble and reconstruct the Congress house once again out of the debris" left behind by Indira Gandhi. Clearly, the kind of realignment of forces that Urs and his like-minded friends are contemplating is quite a different kettle of fish from the one that is being promoted by the CPI and its like-minded friends in the Congress and the Janata. For, whatever one may accuse Devaraj Urs of, one cannot accuse him of being in any way a heretic to the Congress tradition; indeed, much effort was spent by him last year in striving to unite the two Congress factions — no doubt as part of his larger plan to

secure his own position in any future confrontation with Indira Gandhi. Those efforts failed but, as is now apparent, Urs did not cease in his search for an alternative arrangement. These exertions of Urs and Indira Gandhi's counter-exertions to deny him such an alternative political base outside Karnataka could not but lead to the parting of ways.

What is however notable about this parting is that for the first time Indira Gandhi has had to take the initiative and throw Urs out. In both 1969 and 1978, Indira Gandhi had managed to make her opponents appear like evil men, out to crush her; it was always she who (formally) 'walked out' of the party, all the while of course claiming tha she continued to have the loyalty of the majority of Congressmen. But in the present instance, at least tactically Devaraj Urs appears to have outmanoeuvred her by arranging things in such a way as to enable him to appear in the role of the victim.

Corporate Sector

Blessings of Bigness

THE Reserve Bank has just released the summary results of its study of the performance of large public limited companies in the private sector (each with a paid-up capital of rupees one crore and above) in 1977-78. The study of these 415 large companies (which form a part of the Reserve Bank's larger sample of 1,650 medium and large public limited companies in the private sector) reveals, among other things, the extent of concentration in the corporate sector. The value of production of these large companies amounted to as much as Rs 11,297 crores in 1977-78. The total capital employed in them (gross fixed assets, inventories and other capital) was about Rs 13,000 crores. These large companies accounted for 72 per cent of the value of output and 75 per cent of the gross fixed assets of the 1,650 companies (based on the results for 1975-76). In terms of growth, the large companies have always performed better than the medium and small ones. The plethora of company laws and other regulations created to protect the smaller companies and to bring about a change in the structure of the corporate sector in their favour thus seem to have hardly helped matters. The largest companies have always had an edge over the others, whether in respect of growth of assets or growth of sales or profitability. For instance, in 1975-76, growth of sales of the large companies in the private sector was 14 per cent, while that of the medium and large companies taken together was 11.5 per cent. The corresponding rates for gross asset formation were 10.4 per cent and 9.2 per cent. Likewise, the ratios of profits after tax to net worth were 10.2 per cent and 8.2 per cent, respectively.

The data for the bigger sample of 1,650 companies have not been published for the years beyond 1975-76, but it is known that the profitability of the corporate sector in general has not been buoyant since then. But, in regard to the largest public limited companies, this does not hold true; their profitability has apparently been maintained. Their gross profits as a proportion of total net assets were 11.3 per cent in 1975-76, 11.6 per cent in 1976-77 and 11.3 per cent in 1977-78. Profits after tax as a percentage of net worth were 9.9 per cent, 9.8 per cent and 9.7 per cent, respectively. Even this fractional decline must have been due to slightly higher growth in paid-up capital in respect of many FERA companies which have had to increase their share capital for purposes of so-called Indianisation.

It is also interesting that the tax burden on the large companies in 1977-78 was relatively lower than in the previous year and also lower than the growth in pre-tax profits, which has resulted in considerable increase in these companies' post-tax profits. Their profits before tax (PBT) had risen by 5.5 per cent in 1976-77 from Rs 665 crores in 1975-76 to Rs 701 crores and further by 4.6 per cent in 1977-78 to Rs 733 crores. But tax provision made by these companies, which had risen by 6.1 per cent in 1976-77, rose by only 2.9 per cent in 1977-78. Tax provision as a proportion of PBT declined from 54.2 per cent to 52.3 per cent. This reduction in tax burden is apparently the result of the tax concessions extended in the 1977-78 budget to the companies sector. Important among them were, (a) enlargement of the scope of investment allowance to all industries except those engaged in specified low priority areas; (b) grant of higher investment allowance at 35 per cent on plant and machinery installed for production based on new knowhow developed in India; and (c) provision for voluntary amalgamation of sick industrial units with sound ones with facility to set off losses against the latter's profits.

The rate of growth of gross fixed assets of the large public limited companies has improved; it was 8.4 per cent in 1976-77 and 9.5 per cent in 1977-78. Earlier, the rates of fixed assets formation had been 10.2 per cent in 1974-75 and 10.3 per cent in 1975-76. On the other hand, the CSO's estimates of gross fixed capital formation for the entire corporate sector showed a very steep decline from 1975-76 to 1977-78, from Rs 2,002 crores in 1975-76 to Rs 1,405 crores in 1976-77 and Rs 1,525 crores in 1977-78. This again suggests that assets formation in the largest companies has been higher than in the rest of the corporate sector.

There was also a higher inventory carryover in 1977-78 — a growth of 4.8 per cent in inventories compared to only 0.7 per cent in 1976-77. According to the Reserve Bank, "inventory accumulation took place mostly in the form of raw materials, components, etc, the stock of these having increased by 6.5 per cent over the year". A more noteworthy aspect relates to the financing of inventories. There was a pious hope that with the implementation of the Tandon Working Group's recommendations, the use of bank finance for holding inventories would decline so that there would be a better turn round of scarce bank funds. Instead, quite the contrary seems to have happened. Earlier, for large public limited companies, the share of short-term bank borrowings in the holding of inventories had declined from 54.7 per cent in 1970-71 to 41.2 per cent in 1974-75. This was partly due to the stringency of monetary controls; partly this was also a period when the large parties had managed to pass on the incidence of credit shortage to smaller companies by increasing their reliance on trade credit. 'Sundry creditors' as per cent of 'sundry debtors' had shot up from a little over 100 in 1970-71 to 138 in 1974-75. Thereafter, there has been a steady increase in the percentage of short-term bank borrowings to total inventories, from 41.2 per cent in 1974-75 to 47.8 per cent in 1975-76 and further to 50.2 per cent in 1976-77. In 1977-78, despite better profitability and the Tandon Working Group's recommendations, dependence on bank finance for inventory build-up remained at 50.3 per cent, the level which was prevailing at the beginning of the seventies. Even 'sundry creditors' as per cent of 'sundry debtors' increased from 108 in 1976-77 to 112 in 1977-78, with the result, as the Reserve Bank review points out, that "the selected companies continued to be net absorbers of trade credit in the

year under review". Even the ratio of current assets to current liabilities declined fractionally from 1.30 to 1.28.

The growing dependence of the large companies on borrowed capital is evident also from the rising debt-to-equity ratio. According to the study, "debt as percentage of equity maintained an uptrend from 45.3 per cent in 1975-76 to 46.6 per cent in 1976-77 and further to 48.2 per cent in 1977-78". Incidentally, the concept of debt used in this country is peculiar in that it excludes all short-term borrowings which as it happens are as large as, or even larger than, long-term debt. Hence the debt-equity ratio should really be reckoned, even in respect of the corporate sector as a whole (including the older companies), at 1:1 or more.

Lastly, despite the larger dependence on borrowed capital, 'interest cost' as a percentage of value of production remained at 3.6 in both 1976-77 and 1977-78. Also, "the ratio of interest paid during the year to the average of outstanding borrowings at the beginning and at the end of the year, which may be taken as a rough estimate of the average cost of borrowings, was marginally higher at 12.6 per cent against 12.4 per cent". Thus, despite all the talk of dear money, the average rate of interest charged on companies' borrowings works out to only 12.6 per cent and even of this a little more than half is borne by the government as interest cost is a deductible expenditure for tax purposes. The scheme of taxation and the low interest rate policy have created a definite bias in favour of loan capital and against risk capital.

Sugar

Unwanted Control

CONTROL on monthly release of sugar was reintroduced by the Central government on June 4. The step was hailed by the Maharashtra Rajya Sahakari Sakhar Karkhana Sangh. This is understandable. It was pressure from co-operative factories in Maharashtra and all over the country to prevent an alleged slump in sugar prices which had persuaded the government to allow the sugar industry to launch the system of voluntary release of sugar for sale each month. The voluntary release arrangement was used by industry to restrict the availability of sugar coming to the market and the result was that prices rose by Rs 40 to 50 per quintal. There was a hue and cry from the press and public which compelled the government to reintroduce an element of official control on the quantity of sugar released for sale every month. Industry, realising that its game of voluntary releases had been seen through, persuaded the trusted bureaucrats of the Sugar Division of the Union Food Ministry to bring monthly releases under government control.

There is in fact no case whatsoever for any regulation of sugar releases, whether administered by the industry or the government. Given the present position of output and stocks, there is little likelihood of prices moving up and certainly not during the monsoon. By its very nature, sugar deteriorates rapidly and damaged sugar has to be disposed of at throw away prices. Traders too reduce their inventories to the minimum. So the main burden of carrying the large stocks falls on industry. With godowns bursting with sugar and the industry faced with three months of poor demand for sugar, the real problem is one of maintaining the price level.

Incidentally, some four decades ago prices of first class gur were at least 40 per cent below those of average quality sugar. However, during the last few months gur has been selling at prices higher than those of sugar. For example, Kolhapur extra quality gur is selling around Rs 3.25 per kg in Bombay, while sugar D-30 is selling at Rs 2.80 per kg or a little less.

There is, on the whole, little reason to complain about the level of sugar prices in the current season. What has to be guarded against is that industry may succeed in getting the price raised to Rs 3.30 per kg, which it has already demanded.

Assam

Who is to Guard the Guardians?

Seema Guha writes:

THE Public Accounts Committee of the Assam legislative assembly, in its 30th Report, has brought to light many instances of widespread corruption in the state's police department. The most interesting of these involves the Special Branch of the Assam Police.

The report reveals that 52 Inspectors of the Special Branch had systematically cheated the state government of approximately Rs 1.27 lakhs by drawing double pay, in the period between December 1970-February 1974. These inspectors who were posted at different districts first drew their pay and allowances in their respective places of posting. Later, when they were transferred to their headquarters in Shillong (Meghalaya was still a part of Assam till 1971), they submitted fresh pay bills for the same period to the Shillong Treasury. The Report also finds instances of police officers who had retired from service still drawing full salary; of two men who were no longer serving the Assam government (one of them transferred to the Centre and the other in the Meghalaya cadre) but claiming and receiving their salaries from the state government.

How did these police officials receive such 'double benefits'? Police Inspectors are not gazetted officers, and their pay bills have to be countersigned by their superior officers. In the districts the signature of the superintendent of police is required, while in the headquarters either the DIG or any of the three SPs attached to the office countersigns them. Apparently, neither the DIG nor any of the SPs had the slightest inkling of the organised swindling that was being operated under their very noses, for these 'responsible' high officials had been signing their stamp of approval over false pay bills for four whole years.

The fraud was first detected in the Accountant General's audit report for the year 1972-73. A case was filed against the two civilian accountants working in the Special Branch, and both of them were suspended. But significantly, the Inspectors involved have not been touched, and are still performing their normal duties. In fact, as the proceedings of the cross examination of the official witnesses by members of the PAC revealed, the Inspectors were not even required to forward any explanation for drawing double pay.

The case which was registered in August 1974 has not yet been completed. The excuses put forward for this delay have been varied. One reason put forward for the slow progress of the case has been the shortage of investigating staff in the Meghalaya CID. (The case was investigated by the Meghalaya police.) Another reason is that seizure of documents and examination of officers from the state government and the Shillong Treasury have not been completed. Yet another reason is that the investigating officer has not yet been able to collect the specimen signatures of some of the Inspectors and other officers involved for verification by handwriting experts.

The Meghalaya police certainly seem to be dragging their feet over this case, probably because police personnel are involved. Assam and Meghalaya police worked as a single unit till 1971, and most of the men involved have friends and colleagues in the Meghalaya cadre. So far the Special Branch seems content to let the civilian clerks shoulder all responsibility for the fraud, though the PAC investigators held the treasury officer and one of his colleagues in the Shillong Treasury *only* partially responsible for the misappropriation. But even here no case has actually been filed against the treasury officer and his colleague.

Investigations against the senior police officers who countersigned the bills (one DIG and three SPs) could not be completed for want of records. Yet, in the course of the PAC investigations, it was learnt that since 1970, the office of the Special Branch have been maintaining a monthly register where office expenses, including salary paid to the office personnel, is recorded. This register is checked and countersigned by responsible officers. It has been found that while in some cases there has been double countersignatures, in many cases no signature is found against a particular payment. In fact some payments have not even been entered in the register.

Meanwhile the PAC has observed that "the matter which could be done easily within a short span of time is delayed on one plea or other due to negligence on the part of the department". It has requested the Meghalaya government to complete investigations within three months of the date of presentation of this report before the House.

One interesting aspect of the revelations of the PAC Report has been that this case of gross corruption by the guardians of 'law and order' has not even been properly reported in the local press which has generously decided to brush the scandal under the carpet.

Pakistan

Seeking Parity

INDIA has expressed "great concern" at Pakistan's efforts to acquire nuclear weapons capability, and is reported to have tried to persuade the United States to use its influence and ensure that Pakistan would not start a nuclear weapons race in the region. These anxieties have been sharpened following the 'leak' by the US administration that Pakistan has indeed been building a uranium enrichment plant with equipment secured in a variety of open and clandestine ways, and that once the uranium enrichment plant is complete, an experimental nuclear blast will duly follow. Nothing can prevent Pakistan from utilising the enriched uranium to have its own 'Pokhran', to be followed by a possible nuclear weapons programme as well.

The Indian 'concern' would have been more credible and would have attracted greater sympathy from other countries had India not itself been engaged in a nuclear programme with obvious nuclear weapons implications. But of course, what New Delhi wants other countries to believe is that while its own nuclear programme is entirely peaceful in nature, a corresponding Pakistani programme has to be, by definition, war-oriented; that while India has rejected any international inspection of its nuclear facilities on the ground that such inspection would be discriminatory, Pakistan's willingness to subject all its nuclear facilities, existing or to be built, on a 'non-discriminatory basis' to all non-nuclear weapon states or to states in its proposed nuclear weapons free zone in South Asia is 'not adequate', which is how India's permanent representative at the UN described the Pakistani proposal when it was made in the meeting of the UN committee on the Indian Ocean.

Behind such high-minded 'concern' lies the conviction that India is, and has always been, the most peace-loving state in the region It is difficult to blame Pakistan if it cannot entirely agree with such self-assessment of India's peaceful intentions; and even objective observers would be hard put to deny that such a reading of the India-Pakistan relations is not even strictly true. In fact, Pakistan's building of the uranium enrichment plant — that it is being clandestinely built cannot be held against Pakistan, for such clandestine activities are a universal feature of nuclear programmes of any country — and the now inevitable explosion that will follow in due course are causally related to India's own nuclear programme, including the Pokhran explosion in 1974. And even as India has been reiterating that it has no plans at all to go in for a nuclear weapons programme (though the Pokhran explosion made sense only militarily), Pakistan too has categorically denied that its peaceful nuclear programme has behind it any intent or purpose of developing nuclear weapons and that "the aim and orientation of the programme are directed solely towards peaceful ends".

The point is not whether the government of India or the government of Pakistan are being entirely truthful when they claim that the explosion of a nuclear device or the building of a uranium enrichment facility is directed towards peaceful ends; what is more relevant is that the claims are voiced almost in identical language, and the government of India cannot assume a *holier-than-thou attitude* in seeking to attribute to Pakistan's nuclear programmes, aims and intents which cannot be, with equal justice, attributed to the government of India itself. Given the nature of India-Pakistan relations, after Pokhran a Pakistani nuclear weapons programme became inevitable, and the present regime has only been continuing the work begun by Zulfikar Ali Bhutto who had vowed that even if the Pakistani people had to eat grass, Pakistan would have the bomb.

A curious feature of these revelations about Pakistan's nuclear programme is that its details have become available following a deliberate leak by the CIA. Apparently, these details were put together by the CIA as well as other security agencies of several European countries. For long official propaganda in India has made any regime in Pakistan a virtual creature of the CIA; according to this view, while the best traditions of parliamentary democracy were being scrupulously followed by India, Pakistani regimes were successively headed by military and bureaucratic cliques — precisely the kind of coteries which the US could entice into various military pacts directed against democratic India. Hence, it is curious that this top secret Pakistani programme whose aim is no more and no less than seeking parity with India in the nuclear programme, including nuclear weapons programme, and which should have fully met with the approval of the United States, should have been leaked to the outside world by the US administration itself. Perhaps, the West is more concerned with the possible implications of the Pakistani programme to the security of Israel than its implications to the security of India. The sharp and immediate official response by the US to Pakistan's nuclear plans — the cutting off of all development aid — does contrast with the relatively mild reaction by the same US administration to continued Indian refusal to allow its nuclear options to be curtailed. —

External and Internal Horizons

Romesh Thapar

PRIME MINISTER Desai's junket through the Communist world is highlighted by the discussions in the Soviet Union and Yugoslavia. The problems of the region around India, made tense by the Afghan charge that Pakistani soldiery is playing with tribal rebellions, and the wider role of the non-aligned movement now sought to be polarised by the "friends" of the Arabs and of Cuba, will be settled broadly within the frameworks evolved by New Delhi. India speaks from what might be termed a position of strength, and is not to be scoffed at.

Be that as it may, I hope someone is constantly telling our dear Prime Minister that he should not get carried away. In every capital of the world, the government of Morarji Desai is seen as something which will just about last until the general elections of 1982. It is seen as a continuer of old policies, trying very hard to fraternise with the US, but being forced by events to fashion more solid working relationships with the USSR. The Islamic bomb, or whatever it is that Pakistan is putting together, heavily underlines this.

The inevitable contradictions in external alignment which are emerging, and which will arise, provide considerable power of harassment to the critics of the present Janata party set-up. If it had been a matter concerning only the fulminations, usually half-baked, of Indira Gandhi and her confused followers, Atal Behari Vajpayee alone could have taken care of them. But, today, the danger of informed sniping from within the ruling party is more urgent. Such attacks, encouraged by various lobbies, but mounted by parties interested in internal political advantage, could de-link our foreign policy from national interest and throw it into growing disarray. After all, this is happening in other equally important areas.

If Morarji Desai is refreshingly independent in his talks with the leaders of other countries — a style he developed even as far back as when the Shah ruled in Iran, and to whom he delivered a forty-minute lecture on intelligent statesmanship when rebellions threaten! — the fact remains that he knows that these are the last gambits left to him. The current story that he is evolving his own foreign policy line over the head of Vajpayee is nonsensical in the context of Janata party equations. Lines evolve these days because they represent some sort of consensus, willing or unwilling. It is this state of affairs which excites the manipulators of policy within the ruling party.

Meanwhile, with Indira Gandhi solidly working for the mismanagement of her political future, and Congressmen looking around desperately for new alignments which will make sense in 1982, it is becoming apparent that the old men of the Janata party (Jagjivan Ram and Charan Singh) are no longer seen in any future scenario of political change. The persons who are coming into increasingly sharper focus are Chandra Shekhar, Bahuguna and Limaye. Each is espousing policies and postures designed to strengthen the prime minister potential of his image.

Chandra Shekhar zealously builds the impression of an arbiter, a federal consensus-maker, clean and straightforward, without a base of his own. If the rough and tough politicians who predominate in the legislatures see him as a dilettante, non-serious and lacking organisational capacity, there is always the Young Turk record available for reference. His Congress connections are sought to be supplemented by his accommodation of the Jana Sangh/RSS — and, of course, there is that bit about being JP's heir. His policy pronouncements are few and far between, and that goes for foreign policy where he is careful not to offend the susceptibilities of any group. A comfortable coalition? That's the aim, and it can have a wide stretch.

Bahuguna is playing what appears to be a deeper game of power. To him, Uttar Pradesh is still the lever for prime ministership. Once again, he is active in UP politics, and unencumbered by Jagjivan Ram's calculations in the Hindi heartlands. Bahuguna believes that his credentials among Muslim and Harijan voters are excellent, and that then all it improves as he builds his linkages with Urs in Karnataka, with Pawar in Maharashtra and with the coalitionists in Kerala. After all, he has a working understanding with Communists and leftists of various hue. Here, too, there is a reluctance to be involved in policy and programme, those politically troublesome matters. A second to Urs? May be. For a while, if necessary. A revived Congress? Yes.

Only Limaye pushes on the front of ideology. It is difficult to assess him. He is no simpleton, even as he spouts a Soviet line surrounded by CPI activists. Clearly, he is searching for a short-cut to a position of continental leadership. The programmatic filibuster within the Janata party clears him of involvement in the mess of today and, with the careful use of the Soviet connection, he is able to link with diverse elements all over India. Normally, a tactic of this kind has proved the kiss of death, but Madhu Limaye is unconcerned. A second to Bahuguna? Not really. To Chandra Shekhar? Certainly not. A left front? Why not?

If the CPI(M) in Bengal had not suffered so grievously as a result of the present chaos in that state, the calculations of the three younger contenders in the Janata party would have been more complex. But that prospect of a CPI(M) revival is not to be ruled out, despite the total failure of the CPI(M) to create a mass response to the challenges facing Bengal. Then, if they wanted to survive politically, Chandra Shekhar, Bahuguna and Limaye would have to spell out what they claim to stand for. Such a moment would bring the moribund Janata party face to face with its real failing — no time-bound programmatic action.

India is a sad case. Even the pretence of thinking about the country is no longer considered necessary. The political leadership of every party seeks personal salvation. If Morarji Desai survives, it is because the many contenders for power cannot agree among themselves who should replace him. But, sooner or later, the decision will be forced. And what a prospect. Prices breaking barriers. Production in chaos. An administrative paralysis. Rampant corruption. And law and order becoming a matter of personal whim or fancy. Reading the newspaper these days is an exercise in patience.

June 16

Lower Sales, Higher Net Profit

Hansavivek

BARODA RAYON continues to expand. It is going ahead with its nylon tyre cord project. Most of the imported machinery and equipment has arrived, and orders for indigenous equipment are being placed. Civil engineering work has commenced and the plant is expected to be commissioned in two years. The polycondensation plant for conversion of DMT into polyester chips, commissioned during the last quarter of 1978, has been functioning normally. The programme of modernisation of plants is in progress. It is aimed at raising capacity for rayon from 3,000 tonnes to 4,500 tonnes per annum, and of nylon plant from 1,740 tonnes to 2,436 tonnes is in progress. The company has received a 'letter of intent' for increasing capacity of sulphuric acid plant from 14,000 tonnes to 21,600 tonnes per annum. Its capacity for annual manufacture of 1,980 tonnes of carbon-di-sulphide has been recognised by the government. The company has produced impressive results for 1978. Production of rayon filament yarn was 3,773 tonnes against 3,729 tonnes in the previous year; that of nylon filament yarn 1,745 tonnes against 1,670 tonnes; and of polyester filament yarn 677 tonnes against 472 tonnes. Net sales were slightly lower at Rs 26.42 crores against Rs 26.78 crores, but gross profit increased to Rs 8.09 crores from Rs 5.45 crores showing a 48.4 per cent advance. Net profit is Rs 6.01 crores (Rs 3.84 crores) and dividend stepped up from 10 per cent to 12 per cent is covered 5.61 times against 3.84 times previously. This outcome has resulted from a combination of favourable factors — upsurge in demand for the company's products, reduction in the cost of caprolactum (the main raw material for production of nylon yarn), introduction of special yarns in nylon and polyester, higher production of polyester filament yarn, and lower cost of finance because of reduced borrowings. The company experienced shortage of coal and had to move substantial quantity of coal by road at higher cost because of shortage of wagons. The directors complain that the burden of excise on nylon and polyester yarn has been systematically raised in successive budgets and now works out at almost 105 per cent of the net ex-factory price.

DUPHAR-INTERFRAN has turned out satisfactory working result for 1978. Production of all specialities and chemicals was satisfactory. Net sales increased by 18.1 per cent, from Rs 5.5 crores to Rs 6.5 crores. Gross profit advanced by 36.6 per cent form Rs 71 lakhs to Rs 97 lakhs. Net profit is Rs 35 lakhs (Rs 20 lakhs), which

The Week's Companies

(Rs Lakhs)

	Baroda Rayon		Duphar		Escorts		New Great	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-79
Paid-up Capital	870	837	92	92	917	917	78	78
Reserves	1155	710	86	62	1206	806	222	208
Borrowings	858	1184	82	78	1584	1097	350	320
of which Term borrowings	417	555	2	—	872	482	48	26
Gross fixed assets	3001	2747	195	149	3568	2648	777	722
Net fixed assets	1539	1496	103	98	2292	1655	396	373
Investments	24	—	—	—	294	177	20	18
Current liabilities	432	418	151	136	2916	2799	585	770
Current assets	1451	1412	308	270	4037	3786	819	958
Stocks	775	868	108	116	2347	2099	408	396
Book debts	612	497	184	129	1461	1290	203	140
Net sales	2642	2678	650	550	13302	9816	1724	1752
Other income	48	28	10	6	376	308	147	165
New material costs	827	910	327	277	4723	3150	628	648
Wages	352	334	124	108	944	685	305	302
Interest	114	163	12	12	144	122	97	66
Gross profit(+)/loss(—)	809	545	97	71	1528	1028	63	84
Depreciation provision	183	161	12	8	357	225	40	38
Tax provision	25	—	50	43	615	405	—	—
Net profit(+)/loss(—)	601	384	35	20	556	398	23	46
Development rebate provision	35	3	8	1	148	128	12	25
Transfer to reserves	420	199	12	10	234	180	2	12
Dividend								
Amount	P 10	31	P —	—	P 7	7	P 1	1
	E 91	70	E 15	9	E 167	83	E 8	8
Rate (per cent)	P9.50	9.50	P —	—	P 9 to 10	9 to 10	P5.50	5.50
	E 12	10	E 16	12	E 20	16	E 12	12
Cover (times)	5.61	3.84	1.80	2.11	2.40	3.17	1.25	2.50
Ratios (per cent)								
Gross profit/sales	30.64	20.35	14.92	12.91	11.48	10.47	3.65	4.79
Net profit/capital employed	29.67	24.82	19.66	13.00	26.19	23.19	7.66	16.08
Inventories/sales	29.33	32.41	16.62	21.09	17.64	21.39	23.66	34.02
Wages/sales	13.32	12.47	19.08	19.64	7.09	6.98	17.69	17.23

covers the dividend stepped up 4 points to 16 per cent 1.8 times. The plant for the manufacture of collaborators research product, isoxsuprine hydrochloride, was installed and trial runs undertaken thereon. Commercial production is expected to commence soon. The company is awaiting industrial licences for anti-histaminic and anti-rheumatic drugs. The management is assessing the impact of new Drugs (Prices Control) Order, 1979, on the company's profitability. With increase in excise duty on cosmetics, from 63 per cent to 100 per cent, the company anticipates some consumer resistance to the consequent increase in prices. A three-year agreement with the staff union has been signed in March last.

ESCORTS proposes to set up a joint venture in India in technical and financial collaboration with Maschinenfabrik Augsburg Nurnberg (MAN) of West Germany for manufacture and marketing of high-speed diesel engines of 100-650 horse power. The capital cost of the project is estimated at Rs 13 crores. A new company, 'Escorts MAN', is proposed to be incorporated to take up the project. Initial subscribed and paid-up capital will be about Rs 3 crores. Escorts proposes to subscribe upto Rs 2 crores and MAN Rs one crore. Demand for high speed diesel engines in HP range 100-650 for stationery and automotive applications is on the increase with prospects likely to improve for marine applications. Escorts has also promoted a joint venture with J C Bamford Excavators of UK with a view to supplementing the industrial equipment range for manufacture of 75 HP excavator-loaders with capacities of front end loader upto 1.2 cubic metres and backhoe 0.3 cubic metre. The licensed capacity applied for is 500 units with 25 per cent export commitment. The project has a gestation period of less than a year and, commencing with at least 50 per cent indigenous content and 80 machines a year, it is expected to achieve full licensed capability in three years. The manufacturing operations of the venture, styled as 'Escorts JCB', in which Escorts will hold 60 per cent share capital and JCB 40 per cent, will be located at Ballabgarh near Faridabad. Distribution of products will be assigned to Escorts. Escorts has also entered into technical collaboration with YAMAHA of Japan. This will bring to India for the first time a 2-stroke, 2-cylinder motorcycle engine of 350 cc, developing an output of 18 to 24 HP. This technology will be integrated into the expansion and diversification plans of motorcycle production, maintaining the existing 'Rajdoot' range. Production based on Yamaha technology is expected to commence by mid-1981. The management has also approved a five-year capital investment programme to increase production, subject to the approval of the government, by 50 to 100 per cent for different products, such as tractors, motorcycles, automobile ancillaries, etc.

NEW GREAT EASTERN SPINNING AND WEAVING has turned out poor results for 1978 due to, according to management, 'illegal' strikes, labour unrest and continuous go-slow by workmen. Net sales were only a shade lower at Rs 17.24 crores against Rs 17.52 crores in the previous year, but gross profit was a fourth lower at Rs 63 lakhs (Rs 84 lakhs). Net profit was halved at Rs 23 lakhs (Rs 46 lakhs). The only consolation for the shareholders is that dividend is maintained at 12 per cent which is covered 1.25 times. Export sales fell sharply from Rs 11.77 crores in the preceding year to Rs 2.74 crores in 1978. Having received the consent of the Controller of Capital Issues for augmenting equity capital by Rs 70 lakhs, offer letters have been issued to the shareholders for this purpose. The company spent about Rs 66 lakhs on modernisation of plant and machinery during the year. The company's overseas venture, P T Horizon Syntex of Indonesia, in which the company holds 10 per cent interest, is working well and expects to achieve profitability in a couple of years. During the current year there have been minor setbacks among other reasons owing to load shedding and power cut.

HERDILLIA CHEMICALS has applied to the government for substantial expansion of its phenol capacity from 15,240 tonnes to 33,240 tonnes per annum. This project is estimated to cost Rs 25 crores. Meanwhile, the renovation and modernisation programme in respect of the cumene/phenol facilities is in progress. The company's application for doubling capacity of phthalic anhydride plant is still under consideration of the government. The licence for recovery of by-products is expected to be cleared soon. The management believes that the company has a significant role to play in the petrochemical industry and see good potential in the associated and free gas from the Bombay High and Bassein fields, which is currently being fuelled The management is keenly awaiting the government decisions in regard to location of gas crackers, pricing of the basic streams and ownership patterns for downstream activities so that it can plan its participation in the future petrochemical plans. The chairman, R Venkataswamy Naidu, feels that in formulating the policy the maximum possible emphasis must be placed on the utilisation of existing investments, as the economic benefits of the expansion of existing units have been recognised in almost all the working group reports on the growth plan for the chemical industry.

Alembic

Alembic Chemical Works Company Limited

Speech of Shri R. B. Amin, Chairman, Board of Directors, at the 72nd Annual General Meeting of the Company, held at Baroda on Thursday, 14th June, 1979.

Ladies and Gentlemen,

I have pleasure in welcoming you all to the 72nd Annual General Meeting of the Company. The accounts for the year ending 31st December, 1978, have been forwarded to you in advance and, with your permission, I shall take them as read.

The total sales of your Company advanced by 15.8 per cent during the year, from Rs. 28.81 crores in 1977 to Rs. 33.36 crores in 1978. Production levels in basic drugs as well as formulations were maintained and improved upon. However, the increases in production and sales could not reflect themselves in the working results of the Company because the costs of inputs increased sharply and prices of drugs as fixed by the Government did not take due account of these increases. The electricity tariff and the price of natural gas fuel were raised sharply during the year. These together meant an increase in costs to the extent of Rs. 16.30 lakhs. Energy is supplied by government monopolies and they can and do increase their tariffs abruptly and exorbitantly. Our industry, however, has its prices fixed by the Government and upward revision is a slow process, and the norms fixed also do not include many factors which push up costs. Prices of some formulations were frozen during this time. In Glycodin one of our major products, the price of codeine, which is supplied to us by the Government, was increased by more than 50 per cent. But no increase of price was allowed and it has not been ratified till today. Our already narrow margins were wiped out in this and such other formulations, and we operated at a loss. Packing materials, because of the rise in all variety of paper and boards, cost Rs. 28.32 lakhs more than that in the previous year. In raw materials, prices of cocoa rose sharply, so did that of sugar. All this had its inevitable effect on the working results of your Company and adversely affected its profitability.

The revised price control order under the new drug policy has now been issued. The basic requirement for fair and equitable price regulation is that the price control order and its implementation should, from the start, promptly and realistically allow for increases in the costs of inputs. The process for these adjustments in price still remains time-consuming and negative and proves a massive disincentive for continuing with production, leave alone desiring to expand or diversify it. As presently implemented, the industry is forced to bring their product prices down in line with the leader prices. Industry should have been allowed to simultaneously raise their prices which are lower than leader prices. At the same time, all the price revision applications which are frozen for the past year and new ones consequent to the revised norms should be disposed of within one month.

The new Order means a squeeze on producers which can only make production unprofitable and damage their capacity to further produce and market drugs. The projected growth during the Sixth Plan envisages an output of Rs. 625 crores of bulk drugs and Rs. 1900 crores of formulations per annum. This entails a minimum investment of Rs. 370 crores for bulk drugs and Rs. 265 crores for formulations. As of now, the viability of the industry is so badly affected that efforts of this Order in terms of investment, new production as also research and development are just not possible to materialise. Freedom to produce and to compete will automatically check prices at proper levels as it did in the past when there was no price control. We only hope that the Government will see the realities of the situation and set things free instead of the present efforts which can only cripple the pharmaceutical industry, leading to a short supply of drugs and thereby jeopardise the health requirements of our people.

Your Company, in the expectation that Government will act promptly and fairly, would, as in the past, prefer to go ahead with diversification and expansion. We would also like to maintain this forward-looking stance and our usual preference for giving weightage and importance to the manufacture of basic drugs in our overall plans for production. We are also unable to understand why the declared policy of the Government regarding the proportion of bulk drugs and formulations as 1:10 has not been implemented. It is only fair that a Company like yours, should be able, without formalities and delays of procedure, to expand its range and output of formulations to the extent of ten times its own output of basic drugs. Release of raw materials also should be automatic and substantial if our country is to avoid shortage in drugs, which are being experienced from time to time even now. Steps to restore the strength and vitality of the drugs industry have to be taken now; otherwise shortages will be the inevitable consequence.

Before concluding my Statement, I record my appreciation for the efforts put in by the workers, the staff and the managers of your Company during the past year. I also thank my colleagues on the Board of Directors for their counsel and co-operation.

I now commend the Annual Accounts and the Directors' Report for your consideration.

Note This does not purport to be a record of the proceedings of the Annual General Meeting.

NEW DELHI

New Perspective on Energy Policy

B M

SOME anxious rethinking on overall energy policy and perspective has been induced by what is called the second oil crisis hitting the country and the world economy as a whole. The working group on energy policy set up under the auspices of the Planning Commission is expected to submit its report in a few weeks. It is indicated that the report will present far reaching propositions for the planners and policy-makers to consider. What is being emphasised is that conventional parameters which have so far governed thinking on energy policy will have to be given up and some structural reforms in this sector will have to be boldly faced.

It is being argued in this context that so far as oil is concerned, the question is not just one of its high price which should be expected to be increased still further. The question which must now be faced is that of adequacy of supply of oil. There is no longer any option but to plan on the basis of very small additions to oil availability, quite apart from the problem of its rising price. This idea was forcefully presented also by the Fuel Policy Committee headed by S Chakravartty, a former member of the Planning Commission, immediately after the first oil crisis in 1974. But the policy response to the Committee's report was only to apply the fiscal instrument to discourage the consumption of some petroleum products and incidentally also to collect some revenue for the government through a steep hike in excise duties on petroleum products. The government, it is now suggested, has gone in this direction to a point where the efficacy of the fiscal instrument itself has been blunted. This is evident from the fact that in spite of stiff excise levies consumption of petroleum products has kept on rising and the rate of increase is currently higher than even what was recorded during the era of cheap oil. This only underlines consumer preference for this versatile and valuable source of energy. But since availability in adequate quantities to meet rising demand is itself in doubt, the trends in consumption of oil will have to be halted and not only by further increases in excise on its consumption.

This analysis would appear to have implications for policy-making. So far as the Finance Ministry is concerned, its present worry is the possibility of a further increase of oil prices by the OPEC countries. The increases already effected during this year are calculated to have added Rs 900 crores to the import bill for crude oil and products and the total oil import bill in 1979-80 will run up to as much as Rs 2,700 crores. If there is a further increase in price, the position will become difficult and the burden on foreign exchange resources will be quite severe. Even so, however, an increase of 4 per cent in import of crude and products is planned for the current year. The Finance Ministry will, therefore, welcome some additional restrictions on the rising trend of consumption. At the same time, however, the revenue from consumption of petroleum products has become a major component of budgetary resources and the Ministry will not like to forgo any part of this revenue; on the contrary, it counts on this source for filling some of the budgetary gap and this presupposes a steady increase in consumption at rising price levels for the consumer. It is, therefore, busy making a case for what it calls "adjustments upwards" in consumer price in the event of any further increase in the import price of oil and its products, including fertilisers. It is not likely, however, that a substantial increase in fertiliser prices will be permitted on political grounds, specially with Charan Singh heading the Finance Ministry. The axe will, therefore, fall on other petroleum products. As against this approach of the Finance Ministry, the working group on energy and the Planning Commission are expected to recommend measures to curb further increases in consumption of crude and petroleum products which will go beyond tinkering with their prices, and the excise levies on them.

Where the latest study of the energy problem by the Planning Commission's study group marks a significant break with earlier studies, and in particular the report of the Chakravartty committee, is in respect of the role of coal. The Chakravartty committee, under the overwhelming impact of the oil crisis had, it is now argued, plumped for a comparatively soft path when it opted for coal as the substitute for oil and recommended that coal should be adopted as the principal energy base for the national economy and its future development. But it is now being contended that this was a rather hurried and short-term view of the energy problem. Coal may be regarded as an energy source in abundance, but it is not unlimited and, in addition, poses difficult problems of economic extraction and efficient utilisation. A switch to coal as the alternative to costly imports of oil is not an adequate answer to our problems, according to the thinking of the energy working group.

The energy working group has drawn attention to another sensitive problem in the energy sector. According to its calculations, the use of energy sources in India is far too wasteful and inefficient at present. A one per cent increase in GDP, it has calculated, requires input of energy of the order of 1.9 per cent. This too is dependent on an energy mix in which oil forms one-third of all forms of the commercial energy consumed. If the share of oil goes down, the efficiency factor will become even more adverse. So far as electric power is concerned, the position is that the ratio rises to 2.9 per cent injection of power for one per cent increase in GDP. This calls for a close look at two basic aspects of the energy problem. One is that our development process is far too energy-intensive and this pattern is simply not sustainable. It is necessary, therefore, to make suitable modifications in the development strategy itself. It is, of course, not quite clear what exactly are the implications of this proposition unless, of course, it is meant to suggest that rapid industrialisation, especially development of basic and heavy industry, should be avoided. The other idea, and it is being canvassed in some quarters, is that that energy-intensive agricultural development will have to be slowed down.

But it would appear that the principal thrust of the working group on energy is to make more efficient use

of energy resources to get optimal results in development. Here the stress is on standardisation and improvement of efficiency of machines and equipment. This is an area of great potential, it is pointed out. An instance cited in this connection is pump sets which number at present as many as 3.5 million servicing agricultural requirements alone. Many of these pump sets, it is pointed out, have a fuel efficiency factor as low as 10 per cent and there is a great deal of waste of fuel and energy on that account. This is also true of many other areas, especially in the transport sector, in particular railway traction.

The principal recommendation of the working group, however, is that not so much a switch to coal as reliance on hydro power and nuclear energy will be the most effective answer to the problem of energy in our situation in the long run. It is admitted that in the short and medium term there is no option but to restrict the use of oil while depending on coal for fuel and for generation of power. But the policy perspective must shift in favour of hydro and nuclear power. Since the development of hydro and nuclear power involves long gestation periods, action in this direction must be initiated right now. This should be combined with better use of bio gas resources, forest wastes and wood.

Meanwhile as matters stand and because of the lags in development of power since the Plan holiday in the mid-sixties, the power problem will have to be put up with for a long time and there is no solution to the power crisis in large parts and areas of the country. The only solace is that the neglect of the power sector in planning and investment policies which was marked in the last ten years has given way to a better appreciation of the need for rapid development of this critical infrastructure for development and some energetic action in this direction has also been initiated since last year. The eastern part of the country is still a bad patch in the power picture and the western part is also facing many difficulties and it will take some time to improve the position in these two regions. But the position in the north and south is said to be relatively comfortable.

PUNJAB

Victims of Green Revolution

Amarjit Chandan

EVERY year, when wheat-harvesting season is on its peak in Punjab, many agricultural labourers, mostly harijans, lose their limbs in thresher machine accidents. Some die of excessive bleeding and others of tetanus. The number of such accidents has gone up to 500 in Punjab and almost to 5,000 throughout the country.

Farm machinery started appearing on the Punjab agricultural landscape in the early 1960s and gradually the traditional system of threshing became obsolete. Unauthorised and untrained blacksmiths started manufacturing threshers in small towns and villages on a large scale. The power/engine-run thresher costs Rs 3,500 each with power-motor costing extra. Earlier. Moga and Ludhiana were two main manufacturing centres of farm machinery. According to Punjab Agricultural University, there are now about 1,70,000 threshers in 12,000 villages of Punjab.

The Harvesting, Threshing and Transport Equipment Committee of the Indian Standard Institute (ISI) has laid down three standards for safety in threshers; but by not conforming to these standards (merely to save on a bit of iron sheet), the unauthorised and untrained manufacturers have been playing with the lives of hundreds of farm labourers. The feeding windows of threshers are left uncovered. Only ten per cent of the total threshers in Punjab come up to the ISI standards. The second important factor contributing to these injuries is the practice of overtime employment of farm labourers by the rich Jat Sikh farmers. To extract the maximum possible labour from them, these rich farmers give them opium, hemp, pep pills and liquor free of charge. The weak-sighted labourers under the influence of liquor and other drugs work day and night in scorching heat (at night under insufficient light) and get completely exhausted. Naturally, their senses and responses are dulled and they become victims of the machine which sucks their arms and chops them to bits and shreds. The profusely bleeding labourers are taken to hospitals only to get their limbs amputated and to become handicapped for the rest of their lives.

This year, in Sangrur district, by mid-May the accident toll had risen to 14. It included a 20-year-old girl and an 11-year-old boy. Nine labourers lost one arm each, three lost one leg each and two labourers lost both their hands. In Mukatsar tehsil of Faridkot district, the accident toll was 16, which included a boy of 14 and an old man of 70. The Miss Brown Memorial Hospital at Ludhiana treates two or three such cases everyday.

In Faridkot district the wages of labourers working on threshers are Rs 10 per day and they do not get any extra wages for working in the night shift. In Jullundur district, the purabia labourers are paid Rs 10 for the day and Rs 12 for night shift along with meals, as they do not accept wages in kind. The local labourers get wages in kind; 2.5 kg wheat for every 40 kg wheat threshed (it is assumed that a 40 kg unit is equivalent to the obsolete maund of 40 seers). The rich farmers also hire out tractors and threshers to small farmers who cannot afford to buy threshers and receive rent in kind — one sack for every ten sacks of wheat. A sack weighs one quintal of wheat. In almost all the districts the combine-harvesters have been introduced by the state-run Markfed and private agencies. The harvesters are booked in advance and the charges for harvesting an acre is Rs 250. Obviously only the bigger land-holders can afford combine-harvesters; and in spite of the harvesters there is no surplus labour, because of large scale migration of Punjabi labourers to the Gulf countries.

The wages for harvesting vary from region to region according to the quality of the crop and availability of labour. In Jullundur district the wage in kind ratio varies from 1.12 to 1.20 bushels or 60 kg to 90 kg wheat. The purabias get Rs 85 to Rs 100 per acre.

The Punjab government has set aside Rs 20 lakhs for thresher victims in the current financial year, says the state's Public Relations and Religious Affairs minister. Only god or bureaucrats know where this huge sum of money would go. Meanwhile the General Insurance Corporation is said to be seriously considering a Village Accident Scheme.

COAL

Threat of Man-Made Floods

THE coal mines in the eastern region are now facing a new type of problem — man-made floods. They are not getting enough power to pump out the water from the underground pits. The problem has been there for quite some time, but it threatens to assume alarming dimensions with the monsoon knocking at the door. Unless the power supply to the mines improves, at least some of the more vulnerable mines may get flooded and be thrown out of commission for weeks, if not months.

Two important functions for which coal mines require power are: pumping out water from the underground pits and ventilation. On a rough estimate, about 75 per cent of the power consumption of a mine goes for these vital operations, while the balance is used for other purposes like moving the lifts and lighting. Dewatering and ventilation become more important, and also more difficult, in the monsoon months when the air turns more heavy and the water accumulates faster.

The mines under Eastern Coalfields Ltd and Bharat Coking Coal Ltd require about 250MW of power for their different operations. The supplies are supposed to come from Damodar Valley Corporation. But for some time, DVC has not been able to meet the full demand, largely because of the dip in its own generation. The shortfall, according to CIL sources, would come to anything between 80 and 100 MW a day.

With the monsoon round the corner, the situation has taken an alarming turn. And CIL is now frantically looking for additional power supplies, for the mines must have enough power to pump out the water. It expects — as much as does DVC — that the DVC's own generation and supplies would improve in the coming months. But it is not leaving anything to chance and is trying to tie up arrangements for the difficult days ahead.

An agreement with the Uttar Pradesh State Electricity Board for supplying 60 MW of power during the night hours — between 10 pm and 6 am — has been finalised. The supplies would flow through the Bihar State Electricity Board system into the DVC grid. Deducting transmission loss, etc, 50 to 55 MW of additional power would be made available to the coal mines.

Coal India authorities are also eyeing with interest the power situation in the eastern coastal states, especially Orissa. With the monsoon round the corner, Orissa is likely to switch on an additional 62.5 MW unit at its Talcher hydel power station. In that case, another 50 MW might be wheeled into the DVC system for transmission to the coal mines.

Last year, a large number of coal mines were innundated in the devastating September-October floods and it took several months to set things right. But if a similar situation develops just because the mines could not perform their elementary pumping operations, it would be more than a disaster — it would be a crime.

It is all a kind of vicious spiral. Power shortage effects coal production and lower coal production in turn affects electricity generation. At the moment, the spiral is steadily moving downward. And, conceptually, a time might come when the process would be put in the reverse gear — more coal, more power and in turn still more coal, and so on. But when that big day would come is now anybody's guess.

The steel plants, the power stations, industrial units — b g and small — all have been making noises about coal shortage. For some, the problem is of quantity, for some others it is of quality while for a few it is both. And all this is happening when as much as 13 million tonnes of coal were supposed to be lying at the pitheads, open to the danger of catching fire at any time during the long hot summer.

The essential precondition of black marketing — shortage — is apparently not present, though of course there is certainly not enogh good quality coal to meet all the demand. But the blackmarketing that is now steadily growing is not limited to good quality coal only. A small businessman in Calcutta running a small oilseeds crushing unit thus buys a lorry-load of coal at a high premium with a delivery order issued in the name of a party, perhaps non-existent, in Bihar. And this is not a solitary instance.

Informed official sources themselves are saying that in some hotels in Ranchi and Asansol regions, DOs (delivery orders) are being sold under the counter at high premiums. It is ever apprehended that the more enterprising ones of the trade have gone to the extent of printing the DO forms on their own and doing business with them with, of course, official connivance. One of the answers lies in asking the Nasik security press to print the DOs!

Another lies in doing away with the elaborate paraphernalia which has to be meticulously gone through for purchasing coal. An industrial buyer has to have his purchase plan sponsored by a competent state government official in the district or city then get it endorsed by various other agencies. For a small party, the process may drag on over a couple of weeks; for the more influential one, it may take a shorter time.

There is thus much to be said in favour of the suggestion mooted in industry circles that the sale of steam or non-coking coal should be made free. In other words, the rules should be cut drastically and any industrial unit interested in buying coal should be allowed to do so without much of a formality straight "off the shelf". Non-coking coal is now said to be in abundant supply; in fact, the carryover stocks are posing a financial burden for the producing companies. A depletion of the stocks should thus be welcome.

The fate of this suggestion is not known, but the chances are that powerful vested interests which want the continuation of a system that helps them line their pockets would not easily agree to, such an idea. But a surplus position like the one we are having at present should act as a damper to any move to corner stocks or create an artificial shortage. Sometime after the monsoon is over, the authorities may still choose to make a go.

As for coking coal, the situation is however entirely different, for it is very much in short supply. The users of imported coal — the public sector steel plants — are known to be extremely happy with its performance, but, allegedly, part of the low-ash coal is being pushed into the coke ovens without being blended with domestic coal, as was originally planned. This is posing a danger to

machines which are not designed to take the tremendously high calorific value of the imported stuff. Interestingly, some of the leading private sector companies are known to be itching for an opportunity to use the imported coal, if needed, by even diverting the supplies!

RELIGION

Price of Devotion at Tirupathi

Bhaskara Venugopal

TILL about 10th century, the Tirumala temple was not considered particularly important or holy. At the beginning of the 10th century, when Saivaite influence gained prominence, Sri Vaishnava leaders were forced to seek some place where there was no room for sectarian controversy. The Tirumala temple, where no settled form of worship had been established till then, was thus chosen by Sri Vaishnava leaders. A silver image of the Lord was duly consecrated (in 966) and subsequently the high ideals of Nammalvar put into practice contributed to the growth in the popularity of the temple. The temple enjoyed considerable prosperity, especially under the Vijayanagara kings.

During this period and until the 15th century, worship in Tirumala temple was free to every person and no fee was ever demanded. In fact "the aim was to provide food and shelter free to all pilgrims".

When the South began experiencing the invasions of the Muslim iconoclasts, there was the need to protect the temple from plunder and destruction. This was achieved, interestingly, both by the topography of the country and the hills as well as the sagacity and ready wit of the people of Tirupathi and those who managed the temple. Comprehending the psychology of the alien invaders, the managers of the temple dangled before them the prospect of a recurring revenue from the temple. The invaders in turn realised that it was better "not to cut the udder that yielded an unfailing supply of milk".

The 18th century and early 19th century witnessed games of one-upmanship among the various rulers to appropriate the temple revenues. When, after the British conquest of the Carnatic and the assignment of the revenues of Tirumala temple to them, a Muslim adventurer tried to attack Tirupathi in 1753, the British government in Madras, "alarmed at the prospect of their losing the revenues from Tirupathi", captured the Muslim and executed him. Around 1757-58 another interesting event occurred. One Nazibulla visited the fort of Salava, and threatened to take away the offerings made by pilgrims, during the next *Brahmotsavam*. The British immediately sent forces to check him. In 1758, a brother of the Nawab, Abdul Wahab, made a bid for the wealth of the temple. The British foiled this attempt too.

From about 1724 till 1801, when finally the direct management of temple passed into the hands of English, some renters had controlled the affairs of the temple. To prevent the alien rulers from stepping upon the hills and attacking the temple these renters agreed to pay an amount of Rs 2 lakhs per annum to whoever it was that ruled over the region, and such protection money was paid successively to Muslim, French and British rulers.

A scheme had to be devised to rake up this much amount year after year. Thus it was that "a levy was made on the pilgrims who resorted to the temple". Custom dictated that certain Sanskrit verses should be recited while the pilgrim bathed in the temple pond. The priests dictated the verses for him and the right to such dictation was leased out — for a fee. The lessee in turn collected money from pilgrims for reciting the verses. Likewise, a fee was collected for tonsure, for lighting the camphor, and for attending the *archana*. Also, when a presentation was made to the deity in kind, a cash equivalent to the value of the article was also to be paid. So was it with food offerings.

To attract pilgrims, new legends were manufactured. More holy bathing ponds (*tirthams*) were discovered and added to the existing list of sacred waters on the hills Among such bogus places of sanctity is a round stone known as "Kshetra Pala" near the Gogarbham Tirtham. To settle disputes among people, oath was administered at this place before lighted camphor and a fee had to be paid for this service. According to T K T Viraraghavachari, there is not a scrap of evidence, direct or inferential, in all published inscriptions to show that at any time before the temple passed into the hands of alien rulers "there was any levy of fees for offering worship in the manner a pilgrim desired to do". In other words, "an iniquitous system for which there was neither traditional, sastraic or moral sanction, was sedulously cultivated which benefited the renter, the Nawab and perhaps a few of the temple functionaries".[1]

In 1801, the British inherited this system in full from the Nawabs and subsequently passed it on in 1843 to "a still more hungry Mahant". "When the Mahants were cleared out and the TTD committee stepped in, the iniquitous system was continued as before, *nay the rates were revised to bring in* more revenue." During the days of the Mahants' management, another preposterous legend was coined. It was propagated that the god played a game of dice with one Nattiram Bavaji, placing the temple and even himself at stake, lost, and handed over the temple and all it contained to one of Nattiramji's disciples.

Quite appropriately, it is Lord Clive, 'founder of the British dominion in India', to whom credit should go for initiating the practice of special treatment to VIPs at Tirumala temple. In a 'recommendation letter' he instructed the temple authorities (then under the control of the Nawab of Arcot) to afford all conveniences to one Rajah Raghottama Rao who had experienced 'difficulties' in offering worship and had made a discreet mention of the fact in his thanksgiving message to Clive.

That was way back in 1740s; more than 200 years later Viraraghavachari was bemoaning the fact that, "all the factors which contributed to the growth of such difficulties still exist... As evils invariably take deeper root even after the causes which bred them originally are removed, the levy of fees for worship still continues in the name of the good administration of religious institutions".[1]

The TTD authorities obviously had no grounds to delete these sentences even from the Second Edition of the book, brought out by themselves in 1977.

Note

1 T K T Viraraghavachari, "History of Tirupathi, Volume I", Tirumala Tirupathi Devasthanam Publication, Second Edition, 1977, p 19. All the citations in the article are from this book.

Keeping the Home Fires Burning

S V

ON June 2, 1979, about 150 demonstrators carrying placards, 'Women are not for burning', 'Nariyon dahej ka shikar mut bano', and shouting slogans, 'Jo samaj nari ko jalata hai, Woh samaj badalna hai', took out a protest march in Model Town, Delhi. The protest march ended at the upper middle-class house of Satpal Singh Anand, whose wife Tarvinder Kaur had been burnt to death on May 17. In her dying statement, 24-year old Tarvinder, married only five months earlier, had stated that her mother-in-law and sister-in-law had poured kerosene on her and set her afire. According to Tarvinder's father, her in-laws were pressing for Rs 10,000 for the expansion of their motor spare parts business. While the protesters shouted, 'Boycott the Anand Family', and 'Punish the killers of Tarvinder Kaur', inside an old uncle of the in-laws family sat chanting the 'paath' for the burnt daughter-in-law. The demonstration was organised by a newly formed group of women activists, 'Stree Sangarsh', and was followed by a similar demonstration on June 12, this time at the Boat Club, organised by another women's group 'Naari Raksha'.

The issue is literally a burning problem. 200 cases of women being burnt to death have been reported in 1978 in Delhi alone — allegedly due to a stove accident, or a sari, usually nylon, catching fire, or suicide. Women are victims of 75 per cent of all burn cases in Safdarjung Hospital. Apart from the fact that many cases go unreported, not much happens in those that are registered with the police. Only 9 of the cases registered in 1978 could be investigated and substantiated. This is due to several factors: reluctance of neighbours to testify, corruption at police and judicial levels (allegations are rampant on this score), and the use of kerosene for burning the victim which leaves little or no evidence behind. The primary factor, however, is public indifference, the attitude that 'such things happen' (remarriages have taken place shortly after the wife's 'suicide' or 'accident') and the social norms that dictate that once married, a woman must make her home with husband and in-laws notwithstanding harassment, beating, even torture. In one instance, the in-laws brutally starved and beat the one-year married bride demanding Rs 50,000 and two trucks. Although the family brought back their daughter, they are not lodging a complaint with the police lest it spoil chances of future reconciliation. "It will be a stain on the family", they say, if their married daughter stayed permanently in the paternal home.

Most of the burning cases involve victims from the age group 25-30, coming from lower to upper middle class families, and are related either to 'insufficient' dowry brought at the time of the marriage or to subsequent demands for cash, TV, scooter, air-fare for foreign travel and the like. The problem is not confined to the Hindu community; incidents of wife-burning among the Sikh and Muslim communities as well have been reported. Families who want to or have registered cases that their daughter has been murdered are known to have been harassed and intimidated by the in-laws. The mother of one victim has alleged that the in-laws have threatened to kidnap her younger daughter should the family press the case in court. The mother, frightened by this threat, wants to stop the education of her younger daughter who is at present studying at a women's college in the campus.

In the wake of the demonstration by Stree Sangarsh, there are proposals afoot to put more teeth in the Prohibition of Dowry Act (1961) which till now has virtually remained on paper. An amended bill is to be brought forward in the next session of parliament making the offer and taking of dowry a cognisable offence, increasing the punishment, and putting checks on ostentatious display of gifts. These measures, however, will not result in much, they will only drive underground the giving and taking of dowry.

The ICSSR is to undertake a detailed investigation into the alleged murders and the extent to which this social evil prevails. Studies so far have indicated that the problem is most acute in Punjab, Haryana and Delhi and in the Saurashtra region of Gujarat. Cases of wife-burning, however, have also been reported in Maharashtra and Kashmir. The Report of the Committee on the Status of Women in India (1971-74) states that the practice of dowry is [illegible] and lower-caste groups which earlier practised bride-price are starting to adopt the custom of dowry, and the practice is now catching on from the urban to the rural areas. The change from bride-price (payment made to the father in exchange for authority over the woman and as implicit compensation for the loss of a productive family worker) is a move to improve the status of the family at the expense of the daughter's status in the family where she becomes a liability instead of an asset. In the opinion of the report, "This is undoubtedly a consequence of the withdrawal of women from productive activities and of the loss of productive skills".

Investigative studies and legislation are both needed, but what is needed even more is that women develop their own organisations to spearhead the struggle for change in their condition. Some established women's organisations do exist, both autonomous and those linked with political parties. They have not as yet been dynamic enough; their activities have been mostly confined to seminars, conferences, a few demonstrations. New groups have recently emerged in Delhi; the activists generally belong to the educated middle and upper classes: students, teachers, social workers, housewives. Whether they will be able to consolidate themselves and develop into mass organisations remains to be seen. But unless the older and new organisations are able to effectively launch struggles on women's issues, women like Tarvinder will continue to be victims of the social and economic conditions in our country.

Britain 1979

Britain 1979 — An Official Handbook, published in London by Her Majesty's Stationery Office, contains factual information on almost every aspect of British national affairs. Prepared and revised each year by the Central Office of Information with the co-operation of Government departments and many national organisations, it is designed to answer the questions about Britain that are most frequently asked in overseas countries. The 1979 edition has 500 pages and is illustrated by photographs, diagrams and maps. Each chapter has a short bibliography giving sources and further titles for reference.

"Britain 1979" costs Rs 123.20 and copies may be obtained from the Sales Section, Information Department, British High Commission, Chanakyapuri, New Delhi 110 021.

MAHARASHTRA

Waiting for Final Round

THE recent elections to the co-operative institutions in Maharashtra have created a kind of a political impasse. The state's powerful co-operative lobby, which so far used to stand solidly behind the Congress party, is now divided in different groups each one supporting a faction of its own choice. This situation has given rise to a formidable tussle for occupying positions of power on the apex co-operative bodies.

In a state like Maharashtra, where co-operative institutions wield a considerable influence over the rural economy, solid support of the co-operatives is a powerful weapon in the armouries of the politicians. When one really understands this secret, the inadequacy of the Janata party in spite of its numerical superiority in the state legislature can be easily explained. It was for this reason that the leaders of the Janata party shrewdly relied on the parallel Congress of Sharad Pawar to form a coalition government in the state. They knew that without the backing of at least a section of the co-operative force, any government in the state would be ineffective.

That Sharad Pawar has proved to be far more astute politically is another matter. He knows why the Janata is pampering him. He has not only not allowed the Janata to exploit his rural influence, but has instead used the Janata backing to extend his own influence in the co-operative and rural lobby. Pawar has to be really grateful to the Janata party because now with the help of power and that party's support he has thrown a serious challenge to Vasantrao Patil, the former chief minister and so far the undisputed leader of the co-operative lobby.

Indeed, Sharad Pawar has been so realistic in his political assessment that he has almost ignored with contempt some half-hearted challenges from the Janata ranks and has concentrated most of his energy and manoeuvring on the co-operative front. The Janata party, with practically no co-operative support, was to him a far less dangerous enemy than Vasantrao Patil with the enormous co-operative power at his command, although Pawar commanded little influence in the assembly as compared to the Janata.

Hence the first task Pawar addressed himself to was to attack and destroy the co-operative power of Vasantrao Patil. And attack he did with all the vehemence and resources and with the characteristic astuteness which he inherited from his well-known political guru, Y B Chavan. Right from primary credit societies to district co-operative banks, sale-purchase societies, marketing committees, co-operative sugar factories and the apex bodies, Pawar's faction fought aggressively. The smuggle was not easy for Vasantrao Patil who has been the supreme leader of the co-operative lobby and possesses vast knowledge of working of the co-operative movement.

Pawar's attack, however, did take its toll. A number of Patil's followers steered their white caps into Pawar's camp. A few of his group's co-operative sugar factories too were lost to Pawar. But Patil has tenaciously kept his hold and refused to yield. Nearly half of the fifty and odd working co-operative sugar factories are under the command of his group while the rest belong either to Pawar's group or to ex-Congressmen in the Janata camp.

And yet Patil managed to get elected his own follower as the chairman of the apex body of the co-operative sugar factory. The Maharashtra Rajya Sahakari Sakhar Karkhana Sangh. Similarly, the chairmanship of another powerful body, the state co-operative marketing federation, also went to his trusted follower.

But the most important co-operative office is that of the chairman of the Maharashtra Sate Co-operative Bank which practically controls most of the co-operative finance in the state. The apex bank, which has a working capital of more than Rs 400 crores, is considered to be more powerful than the state's co-operative department. The chairman, with enormous powers to sanction credit and loans, can hold the entire co-operative lobby, including the district banks and the co-operative sugar factories, in his grip.

Thus the elections of the chairman of the apex bank in Maharashtra always had political overtones. This time, Patil himself is said to be in the field and Pawar is still in search of a suitable candidate who could give a fight to the formidable co-operative leader.

The election of the chairman was actually due in March this year. But it has been postponed more than once. The new board of directors has long been elected but it has not held a single meeting as yet for in the very first meeting the board has to elect its chairman. The new board's meeting was scheduled for May 2 but was subsequently postponed, presumably because of the government's intervention on the ground that the election of one of the district co-operative banks was yet to be held.

However, the implications were clear in the co-operative circles; Pawar's group did not want the chairman to be elected before the zilla parishad elections were over. The election is now due by this month end and it is to be seen who really controls the crucial body and in effect the entire co-operative network.

For Pawar, it is politically important to have a firm grip on the co-operative lobby. In Maharashtra, it is not enough to hold power at the state level. Political power is not consummated unless one tightly holds the co-operative strings in one's hand.

While these battles go on, one wonders whether any serious thought is being given to the damage done to the spirit of the co-operative movement. In terms of credit, working capital, number of primary societies and processing industries, Maharashtra's co-operatives come ahead of such co-operative movements in all the states, Gujarat being a poor second. However, because of increasing political overtones, Maharashtra's movement has suffered immensely in efficiency, and the movement in Gujarat is in comparison far more efficient, dynamic and result-oriented. While in Gujarat, a co-operative processing industry is run strictly on professional lines, in Maharashtra, a co-operative sugar factory is simply looked on as a feather in the cap of the local politician who can hope to make his entry one day into the state cabinet on the strength of his factory. Other considerations, such as sugarcane area, irrigation facilities required for the purpose, viability of the factory, are secondary. This has resulted in large scale sickness amongst the co-operative factories.

The co-operative societies too have been used as tools of politics. Thousands of primary credit societies are on the brink of disaster as collection

[illegible] on poll [illegible] produce [illegible] three years a large amount of accumulated arrears have not been recovered because of the parliamentary [illegible] assembly [illegible] in parishad elections. Such is the state of the co-operative movement in Maharashtra; on the surface, healthy, prosperous and moving forward, but at heart, sick.

BIHAR

In Traders' Clutches Again

A S·

THE state governments' forest policies have been notorious for being guided not by the needs of the local people but by the mercantile and profit motives of entrenched interests. Felling of one species of trees and planting another, collection of forest produce, and the formulation of programmes by the forest department, are done invariably in the interests of trade and industry — indigenous or foreign. The adivasis have always been the people of the forest lands. The forests, their products and produce, have always yielded them their food and supplementary earnings. The yield from agriculture is pitiably low — thanks again to various institutional factors. So the adivasis cannot survive without the forests; but even this resource has been increasingly grabbed by trade and industry with the connivance of forest officials.

Sahu Jain's paper mill at Dalmianagar buys 65,000 tonnes (45 per cent) of the total bamboo production in Bihar; the rest goes to the three big paper mills at Calcutta. About 50 per cent of the total production of 45,000 tonnes of sal seeds is used by a single firm, Kanchan Oil Industries, Orissa. All of the 4,000 tonnes of mango kernels collected in Chhotanagpur find customers among the drug firms of Japan, Italy, and Switzerland. Lac and shellac go largely for export. Bihar's policy aims to promote forest-based industrialisation within the tribal region. But it is no secret that in the tribal region such development will serve the interests of big industry and foreign trade, not of the adivasi population.

A major group of forest raw materials whose production is essential to big industry is non-edible oilseeds. The principal oilseeds are sal, mahua, kusum, and karanj. The annual availability of sal seeds is estimated to 45,000 tonnes (valued at Rs 3 crores), of mahua 10,000 tonnes (Rs 1.5 crores), karanj 10,000 tonnes (Rs 40 lakhs), and kusum 5,000 tonnes (Rs 37.5 lakhs). Production per year of these four key non-edible oilseeds is thus estimated at Rs 5-6.5 crores. They feed the soap industry, mainly the big soap maufacturers. The adivasi producers of the oilseeds sell their products in the local, rural markets at throw-away prices, so dire is their need. A handsome profit is reaped by the intermediary traders who use their skills to buy cheapest and sell at the highest possible prices the manufacturers will pay. The latter still find these oilseeds cheap raw material — and have been known in the bargain to advertise the employment they thus create for the adivasis!

In April 1978, the Bihar government decided to take over the trade in mahua, karanj and kusum oilseeds. Sal trade had already been nationalised in 1977. The government said it had two aims in mind: one, to eliminate the traders, and two, to promote industries using the oilseeds. According to the Forestries Minister, Lalit Oraon, the government would pay the producers Rs 1.50 per kg of mahua, whereas the private traders were paying Re 1-1.25. The corresponding prices for karanj and kusum were to be one rupee (75 paise) and Rs 1.25 (one rupee). The main intention of the government was thus supposed to be to help the adivasis get 'fair' prices for their produce.

After the take-over, the government entrusted purchase of oilseeds all over the state to the Bihar State Forest Development Corporation (SFDC). The SFDC, set up in 1975, does not have any machinery worth the name for the purpose. It was almost impossible for it to buy the produce and the take-over led to much dislocation and losses for the adivasi producers. The adivasis — petty producers and collectors who can sell only a few kg at a time in the weekly hat and buy small rations for a few days from such supplementary earnings — found their life becoming more difficult than ever.

At Simdega in Ranchi district, [illegible] tions. [illegible] tration in [illegible] anger burnt down the [illegible] residence of two forest rangers. The police fired on the crowd and killed one person. The Forestries Minister commented that the 'denationalisation' stir had been engineered by the traders. But this was not true; for what the adivasis were protesting against was the utter failure of the SFDC to purchase their forest produce. The adivasis also claimed that the government prices were lower than those paid earlier by private trade. This was corroborated by almost all the legislators of Chhotanagpur. Moreover, the karanj trees (wholly) and the mahua and kusum trees (partly) are grown on ryot land, not in forest areas. Therefore, the peasants are legally free to sell the product to anyone whereas the government was forcing them to sell it to the SFDC. This argument, vehemently put forward on the peasants' behalf by the traders, would not have held had the take-over been successful, for the adivasis would never like to fall back into the clutches of the traders once again.

It was thus a curious situation in which the grievances of the people came in handy for the traders. Nevertheless, despite the large-scale agitation and the police violence last August, government seemed determined not to undo the take-over. The people suffered worse starvation because of the failure of the SFDC to buy their produce. Then, suddenly in October, the government did away with the take-over without any prior public announcement.

Why the decision was suddenly reversed is most important. According to forest department reports, the forest minister, a Jana Sanghi, acted at the bidding of the oilseed traders who, after all, were losing turnover worth Rs 6 crores every year. The minister, of course, holds that it was pressure from the people and the MLAs of Chhotanagpur who opposed the take-over that was the decisive factor. But that is hardly convincing since the people could hardly have wanted to return into the grip of the same intermediaries whom the government had decided to eliminate — and could have, if it had built the necessary machinery to purchase at the promised prices. Following this logic, the revocation of the take-over has been done in the interest of the traders.

SALT

Changing Military Balance

(By a Special Correspondent)

BEFORE the last Vienna summit meeting (between Kennedy and Khrushchev) the American President had peremptorily ordered the Russians not to place any nuclear missiles in Cuba and to dismantle those already there. The Russians who were then just beginning to flex their muscles, backed off before the overwhelming nuclear superiority of the US. A few months before the present Vienna summit it was Brezhnev who ordered the Americans not to interfere in Iran. That is a measure of the change that has taken place in the world as the second Vienna summit meeting of the two superpowers is held.

At Vienna, Carter and Brezhnev are to sign SALT II. This is the fourth arms agreement between the two superpowers starting with the Partial Nuclear Test Ban Treaty in 1962. None of these agreements have in any way slowed down the arms race. While talking of detente, the Soviet Union has furiously expanded its arsenal by some six times in the last 15 years, while the US has doubled its. The two superpowers have moved far ahead of all other countries, including the erstwhile great colonial powers. The Soviet Union, with a smaller GNP than the US, spends more on arms than the US. While US defence spending accounts for 5.2 per cent of its GNP, Soviet defence spending is upto 20 per cent of GNP.

The arms race between the two superpowers is not, contrary to popular misconception, restricted to nuclear arms alone. In the field of conventional warfare the USSR has forged even further ahead than it has in nuclear weapons. Its arsenal of conventional weapons equals that of US and Western Europe taken together.

In the successive Strategic Arms Limitation Talks the two sides have played a game of hide and seek with each other. In SALT I both sides agreed not to develop the costly anti-ballistic missile systems. The US conceded an advantage to USSR in total throw weight (number and explosive strength of warheads that could be delivered), hoping to counter this by its larger number of warheads which could be independently targeted. The US with its advanced electronics was then well ahead in the field of MIRV (multiple independently targetable re-entry vehicles) technology. In the intervening years the Soviet Union has developed and deployed its own MIRV systems. Newer weapons have also been developed in the years since SALT I. The Soviet Union has developed the 'Backfire' bomber which has intercontinental capacity. With the cancellation by President Carter of US plans for the B-1 bomber, the US with its aging fleet of B-52s and B-58s, has nothing to match the 'Backfire'. The Soviet Union has also deployed the very heavy missile SS-18. It has been estimated that 100 of these could wipe out the US's entire Minuteman fleet, which is now in fixed-land positions and forms the backbone of the US's strategic weapons.

The US, on the other hand, has put its trust in missiles under the sea. In place of the older Polaris and Poseidon missiles, a new generation of Trident missiles is ready for deployment. With these missiles (SLBMs) the US could hit Soviet targets even from submarines in the Indian Ocean. The US has also developed the Cruise missile. It is in effect a subsonic pilotless jet with a sophisticated guidance system which enables it to be taken under the existing radar shields.

What are the features of SALT II?

(1) The number of strategic weapons each side may have is restricted to 2,250. Such a restriction is of little significance. In terms of number, 2,250 strategic weapons are quite sufficient. SIPRI in its 1979 Yearbook concludes that the numbers of nuclear warheads "are now so huge that further increases have no military or strategic significance". At the same time, there is no restriction on the quality of the weapons. Older missiles are, and will continue to be, replaced by qualitatively better ones. The quantitative restriction is in fact only likely to give rise to a new quality race.

(2) The treaty restricts each side to developing only one more land-based system (ICBM) upto 1985. But there is no restriction on the development of SLBMs. The Soviets have already tested two new SLBMs, the SS-NX-17 and the SS-NX-18. The US, on the other hand, is developing a new long-range SLBM, the Trident-2.

(3) The Soviet Union tried to get cruise missiles (which are not deployed in Europe) limited to a maximum range of 600 kilometres. The treaty, however, only prohibits the deployment of long-range ground and sea-launched cruise missiles for the next three years. This prohibition is meaningless as even the US has not developed such missiles. Under the agreement, airborne cruise missiles are allowed.

(4) The Soviet 'Backfire' bomber, is a strategic weapon, is not covered under the treaty proper. It is covered only by a so-called "gentlemen's agreement".

(5) There is no restriction on the Soviet heavy missiles, the SS-18. The US has nothing comparable. As already pointed out, just 100 of these can destroy the entire US land-based missile system.

SALT I was ratified by the US Senate without much debate and with only two votes against it. SALT II, on the other hand, has led to a furious debate within US ruling circles. This debate has brought out the fact that US ruling circles are seriously divided on how to maintain US domination in the face of Soviet contention for world hegemony. Those who favour SALT argue that the treaty gives the Soviet Union a stake in preserving a stable world situation and that consequently the Soviet Union will be discouraged from undertaking aggressive adventures. According to them, each side is roughly equal in strength and therefore able to survive a first-strike and retaliate, causing unacceptable damage to the enemy. Such a 'balance of terror' or 'mutual assured destruction' (MAD), as it is now being called, will deter war, they hope.

The critics of SALT in the US argue that the Soviet Union's aim is not parity but superiority so as to be able to launch a first strike and survive retaliation. According to them, SALT II gives nuclear supriority to the Soviets. They argue that SALT in fact heightens the war-danger by allowing the Soviet Union to gain a credible first-strike capacity.

SALT II has also provoked a debate in Western Europe, whose security position is affected. In Europe, USSR has overwhelming superiority in conventional arms. The Warsaw Pact has 58 divisions in Central Europe against NATO's 28 divisions. Besides this disparity of 150,000 troops, the Soviet Union has in its Western military region some 33 divisions which (unlike the US divisions in America) can be immediately used as reinforcements.

The Warsaw Pact has 19,000 tanks and 2,800 warplanes against the West's 6,500 tanks and 1,750 warplanes. Further, the Soviet Union has another 8,517 tanks and 1,100 planes in its own western region. Recently, the Soviet Union has deployed two new battlefield missiles, the SS-21 and SS-22 which can be fitted with either nuclear or non-nuclear warheads.

So far the West was counting on its tactical nuclear missiles to counter the Soviet superiority in conventional arms. But the Soviet Union has recently deployed the SS-20, a mobile, intermediate range ballistic missile. It constitutes a threat to which Europe has no answer. The SS-20 is not covered under SALT, as the Soviet Union insisted that only those missiles capable of hitting the two countries (US and USSR) should be covered.

If the Soviet Union destroyed the tactical nuclear missiles in West Germany, would Britain and France use their few nuclear weapons and risk being attacked by the Soviet SS-20? In that case, would the US attempt to destroy the SS-20 missiles and thus run the risk of waging a nuclear war? In the face of such a situation, the former West German defence minister, Georg Leber, concluded that launching a conventional war against Western Europe, especially against West Germany, with little risk was 'workable' for the Soviet Union.

In the various disarmament talks the Soviet Union has tried to maintain its advance towards military superiority. A case in point is the Mutual Balanced Force Reduction (MSFR) talks which have been going on for many years. In this, the Soviet Union and the Warsaw Pact have refused to acknowledge that they have a clear superiority of about 150,000 troops. The West has proposed that the troops of the two sides should be reduced to a level of parity. The Warsaw Pact, in order to maintain its superiority, has proposed that each side reduce its troops proportionately. Recently, the Soviet Union has seemed to accept the NATO proposal, but with a catch — it has proposed that there should also be national sub-ceilings. This is aimed at West Germany which has the largest ground force in West Europe. Further, the troops in the western region of the Soviet Union are not, of course, to be covered under the troops reduction agreement.

The Soviet threat to West Europe has produced its impact on West Germany. Voices of appeasement have been raised, though they are still in a small minority. The leader of the ruling Social Democratic Party's parliamentary group, Herbert Wehner, recently went as far as to say that Soviet military superiority is "defensive" and arises from the need to "safeguard its spheres of influence in Europe". The West German foreign minister and others have, however, held that the Soviet military build-up "is characterised by its offensiveness".

Detente and arms reduction have not hindered the Soviet Union from stepping up its military pressure on Western Europe and trying to seize control of strategic points in order to outflank Europe. In the recent Soviet-backed Cuban and Vietnamese actions in Africa and Southeast Asia, the Soviet Union was not hindered by considerations of how SALT would proceed. It is some US ruling circles which, finding their once vaunted military superiority fast vanishing, are desperately hoping that by giving in somewhat to the Soviet Union they can maintain their worldwide domination. At the time of the Zaire incident, for instance, some among them had raised the question whether too strong a response to the Soviet-supported invasion would not endanger SALT

PERSPECTIVES

A Primer for Aid Recipients

Paul Streeten

"Because I am witty you must not imagine I am frivolous, and I will not imagine that because you are pompous you are therefore serious."
Sidney Smith to a bishop.

THIS short guide is written for aid recipients who wish to find their way through the political and bureaucratic jungle of donors' prejudices, myths, idiosyncracies and more sensible requirements.

The kings of Siam are said to have ruined obnoxious countries by presenting them with white elephants that had to be maintained at vast expense. In the modern setting this can be achieved best by tying a high-interest loan, called "aid", to projects and to donors' exports and by confining it to the import content or better still some part of it, of the project. But even untied aid on soft terms can be used to promote projects of a white elephantine nature, because capital grants do not cover the subsequent recurrent expenditure which the elephant inflicts on his owners. Receiving aid is not just like receiving an elephant but like making love to an elephant; there is no pleasure in it, you run the risk of being crushed and it takes years before you see the results.

Economists have correlated aid received per head with a number of characteristics of the recipient country. Valuable lessons can be learned from this exercise. If you wish to maximise aid received per head, you must become a very small country. If you are a member of a federation, break away. If you have an irredentist movement, encourage it. You must register a low temperature in the cold war, belong to NATO, CENTO, SEATO and as many other military pacts as possible. You must have a regime that declares that it is favourable to private enterprise. The fact that the public sector is in fact much larger in the countries that preach the virtue of private investment than it is in yours is quite irrelevant. You must attempt to get a high score on the check list of permormance criteria — except when it comes to population policy when it is non-performance that counts.

The final incidence of much aid is such that it benefits the donor, not the recipient. Aid, by raising demand for the exports of donors and by reducing demand for the exports of recipients while increasing their supply, tends to improve donors' terms of trade. Salaries of expatriate managers, technicians and administrators flow back into the countries from which they come. Tied loans are extended for goods at uncompetitive prices, but have to be repaid, with interest, in convertible very hard currency. Charity therefore may begin abroad, but sometimes ends up at home.

If aid is not given to benefit pressure groups in the donor countries, it is given to undo the harm done previously. According to a news item in *The Times* (February 16, 1966): "Vice President Humphrey of the United States announced a $ 50 mn loan for Pakistan to reduce pressure on the national economy caused by suspension of American economic assistance."

Much and a growing amount of aid

is given to finance repayments of past loans and interest payments on them. Gross figures for aid have grown, while the only relevant figure — the net transfer of resources — has declined.

A simple test is this: Whenever an overseas firm comes to you for a concession with the promise that it will raise your exports or encourage import substitution, and therefore be splendid for your balance of payments, check carefully what story it has told the authorities guarding the foreign exchange position in its mother country. Often you will find that the very same firm received permission to spend money abroad on the ground that the investment would strengthen the balance of payments of the capital exporting country. It may be the same firm that promises in its company report to export more from Britain, which also promises you to import less from Britain.

Many forms of aid received turn out, on closer inspection, to be aid given. Aid is, for this and other reasons, a three-letter word. Donors may lend you at 3 per cent and you hold sterling or dollar balances at 4 per cent. Aid from donors, surplus capacity means that you, the poor, are helping to reduce unemployment and to raise profits in the countries of the rich. The acceptance of food aid helps the party in power in the donor country to keep the farm vote, sometimes at the expense of your indigenous agriculture. Purchases of fertilisers keep important branches of the chemical industry in business. Aid-tying enables producers to raise prices against you and to acquire a captive market. Sending young and promising men to be trained, helps donors to staff their hospitals, factories and universities with the best of your brains.

Always look a gift horse in the mouth, for it may turn out to be Trojan. Or, as Ernest Bevin used to say, when you open the Pandora's Box, it is full of Trojan horses.

Many donors have promised to provide "financial resources ... of a minimum net amount approaching as nearly as possible to 1 per cent of [their] national income" (UNCTAD Recommendation, A IV 2). You must beware lest they will hit this target not by inflating aid, but by deflating their national income. The British government has said "we shall hope ... to be in a position to increase our aid to foreign countries ..." (Cmnd 2735, paragraph 5). The hope may be realised as a result of the break-up of the Commonwealth.

Much of what donors call "aid" is really aid to their own citizens. This covers loans and equity investment yielding handsome rates of return, though tabulated by the Development Assistance Committee of OECD as "aid". (It is rather as if, when buying a share of ICI, I enter the transaction as a charity.) In addition to this, aid covers part of the compensation paid to former colonial civil servants for loss of career when they retire when a country attains independence. Aid covers compensation to individuals and compaines who had claims to money, property or land in newly independent countries, which these countries did not meet. Compensation of British farmers in Kenya and the British South Africa Company in Zambia is counted as aid. If exporters, ever eager to sell, have acquired debts which cannot be repaid, and if their foolishly incurred debts are paid off by the British taxpayer, the payment is called aid to developing countires. Those who lost the war and pay reparations are also encouraged to count these damages paid to developing countries as aid

How to Succeed at Aid-Gathering

First, potential donors have to be identified and their peculiarities and idiosyncracies have to be studied so that proper requests can be made and the right types of representative be sent out. In order to make the right impression on aid agencies their motives and methods must be studied. Send out, for aid negotiations, representatives who resemble the donors, or rather resemble the image that donors have of themselves. The representatives should speak the same language, literally and metaphorically, appear to accept the same values and have the same manners as the donors. To appeal to Englishmen, he must show commonsense, be able to engage in small talk, not to be too serious, too clever, too articulate or too learned, laugh at the Englishmen's jokes, which will suggest that he has a sense of humour, not be too successful with women and not have oily hair. To appeal to Americans, he must be frank, manly, unpompous, good at the facts and figures and appear professional. To appeal to Germans, he should be hard-working, keen on private initiative and capable of formulating ideas in a coherent philosophical system with numerous categories, spelt out in long words with classifical derivations. (A subsequent primer will be devoted to what appeals to Russian and Chinese donors.) The more the representative approaches the image that each donor nation has of itself, while remaining properly deferential, the better his chances of success. It is useful to know the jargon: always say, and, more important, write: "absolute increases in income and income per capita are highly positively correlated with initial levels of income and income per capita" when you wish to say: the rich get richer. It is also useful to be familiar with the latest intellectual fads. To those who are impressed by the need to reform agriculture and limit population growth you must present programmes of land reform, large fertiliser purchases and cost-benefit calculation of the marginal sperm diverted. Others, eager to embark on thorough evaluation exercises, will be impressed if you can produce an evaluation of evaluaters. Whatever you propose to do, be ready with an evaluation.

But to send out acceptable negotiators, who can play golf, or drink beer or be prepared to picnic, and who could talk of the trade matrices, systems analysis, and gaps is not enough. They must be well-briefed, documents must be ready on time and letters must be answered.

Amongst the projects, some of the best ones will stand little chance of success, while some of the worst must. Agriculture, fishing or forestry projects may show low rates of return, sometimes long delayed, but can make large contributions to the economy as a whole. They will not be very popular with donors. Projects with a small import content make good use of local resources but, because of the local cost theology of donors, will not attract much foreign aid. Large residential universities, preferably on fertile agricultural land, planetariums, anditoria and other monuments to which labels can be attached, may have no (or negative) development impact but are dearly loved by donors. Administrative buildings, police houses and even, in some cases, prisons may be essential but to ask for them is a pretty hopeless quest.

In matching projects with your donors, you must also pay attention to their balance of payments position. It is easier to persuade surplus countries to finance the domestic content of a project than deficit donors. Projects with a high import content should therefore be sold to those with balance of payments deficits. Make good use of the skills which donors can supply. It is not much use asking a catholic

country for the pill, or one without a chemical industry for fertilisers, however important both pill and fertiliser may be. There is no point in asking for a project which requires for its execution managers whom the donor country is not able or willing to release. It is useful to employ knowledgeable aid consultants, preferably men who are familiar with the procedures of donors.

You do not have to know whether aid is given for military, altruistic, Machiavellian or profit-seeking reasons. But it is a great advantage to know something of the power games played in the corridors of the officers of the donor country and of the bargaining between different civil service departments concerned with the distribution of aid. If the recipient can add his weight at a crucial moment and at a crucial point in the process of decision-taking into a balance of consideration and power, he may be able to make a substantial difference. Such knowledge may have less to do with the merits of a case than with the idiosyncracies of ministers and their senior officials and with the state of bargaining on quite different fronts.

You must try to maximise the number of donors and aid channels. Although this adds to your administrative work, it makes it possible to play one against the other and to encourage them to compete. The larger the number of channels, the greater the number of vested interests and therefore the larger is likely to be the flow of aid. Always oppose efforts to co-ordinate, streamline, or integrate aid-giving activities and institutions. More difficult is the creation of the right kind of political climate. To the Americans and to the Germans, you must convey the impression that you are helping yourself; then Uncle Sam and Onkel Michel may wish to push the car you have started. To the World Bank and other donors, you must present consistent national plans. National planning, irrespective of the plans of other nations and some times inconsistent with these plans, is the modern equivalent of 19th century *laissez-faire*. You may be forced to repeat and perpetuate myths, such as that your borrowing is only for import of capital goods, or for projects that "pay for themselves"; that all the money will be spent on the donor's products, and on his chosen projects, etc. Most important of all, you must perpetuate the myth that you will "take-off" within a specified period and that all aid will then come to a happy end.

If you have a good agricultural engineer or a good expert on fisheries, and you wish to do him a good turn recruit him for a UN technical assistance programme and ask for a similar expert from another underdeveloped country. Admittedly, both will be less effective in the foreign land, but their multiple salaries will be untaxed and paid for mainly out of rich countries' UN contributions. The more swapping of this type you can engineer, the higher the standard of living of your exports, though admittedly their contribution to development is reduced.

Knowing the Mythology of Aid

It is useful to know the prevailing mythology of aid.

There has been a good deal of discussion of the harm done by project and procurement tying. No doubt, a combination of these two forms of tying can greatly reduce the value of aid to recipients, and either of the who by itself is harmful. But success either in project tying or in procurement tying is limited, the limitation depending on a number of factors such as the stage of development of your country, the volume of your trade with the donor, etc. Project tying is limited by the fact that the donor's money only apparently finances a high priority project, while in fact it would have been carried out in any case with funds which are now freed for some low priority activity. Similarly, the possibility of switching always exists with procurement tying. Free foreign exchange earned through exports can be diverted to purchases from other countries, while the tied loan is used to buy what would have been bought in any case.

Another myth is the notion that, to achieve development, aid-financed imports must be capital goods. It is of course true that many underdeveloped countries cannot produce capital goods themselves, or only at excessively high costs. But the development problem is how to feed the workers who do the construction of investment goods, while consumption levels generally are very low. And to finance this surplus by importing food from abroad may make as great a contribution to development as importing the capital goods.

It is also said that you should borrow only for projects that yield exportable goods. Even where balance of payments relief is the main consideration, the whole balance of payments position must be considered. Any contribution to domestic production which, directly or indirectly, reduces dependence on imports, is just as useful as the production of exports.

It is further said that you should borrow only for projects that "pay for themselves" so that revenue collected is sufficient to service the debt. But again, it is not the revenue collected from the aid-financed project but the total public revenue position that matters. If taxation from other sources can be raised sufficiently, there is no reason why a non-self-liquidating project, such as many agricultural or educational projects, should not be undertaken.

The donors' jargon of "taking off" into self-sustained growth serves psychological and political needs, but not analysis. As long as it is merely a rationalisation of donors' hopes to be rid of aid before too long, no great harm may be done. Even then, it may be better to educate opinion gradually by getting it to accept not only the permanent justification of capital flows across national boundaries, for there is no reason why each nation should be self-sufficient with respect to its capital requirements, but also towards the international solidarity which would enable it to envisage the possibility of an international system of taxes and subsidies on a pattern which has become generally accepted within advanced nation states. But the notion of "take off" can carry misleading implications for current policy. It may give the impression that there is something inevitable or very easy in sustaining growth, once a critical point has been reached. Even when we adhere to the aeroplane metaphor, we must remember that crashes occur. There is nothing automatic in sustaining development once certain savings and investment ratios have been achieved. Equally, "preparing the runway", by gradually building up local institutions, skilled and honest administrative services, an entrepreneurial class interested in building large-scale enterprises and in producing rather than trading a reform-minded peasantry, etc, may be an essential prerequisite for development, but show slight or no returns in terms of the ratios normally used to indicate distance from "take-off". There can be a good deal of development without growth, just as there can be growth without development. The metaphor taken from aeronautics can be adapted, but it is usually wiser to touch down from motoring or flying analogies and to ask who does what to whom, when and why. Eschatology is no substitute for policy.

Explaining Price Behaviour

D M Nachane

Behaviour of Prices in India, 1952-70 by Shanti K Chakrabarti; The Macmillan Company of India, 1977; pp xii + 202, Rs 50.

THIS book is a revised version of a PhD thesis submitted by the author to the London School of Economics in 1970 and is an attempt to identify major influence affecting prices, since the inception of planning in India. At the outset it must be mentioned that the author deserves praise for attempting to tackle an extremely complex problem. He has taken considerable pains to collect a large volume of data, has made a deep study of the market and other institutional forces operating in the Indian economy, and the econometric tools that he employs are well-chiselled. Unlike many econometricians, he is fully aware of the various limitations of his model and constantly draws attention to them. Nevertheless the work can be faulted on several details, and the reviewer has serious misgivings about certain aspects of the model.

AGRICULTURAL SECTOR

The general price level P is sought to be explained in terms of three major sectoral price indices (i) P_f, wholesale price index of cereals, (ii) P_i, wholesale price index of manufactures and (iii) P_m, wholesale index of industrial raw materials. Since data on many items of food products was not easily available for the early years of the sample, the author chooses to work in terms of the price index of cereals alone. Using the prices of manufactures as a deflator the author proposes a multiple regression model to explain the relative of cereals by treating the cereals market as one in which a market-clearing price is established by the forces of demand and supply. To take account of the population variable, per capita magnitudes are used. The demand function of cereals is assumed to be of the form

$$D_t = \eta\, y_{n,t} + \epsilon (RP)_t \qquad (1)$$

where D is the per capita demand for cereals from the non-cultivating population $y_{n,t}$ is per capita non-agricultural real income and $(RP)_t$ is the relative price of cereals (in terms of manufactures).

The supply of cereals in the market is given by

$$S_t = (1-w)\, Q_t - C_t - \Delta K_t \qquad (2)$$

where S_t is the supply, Q_t is total production, w is the fraction of output of cereals used as seed, livestock feed etc, C_t is the cultivators' own consumption, K_t is the year-end stocks with traders and cultivators, and ΔK_t stands for the change in such stocks. The change in stocks ΔK_t is explained by the following equation

$$\Delta K_t = \sigma (Q_t - Q_{t-1}) + m [RP_t - RP_{t-1}] \qquad (3)$$

Equations (1), (2), and (3) combined with the market-clearing equation $D_t = S_t$ yield the reduced form equation for RP_t as

$$RP_t = a_1 y_{n,t} + a_2 Q_t + a_3 Q_{t-1} + a_4 RP_{t-1} \qquad (4)$$

Allowing for the possibility of imports and the fact that a part of the consumption of cereals is *via* ration/fair price shops at subsidised prices, equation (4) can be suitably modified to yield

$$RP_t = h_1 y_{n,t} + h_2 Q_{1,t} + h_3 Q_{1,t-1} + h_4 RP_{t-1} - h_5 d_t \qquad (5)$$

where Q_1 is the total availability of cereals including imports and d_t is the amount distributed through ration shops as a percentage of toal availability.

At this stage, let us pause to critically examine some of the aspects of Chakrabarti's model. First, the decision to use the price of manufactures as a deflator. The author cites three reasons in support of this choice "(a) the relative price that we obtain thereby has some interest of its own (b) it is a better indicator of the real income of farmers than either of the other 2 deflators (*viz*, general price index and working class consumer price index) and (c) the statistical results are better for this relative price".

Of these, I think, only (b) merits serious consideration. The manufactures price index would be a superior deflator as compared to the general price index only if cereal growers spent a substantial portion of their incomes on manufactures. The data available, however points in a different direction. Thus, a study by John Mellor and Uma Lele (*Indian Journal of Agricultural Economics*, Jan-Mar 1973) indicates that agriculturists with holdings of less than 5 acres spent about 60 per cent of their income on agricultural commodities and only 40 per cent on non-agricultural commodities. For farmers owning between 5 to 10 acres the figures were 52 per cent on agricultural commodities and 48 per cent on non-agricultural commodities. (This class might probably represent the model class for cereal cultivators.) It is only large farmers owning more than 30 acres for whom the proportion of income spent on manufactures was substantially high (about 65 per cent). (The reference year for the study is 1964-65.) These facts cast considerable doubt on the suitability of the price index f manufactures as a deflator, the general price index or alternatively the cost-of-living index might have been more appropriate.

Turning now to a more serious anomaly, an examination of equations (1) and (2) above reveals that the consumption of cereals by a substantial proportion of the agricultural population, which is engaged in the production of non-cereals is unaccounted for. The observation by M L Dantvala (*Indian Economic Journal*, Oct-Dec 1970), made in a slightly different context, is very relevant here. According to him, it is not just urbanites but many of the rural population who are dependent on the market for a significant share of their food requirements. The following Table compiled by C V Achuthan shows the proportion of income generated in the non-cereals sector as a percentage of total agricultural income to be around 40 per cent.

	Year 69-70 (Per Cent of Total Agricultural Income)	Year 70-71 (Per Cent of Total Agricultural Income)
Rice	31.67	32.12
Jowar	4.74	5.92
Bajra	3.25	2.68
Maize	2.44	2.56
Ragi	1.09	1.03
Small millets	0.90	0.99
Wheat	14.03	11.89
Barley	0.98	1.15
Total (cereals)	59.10	58.34
Gram	3.49	3.76
Tur	1.19	1.31
Other pulses	3.02	3.15
Total (pulses)	7.70	8.22
Groundnut	7.82	7.94
Other oilseeds	3.55	2.94
Total (oilseeds)	11.37	10.88
	69.70	70.71
Cotton	6.26	6.57
Jute	0.97	0.95
Sugarcane (gur)	8.47	8.65
Tobacco	2.06	2.15
Tea	1.68	1.72
Coconut	2.38	2.51
Total	99.99	99.99

Thus the non-cereals sector accounts for a substantial portion of the total income generated in agriculture. By leaving out the demand for cereals from this section of the populace (which incidentally would have an income-elasticity of demand for cereals ranging between 0.5 for the middle-income groups and about 0.9 for the lower income groups) the empirical reliability of Chakrabarti's model is reduced considerably.

Chakrabarti's analysis regarding the speculative activities of traders also leaves much to be desired. To quote from the book (p 38): "Theoretically also since the Indian cereals market is composed of many small traders it is unlikely that any individual trader would hope to be able to force the price up by a policy of withholding supplies from the market. There may, of course, be some limited degrees of local monopoly power of wholesale traders and there may also be some facit understanding among them about the marketing policy. Assuming that there is such a monopoly element in trading, it can be shown that the traders can increase their total sales revenue over the year by making the distribution of sales over the different seasons more unequal, provided that the price elasticity of demand for cereals is constant and less than unity in absolute value. But then profits will be higher if more is sold in the beginning and less later, because thereby the traders economise in carrying costs. A policy of withholding supplies from the market will therefore be irrational for the traders unless the stocks are actually destroyed." The argument is sought to be buttressed with a mathematical model but is again liable to leave the reader with a lot of lingering doubts. What for example is the rationale of assuming that the price elasticity of demand for cereals is constant especially in periods of acute shortages, when speculative activity is likely to be most pronounced? Again, what is one to make of a statement like the following one (p 39 footnote): "If prices are expected to rise later, this is an additional reason why the monopolist trader will try to sell more earlier than later", uness the statement is a misprint? And, finally, has the public distribution system contributed in any way to the mitigation of the speculative pressures? I think, Chakrabarti's analysis in this regard is fallacious and misleading. The issue of speculation in foodgrains really cannnot be discussed in the context of an annual aggregative model of the type developed in the book.

Manufacturing Sector

Turning to the manufacturing sector, one finds considerable merit in the author's basic hypothesis that prices of manufactures are determined by a rule of marking-up unit prime costs. This is a refreshing alternative to the usual explanation in terms of a competitive apparatus. In the Indian context, with government regulation being an important feature of industrial policy and with the trade associations playing a dominant role, the mark-up hypothesis is likely to be the most suitable explanation. But here again the issues are clouded by the author's decision to work in an aggregative framework, employing time-series data. An examination of the mark-up hypothesis for different industries like jute, cement, textiles, etc, would have been much more illuminating from the point of view of both policy-makers as well as academic economists. It is to be hoped that this work will act as the lead for researchers to undertake an examination of industry-specific roles of the mark-up hypothesis.

Chakrabarti's approach is to explain the wholesale price index primarily in terms of the following variables (1) unit wage cost of output, (2) wholesale price index of industrial raw materials, (3) per capita money supply, and (4) unit value index of raw material imports.

Further the wage costs and prices of raw materials are explained in terms of certain other factors. The level of wages is sought to be explained in terms of the (i) cost-of-living index number and (ii) the index of output per worker. The relevant equation (p 107 of Chakrabarti's book) is reproduced below

$$w_t = -0.5378 + 0.8612\, P_{c,t-1} + 0.4036\, A_t = \bar{R}^2 = 0.8792.$$

where w_t, $P_{c,t-1}$ and A_t are respectively the per capita earning of workers, cost-of-living index (All India General Working Class Consumer Price Index Number) and index of output per worker. For statistical reasons (as the author himself admits), the co-efficient of $P_{c,t-1}$ could be biased upwards considerably. The upward bias may be present to a lesser extent in the case of the co-efficient of A_t. But here again, the crux of the matter seems to be that the aggregate approach is a blanket that could conceal a variety of situations arising in different industries. The extent of unionisation for example, might determine to what extent in a particular industry, gains in productivity or rises in cost-of-living get reflected in the wage-rate. Since automatic escalation clauses are only recently emerging (and they were certainly insignificant over the time-period covered in the book), the wage levels in specific industries in the organised sector have been fixed as a resultant of the process of union-management bargaining, with the rise in the cost of living and increases in productivity having very little influence, if at all. An approach studying each industry separately is therefore necessary before one places any confidence in aggregative results.

The price of raw materials is explained by regressing this price on the ratio of industrial production to production of raw materials. Rather surprising is the complete omission of the transport costs in the explanation of the raw material price. This factor can often account for a substantial portion of the wholesale price of raw materials. Thus according to the Report of Inter-Ministerial Group on Freight Equalisation of Commodities (Government of India 1977), freight accounted for 21 per cent of the wholesale price in the case of pig iron, 21.4 per cent in the case of cement, 9.8 per cent in the case of steel (structurals), 54 5 per cent in the case of coal (Grade I). Even in the case of raw cotton, units in Porbandar for example, reported freight costs of about 5 per cent of the price. (See Report, *op cit*, pp 16-17 and annexure VII.) Here again, the limitations of an aggregative analysis are abundantly clear. The incidence of transport costs will not only vary over industries but also in the same industry, freight costs may differ substantially for units located in different regions.

The final part of the book is devoted to bringing together the various aspects of the model, estimating the equations simultaneously *via* the Two-Stage Least Squares Method and working out the policy implications of the model. While the reviewer is in full agreement with the author's scepticism regarding the notion of a 'safe' limit to the expansion of money supply, he has misgivings (some of which are shared by the author himself) about basing actual policy measures on the basis of an aggregative time-series model.

The main value of the book is in the fact that it is one of the few worthwhile attempts to explore a complex

economic phenomenon via a large-scale econometric model. As in the case of any pioneering effort, it is not free of defects. Possibly the most useful outcome of this work will be to motivate other researchers to devise ways around the pitfalls and to develop more elaborate models to take account of the multi-faceted complexity of the economics of the real world.

A Murdered Model

Gail Omvedt

Kampuchea: Rationale of a Rural Policy by Malcolm Caldwell; Janata Prachuranalu, Hyderabad, 1979; pp 91 plus footnotes, Rs 6.

THE threat of famine hangs over Kampuchea today. And it is a terrible irony that this time it comes not with an imperialist invasion but on the heels of a "socialist" one, and not simply because the armies have disrupted agricultural production but as the result of a deliberate developmental policy emphasising high-technology "modernisation" (Kampuchea is slated to join the Mekong Development Project once Vietnam can convince the other members to let it in) and integration with the world market economy with all its implications, including allowing all the middle class bureaucrats and "experts" to return to Pnomh Penh. Even more pathetic is the recent statement of the Vice-Minister for Foreign Affairs illustrating the accepted new dependence: "We cannot rebuild our country with our own hands. We need the help of socialist nations and peace-loving peoples all over the world We need the assistance of all the peoples and organisations of the world" (*Times of India*, May 26). It is as if Kampuchea were Bangladesh in 1973-74 — a beggar before the world.

What is the significance of this? It can no longer be denied that the Communist Party of Kampuchea (known in the bourgeois and revisionist press as the "Pol Pot regime") was overthrown not by a popular uprising but by over a hundred thousand Vietnamese soldiers. It would seem hard to justify this on Marxist principles. Particularly if one wants to condemn the Chinese aggression — marching 50 to 100 miles inside the territory of a country, capturing a few important towns, then retreating —, justifying a permanent occupation would seem almost impossible. As if a burglar is a criminal, but someone who murders the head of a household and occupies his place is a liberator (or a saviour, since the term is "national salvation" as opposed to "national liberation").

The justification has been on moral principles — by claiming that the Kampuchean Communists were "mass murderers" responsible for the deaths of millions of their own people and for serving imperialist interests in wanton attacks on Vietnamese borders. Unfortunately this justification has convinced very few — it has not convinced the majority of Third World countries, it has not convinced even independent neighbouring Asian communists such as the Democratic Peoples' Republic of Korea (which condemned the invasion) or the Communist Parties of Thailand and Malaysia.

And it has not convinced the independent Marxist or progressive scholars in Europe and the US who first analysed and replied to the propaganda against Kampuchea when it was originated by the imperialists — scholars such as George Hildebrand, Gareth Porter, Noam Chomsky and many others who showed not only that these slanders had little basis in fact but that to the contrary the Kampuchean revolution was laying the basis for avoiding starvation and disease. Most of such scholars have come to the defence of Kampuchea recently — out of a simple loyalty to the facts, because the Vietnamese have produced no *new* evidence to justify their actions, and not because they themselves are committed to a "pro-Chinese" or any other position.

Of these Marxist scholars, certainly the most committed in terms of his long-term service to the Asian revolutionary cause was Malcolm Caldwell. Caldwell paid for his convictions with his life last December, but his voice is not so easily silenced. What is probably his last work — a paper originally written for a seminar in Bielefeld, Germany in April 1978 — is now available in India as a 100-page small book for the nominal cost of Rs 6 from Hyderabad.

The book deserves to be widely read, not simply by those who want to "defend Kampuchea", but because it discusses the fundamental issue of *the model of development* (perhaps "line" would be more accurate) which should be followed after a revolution, a line which determines the nature of the "transition to socialism", which may even determine whether this transition is to occur at all For Caldwell himself does not simply "defend" the Kampuchean revolution; he sees it as going on the path which must be followed, as "one of the most significant early indications of the great and necessary change beginning to convulse the world in the later 20th century and to shift from a disaster-bound course to one holding out promise of a better future for us all".

Why is this? Because the Kampucheans were following a policy in which the development of industry and trade were to be organically linked to a self-sufficient agriculture — and hence *autonomy* in food production — as a necessary base. Caldwell does not say much about what this means in class terms (except to stress the criteria that all must have access to land and the means of production in agriculture) and hence about Kampuchea's commune-barter economy, perhaps because this is a factor that would vary with the class structure and stage of development at the time of revolution.

But he is clear that such a path has become necessary today, if even the parimary goal of feeding a nation's people is to be achieved. The alternative, according to him, is to be caught in the net of international imperialism which in its current stage necessarily involves agricultural export-dependence and the depressing of living standards of the rural majority (and urban poor) to the point of starvation. India, exporting beef, goats, vegetables, fruits and a projected one million tons of foodgrains a year while countless numbers of agricultural labourers survive on one meal a day and a rampant Hindu chauvinism threatens to deprive them of one source of protein and burden the rural population with more aged cows, is an example of this. But its solution is not achieved by the simple fact of a "revolutionary" party coming to power, rather by the nature of the policy followed by that party.

Caldwell's thesis links this argument with issues raised in the fight against '*overdevelopment*' *in imperialist* centres (now highlighted in the anti-nuclear movement in the US). It raises some questions that it does not answer — particularly in regard to the problems and position of present-day "socialist" regimes within the imperialist system, and in regard to the issue of relations of production and class struggle in post-revolutionary regimes. But it is an important work, even if in many ways an unfinished one — and the tragic significance of the present famine and food-dependence of Kampuchea is precisely to highlight this significance.

Rural Employment: Facts and Issues

M L Dantwala

Any employment strategy, to be effective, has to be based on a close understanding of the characteristics of various types of unemployments, tracing them to their root causes, particularly the inequitous social and economic structure and inequitous institutional set-up.

Here we shall note and comment upon two or three salient features of the unemployment situation, and certain relationships between the incidence of unemployment and some of the characteristics of the labour force.

ERADICATION of poverty and unemployment has been a major goal of development planning since its inception in our country. The success achieved in the realisation of this goal has been patently disappointing. Judging by the economic policy statements of the Janata government and the Draft Five Year Plan: 1978-83, it appears that more earnest efforts will now be made to tackle the problem. Some decisive policy shifts have been introduced to make a more visible impact on the problem during the Plan period. As a result, it is expected that by 1982-83, the 'employment gap' will be reduced from 40.7 million 'standard years' to 15.5 million 'standard years' in 1982-83.

The employment strategy for reducing unemployment has three basic ingredients: (1) a policy to maintain the highest feasible rate of growth, (2) a policy to make the pattern of production more labour-intensive, and (3) a policy to regulate the technological change so that the rate of growth of employment is maintained at a satisfactory level. No one can demur against a policy statement at this level of abstraction. At a somewhat more concrete level, it is stated that "the employment-content of the structure of production is sought to be increased by redirecting private demand through redistribution of purchasing power and public demand through greater expansion of public services". Redistribution of purchasing power is sought to be achieved through "accelerated implementation of land reform, differential input supply policy favouring small farmers, the minimum needs programme and the public distribution system" [8]. All this is expected to increase the demand for labour-intensive goods.

Our major grievance against the estimates of employment and unemployment made by the Planning Commission is that they are too aggregative and therefore fail to reveal the highly heterogeneous character of the unemployment situation. If the problem of unemployment is to be effectively tackled, this heterogeneity should be thoroughly understood. The macro policies like massive shift in public outlay in favour of rural areas and encouragement of labour-intensive technology may not decisively redistribute purchasing power in favour of the lower income group, unless such policies are backed by appropriate organisational mobilisation and institutional changes.

Economists now understand that unemployment cannot be eliminated merely by pumping in purchasing power in the economy, but they may still find it difficult to accept that a policy of generating a certain aggregate number of jobs or even person-days of employment may not necessarily bring about a corresponding reduction in unemployment. Unemployment or demand for jobs is highly dispersed not only regionally (which everyone knows) but also by age, sex and class of worker. Besides being widely dispersed, it is fragmented in terms of timing and duration for a large number of the unemployed, except those who are chronically unemployed. What is therefore of essence in employment planning is to match employment generation with demand for work, if not for each individual, at least for each major category of the unemployed. We have, I presume, by now understood the distinction between additional jobs and additional person-days of employment. The distinction between the number of unemployed persons and the number of person-weeks or person-days of unemployment was driven home, against much academic resistance. A large majority of persons in the 'labour market' may not want new jobs, they want more stable — and more remunerative — employment in their existing or allied occupations. Of course, if driven to the wall, as during a famine or severe drought, they would accept whatever is offered and would be "willing" to move wherever the planner would move them. During normal times, their behaviour is found to be quite different. Thus, in the current year (1978-79) the gap between the number of persons who have *registered* themselves under Maharashtra's Employment Guarantee Scheme (EGS) and those amongst them who actually *reported* for work has been quite substantial. The number of persons registered in the current year was about 28 lakhs. The average attendance in various works under the EGS was about 5.2 lakhs, the maximum being about 7.69 lakhs. It would be interesting to know how many of these 28 lakh registered work-seekers had reported for work and the distribution of such persons according to the number of days for which they were employed (a) under the EGS or (b) elsewhere. A systematic districtwise and projectwise record of variations in the attendance of registered (and unregistered) job-seekers and its seasonal pattern would provide rich material for employment planning.

In sum, employment strategy to be effective has to be based on the understanding of the characteristics of various types of unemployments (the choice of the plural is deliberate), tracing them to their root causes, particularly the inequitous social and economic structure and inequitous institutional set-up.

It is necessary to remember a very elementary fact that all the millions of days of additional employment sought to be created under the Sixth Plan have to be provided to the unemployed and under-employed in the five and a half lakh villages of India. Therefore, the most critical issues in employment planning are not only the magnitude of the aggregate employment generation and its sectoral distribution but also its spatial and occupational spread It should be admitted that there are

TABLE 1: UNEMPLOYED AS A PERCENTAGE OF PERSONS IN FORCE
(AGE GROUP: 15-59)

	Rural		U
	Male	Female	Male
Daily Activity (Person-days)	7.32	8.89	9.85
Weekly Activity (Person-weeks)	3.68	3.41	7.41

many constraints on such matching of employment generation with the variegated needs and limitations of the unemployed and the under-employed. The important limiting factors would be the inadequacy of natural endowments of the area and the capabilities and aptitudes of those in need of work. It may be possible to overcome the latter constraint to some extent through an appropriate programme of training and skill formation. Beyond that some migration of population in a planned and purposeful manner may be inevitable. However, an important desideratum of this strategy of tailoring employment generation to the needs and aptitudes of the people within the limits of the development potential of the area is a genuine commitment to the establishment of a competent planning authority and implementing machinery at the district or block level. Consonant macro policies are no doubt equally important. Vyas and Mathai [24] have advanced another cogent argument for decentralised planning. Planning at the micro level, they argue, enables planning of various activities "in a mutually supportive manner" and thereby enhances the productivity of each individual activity. The obvious example is that of power and irrigation or irrigation and land shaping.

The Planning Commission certainly knows this and has therefore attached a great deal of importance to block-level planning, thus acknowledging its own limitations as a remote central planning agency. The Planning Commission can, at best, analyse the problem, allocate resources for its solution, devise a policy frame, and provide technical guidance. But the rest, particularly actual implementation, has to be at a much disaggregated level.

Obviously, we cannot rest content with the general statement that unemployment is a heterogeneous phenomenon. We should, to the best of our ability, put together as much information as is available on the different facets of the unemployment situation, analyse it and spell out its policy implications. Thanks to the 25th, 27th and 32nd Rounds of the NSS and quite

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Higher Incidence of Unem among Females

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for males anr (b) 11.42 per
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[8, Table 4.15]. These estim
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other crops (8.16 million) and other agricultural sectors (12.23 million), i.e, in activities in which only a small percentage of labour force is presently absorbed.

How realistic are these projections? What does the past experience suggest? In discussing this issue following types of questions would be of interest. What is the impact of level of agricultural output on employment? What is the relationship between the level of agricultural production and the incidence of unemployment?

There cannot be any unique relationship between the level of agricultural output or its growth rate on the one hand and employment on the other. Apart from the variations in the basic agronomic (soil-climate) conditions, the type of techniques and technology of agricultural production and its class bias would be important determinants of the employment effect. In simple language, what would matter is where (apart from agronomic conditions), how and for whom the growth takes place. Besides, in the discussion on labour input in agriculture, it is important to bear in mind the distinction among (1) labour input per unit of cropped area, (2) labour input per unit of cultivated area and (3) labour input per unit of output [5]. In what follows, we cite the findings of a few studies which relate the impact of agricultural development in India since the early fifties on employment. The studies though painstaking should be read with a great deal of caution. Findings of some of the studies [2, 4, 20] have been questioned by many scholars on grounds of conceptual infirmity, doubtful data base and methodological flaws.[1] In spite of this we felt that it would be worthwhile to get acquainted with them.

LEVEL OF OUTPUT AND EMPLOYMENT

Lakdawala has stated that the elasticity of person-day employment per hectare with respect to output (kg per ha) is negative at (—) 0.94 to 0.97 for all regions (—) 1.86 for developed regions. It may be however noted that though the per hectare output-employment relationship is negative, "with a quantum jump in output levels, employment generated may still be quite high".

Parthasarathy examines the same sets of data as are examined by Lakdawala. Aggregating the region/district data for the relevant states, he finds that in 7 out of 16 states, the relationship between rates of unemployment and output per hectare is positive, negative in 4 and no firm relationship

is found for the remaining 5 states. Aggregation of region/district data of relevant states however is likely to vitiate comparisons and therefore the finding.

Vyas and Mathai confirm that though on an aggregate basis they did not find a statistically significant relationship between increase in agricultural production and agricultural employment [24], the results based on more localised studies, with firmer data base, show output employment elasticities in the range of 0.3 to 0.7. "The study of output-employment relationship, conducted in connections with the Second Asian Agricultural Survey, suggests a figure in the range of 0.4 to 0.6 per cent in the more labour intensive countries of Southeast Asia. For a country like India a figure of 0.5 may be more realistic". It may be noted that the Draft Plan has assumed almost 1 to 1 relationship between growth in agricultural output (4 per cent per annum) and growth in employment in agriculture and allied sectors (4.22 per cent per annum).

Mehra [14] and Vaidyanathan [20] find that over a period of time, labour input per hectare for *individual crops* has declined. Mehra's study reveals that "the decline in labour input per hectare in he 1960s over that of the 1950s is about 24 per cent for *deshi* wheat, 21 per cent for American cotton and 15 per cent for *deshi* cotton". Vaidyanathan, also finds that in the three districts for which the Farm Management Survey can be compared over time, namely, Muzaffarnagar, Ferozepur and Coimbatore, human labour days per gross cropped hectare had fallen for individual crops — wheat, paddy, sugarcane, cotton and groundnuts — between Period I (1954-55 to 1956-57) and Period II (1966-68 for Muzaffarnagar, 1967-70 for Ferozepur and 1970-73 for Coimbatore).

Mehra however finds that for all crops taken together, labour input per cultivated hectare has increased over time. For example, she reports that overall labour input per cultivated hectare in Ferozepur increased by about 40 per cent (by 22.94 man-days) between 1966-67 and 1969-70 and the mid-1950s. Out of the increase of 22.94 man-days per cultivated hectare, 7.87 man-days are attributed to the increase in the cropping intensity and the rest, i e, 15.07 man-days, to increased application of labour to individual crops resulting from (a) expansion of irrigation, (b) new technology and (c) associated changes in the cropping pattern. Mehra attributes 46 per cent (10.56 man-days) of the overall increase (22.94 man-days) in labour input to irrigation: 4.72 man-days *via* increase in cropping intensity and 5.84 man-days *via* increased input on individual crops. The remaining 54 per cent (or 12.38 man-days) of the increase is attributed to new technology and change in the cropping pattern induced by it: 3.15 man-days to the former and 9.23 man-days to the latter. She concludes: "the hand of new technology in increasing the employment of human labour on farms does not in the main appear to be operating directly but indirectly *via* changes in the cropping pattern".

Using Farm Management Survey data for 17 districts, Vaidyanathan [20] has tested the following hypotheses: the level of human labour input is determined by (a) level of productivity per unit area, taken as a proxy for the more fundamental determinants (namely the quality of land, agro-climatic conditions and other physycal inputs) of total energy inputs needed for crop husbandry; (b) the use of energy resources other than human labour; and (c) the relative costs and efficiencies of different energy sources.

Vaidyanathan tests his hypothesis through a variety of data sets and methodology. His *inter-district* cross-section analysis shows that correlation co-efficients between human labour days per hectare (HLD/ha) and yield per hectare has a positive sign (+0.37), but the co-efficients are not statistically significant. The multiple regression analysis however shows that the yield per hectare has a significantly positive relation with human labour input. But Vaidyanathan's explanatory variables — output/ha, bullock labour days (BLD)/ha, cost of human labour relative to animal labour, and horsepower/ha — explain no more than 40 per cent of the variations in human labour input. Introduction of another variable — proportion of area under paddy and sugarcane as a proxy for variations in cropping pattern — does not improve the significance of relationships.

Changing over to the analysis of *intra-district* variations in labour input, Vaidyanathan finds that human labour input and production per hectare are positively associated in most (11 out of 14) districts for which data are available. The correlation is statistically significant in five cases, and not significant in the other six. Of the other three districts where the correlation is negative, the co-efficient is significant only in one district.

The picture is much the same when the data for different districts or zones (combining districts) are pooled size-classwise. The intensity of human labour is positively associated with productivity in 5 out of 6 cases, and significantly so in 4 of them. Multiple regression analysis also shows that production per hectare has significant positive influence on labour absorption in half the groups.

Vaidyanathan sums up his findings by observing that "the analysis corroborates Ishikawa's hypothesis that in general the intensity of human labour input tends to rise as yields per acre increases. But the relation does not hold in all cases, nor is it as strong as one might expect. The relation seems to hold better when inter-district variations rather than intra-district variations are considered".

Bardhan [4] however finds that in the Hoogly district of West Bengal, between 1956-57 and 1970-71, input of human labour per year per acre of cultivated area nearly doubled, and more than trebled in small farms not exceeding three-quarters of an acre. This phenomenal increase in the intensity of labour input per hectare over a period of less than 15 years was a consequence of extension in irrigation in surveyed farms from 15 per cent of sown area to 55 per cent, diversification in the cropping pattern in favour of potato, wheat and summer paddy and an increase in the cropping intensity index from 1.23 to 1.53.

A significant finding of Vaidyanathan's study pertains to the differential impact of increased production on the use of family labour and hired labour. "There is some indication that between Period I and II the intensity of family labour participation in cultivation may have declined both in terms of Labour Force Participation Rate (LFPR) in cultivating households and of the average number of days per annum for which farm family labour is employed." Correspondingly, "in general", the proportion of hired labour in the total labour used in crop production has increased sharply in three (out of four) districts. In Coimbatore the increase was from 26.2 per cent to 84.9 per cent. In Muzaffarnagar, however "the labour force participation rate in farm families has risen sharply (from 31 to 49 per cent), while the average annual employment per adult male has fallen (from 287 to 190 days)". The phenomenal rise in the hired labour

component of the total labour input is associated with a general tendency in all districts for increase in the size of operational holdings and a sharp reduction — especially in Ferozepur and Coimbatore — in land cultivated under tenancy arrangement. How far these phenomena, particularly the former, is the result of sampling design in the second series of FMS is a point which would need further investigation. See Saini [18].

Vaidyanathan interprets "the significant rise in the ratio of hired to total input as an indication of growing proletarianisation of agricultural labour force". It seems to us that the latter, even if it is a fact, does not necessarily follow from the first. It is possible that if employment opportunities in non-farm employment become attractive, a part of family labour may be hired out for such work (see Ishikawa [11], p 81) and replaced by cheaper hiring in of landless labour. Alternatively, the observed change may be an indication of higher leisure preference among the large sized farmer. A more exacting regimen of farming operations under the HYV technology may favour hired labour *vis-a-vis* family labour especially female labour. Proletarianisation would be reflected more in the incidence of unemployment rather than in increasing proportion of hired labour to total labour input in agriculture. It must, however, be noted that in all the three districts, the average farm business income from crop production per man-day of work contributed by members of the cultivators' family has risen much faster than the average daily wage rate per man-day of hired labour In Muzaffarnagar the former rose nearly ten times as much as the latter and in Ferozepur and Coimbatore by 2 and 2½ times. The moral is clear enough The emphasis on agricultural development is not enough, as much, if not more, attention needs to be given to the distribution of gains from development not merely in terms of employment but also income.

Level of Output and Incidence of Unemployment

Let us now attempt to identify the relationship between the level of output per hectare and the incidence of unemployment. Normally one would expect that a relatively prosperous agriculture would help to reduce both poverty and unemployment. Empirical evidence however does not lend support to this expectation. Table VI in Lakdawala's Presidential Address [12] provides data for 65 NSS regions in respect of (1) agricultural output per hectare — from JNU-PPD Study and (2) unemployment rate (in person-days) as per 27th Round of the NSS. The correlation co-efficient between the two turns out to be positive at 0.30 (significant at 5 per rent level), which implies that higher agricultural productivity is associated with higher unemployment.

Parthasarathy examined the relationship between statewise growth rates of agricultural production per annum (from Yechuri's paper [25] and rates of unemployment, and found that "States with very high rates of growth of agriculture (exceeding 5 per cent) such as Punjab and Haryana do show very low rates of unemployment. But the scatter of the states with the same rates of growth among varying rates of unemployment does suggest that there is no firm inverse relationship between rate of growth of agriculture and level of rural unemployment" [16]. Bartsch also observes that "Any innovation, whether biological — chemical or mechanical reduces labour-hours of labour input per unit of output [5].

There may be a variety of factors responsible for the positive association between agricultural productivity (or growth) and unemployment. We have referred earlier to the inverse relationship between productivity and labour input. The inverse relationship would be accentuated if growth in output is achieved through labour-displacing technology and practices. But one would expect that the positive effect of growth of production and its forward and backward linkages on the rest of the economy would outpace the negative effect or rising productivity (output per acre of cropped area) on labour input. Or may be, agricultural prosperity acts as pull factor to attract labour from neighbouring areas and the enhanced employment potential due to growth is more than offset by a large number of claimants for work.

A paper by Alagh, Bhalla, and Bhaduri [2] throws some light on this phenomenon. In 100 districts — out of 281 districts for which data are presented — where the average rate of increase of output between 1962-65 and 1970-73 was 5.21 per cent per annum and where increase in the yield was the main contributing factor, the rate of increase in the male labour force engaged in agriculture[2] was 2.71 per cent per annum along with an increase in their productivity of 2.44 per cent per annum. At the other end, in 64 districts in which the initial (1962-65) yields per hectare were only slightly below the yields in the above 100 dis-

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[illegible] ment of village roads and rural sanitation system. All these schemes can form the core of the public works programmes or special employment schemes — with or without guarantee — for the landless.

While recognising the importance of the public works programmes and special employment schemes, a few cautionary remarks may be made. First, they must not become the main plank of employment programme and thus divert attention of the planners from the major task of rural development, namely, removal of all hurdles which impede the efforts of the poor and the unemployed to be self-reliant and earn their livelihood through their own work and merit. The planner's aim should be to integrate them within the mainstream of economic activity and not to segregate them into a footloose class of camp followers or retinues perpetually dependent on the benevolence of a government sponsored employment programme.

Second, all 'special' schemes and projects — EGS, SFDA, DIC, tiny sector, whoever their sponsors may be — must emerge as an outcome of an integral area plan, meaning they must shed their departmental/sectoral heritage. There is a world of difference between a minor irrigation project — even though duly tested for economic and technical feasibility — taken up under the compulsion of an employment guarantee scheme and the one which emerges as a result of a thorough review of resource inventory and development potential of the area, made by the District Planning Team. Even after several years of experience of EGS in Maharashtra, as late as November, 1978, it was noticed that "most of the works taken up under the EGS have been done in a haphazard manner without ensuring proper integration between them" and "though considerable number of percolation tanks are being taken up under EGS now, determined efforts to utilise the water impounded in these tanks have not been made". Hopefully, such deficiencies can be reduced, if not eliminated, through integrated area planning.

Third, the success of the special employment schemes should be judged by the progressive reduction in reliance on them. In other words, the aim should be to ensure that in due course the development of the area would be such, in quality and scale, that it would be able to provide income and employment to all its labour force, and fewer and fewer persons would find it necessary to register themselves as candidates for employment guarantee.

I must confess, there is a strong (and sound) body of academic opinion which favours giving pride of place to public works programme — or guaranteed employment — in the employment policy. Partly, this is an outcome of disappointment with post-Independence experience of the feeble impact of the varied development programmes including those specially meant for the benefit of weaker sections on the magnitude and intensity of poverty and unemployment. But more importantly, in some regions the resource base and potential are so meagre that even with the best of planning intentions and skills, it may not be possible to provide gainful employment to the swelling labour force within the mainstream of development. In such cases a purposeful — and preferably permanent — shifting of population may be unavoidable, and this can be best achieved through a well-planned public works programme aimed at capital formation. While we concede the force of this argument, we would once again submit that the public works programme should not become a *soft* option and an alibi for basic structural and institution reforms which constitute a basic condition for employment-oriented development.

Notes

[This is a revised version of the author's Presidential Address delivered at the All-India Labour Economics Conference held at Ahmedabad in December 1978. The author is grateful to Pravin Visaria, D R Sundaram and other friends for their valuable comments on the earlier draft.]

1 See, for example, Proceedings of the Technical Seminar: Labour Absorption in Indian Agriculture, sponsored by Asian Employment Programme of ILO (ARTEP) and Institute of Economic Growth, Delhi, January 22-23, 1979 (mimeo) and Preface by K N Raj to ARTEP publication cited in [4].

2 Actually, the number of male agricultural workers as given in the population Census 1961 and 1971, unadjusted for definitional changes.

3 Alagh's "effective employment" concept is different from the Draft Plan's adjusted standard person-years of employment due to the introduction of an income criterion.

4 A one per cent increase in percentage of farms below 2 hectares would lead to 0.31 to 0.49 per cent increase in employment in person-days per hectare. See Lakdawala [12].

5 It is worth noting that between 1960-61 and 1976-77, the value of production of Khadi increased from Rs 14.2 crores to Rs 55 crores but during the same period full time and part time employment in its production declined respectively from 2.06 lakh to 1.40 lakh persons and from 15.06 to 8.83 lakh persons. In village industries, while production in the same period increased from Rs 33.2 crores to Rs 131 crores, part time employment increased from 4.46 to 9.87 lakh persons and full-time employment only by 0.76 lakh persons, from 1.18 to 1.94 lakh persons. Source: *Commerce*, October 15, 1977.

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Agricultural Economy:

Threat of Ecological Disaster

Sri Madhava Ashish

This paper sets out to demonstrate how the present practices of agriculture in the Kumaon Himalayas is unavoidably implicated in giving rise to deforestation over extensive mountain tracts. If traditional farming and grazing practices are allowed to continue in the Kumaon tracts, not only will the hill populations destroy the hill environment on which their own livelihood depends and be forced to migrate to the plains, but the damage caused to plains agriculture by alternating floods and droughts, silting, and possible climatic changes will endanger the livelihood of the whole nation.

INTRODUCTION

THE unprecedented floods last year were an awesome reminder — if one were needed — that the destinies of people living in the North Indian plains are crucially affected by deforestation and deteriorating mountain environments in the Himalayan foothills. Deforestation in the hills is, in turn, the direct outcome of a certain complex of agricultural and animal husbandry practices which were relatively harmless in the context of low population density, but are proving to be highly destructive of the environment in the context of high and rising population density. The stunning realisation is beginning to dawn on a hard-hit people that what we have taken to be natural catastrophes or Acts of God are in fact the cumulative consequences of destructive and unsustainable patterns of human livelihood. Eco-catastrophes and environmental disasters turn out to have been largely caused by untenable economic practices.

This paper sets out to demonstrate how the agricultural economy of one particular hill region — the Kumaon Himalayas — is unavoidably implicated in giving rise to deforestation over extensive mountain tracts. If traditional farming and grazing practices are allowed to continue, not only will the hill populations destroy the hill environment on which their own livelihood depends and be forced to migrate to the plains, but the damage caused to plains agriculture by alternating floods and droughts, silting, and possible climatic changes will endanger the livelihood of the whole nation.

It is essential that policies and programmes be developed to stop this process before conditions in the Himalayan foot-hills reach the point of no return.

The argument can be briefly summarised as follows:

The inability of available cultivable land in the hills to produce enough food for a rapidly increasing hill population is giving rise to intense pressure on forest lands. Large forest tracts have been cleared of their protective vegetal cover over the years in a desperate scramble for more cultivable land, however poor in productivity. In spite of this, the region remains a net importer of foodgrains from the plains to the tune of almost 75 per cent of its annual subsistence requirements. But even more than this unwise extension of uneconomic agriculture, perhaps the single most important factor responsible for depriving the hills of their natural tree-cover is the extensive over-grazing of forests and grasslands by too many cattle and goats. The dung of these animals is absolutely essential for manuring the fields which generally have such poor soils that nothing will grow on them without substantial inputs of animal dung. But in turn they graze to the ground all available fodder and young foliage within reach, and so inhibit the natural regeneration of forest trees and grasses.

In the Kumaon region, at least, trees are felled for firewood only for the use of town-dwellers. Branches and waste from other operations are usually sufficient for village needs. Nor does the main cause of deforestation lie, as is popularly supposed, in commercial exploitation of forests for timber. The primary cause of deforestation is heavy over-grazing, which severely hampers the regeneration of forests after felling. (This, however, should not be construed to mean that bad forestry practices such as monoculture, clear felling and careless logging methods do not require urgent correction.)

It is the prevailing system of hill agriculture which is thus causing an interlocking set of problems which are playing havoc with the forest-based ecology of the hills. It can be further shown that in any realistic reckoning, there are certain basic constraints because of which there is no possibility of a long term development of the hill economy along agricultural lines. The analysis itself suggests the solution: the only real hope lies in an extraordinary and unprecedented programme to convert the uneconomic and environmentally destructive agricultural economy of the hills into a potentially far more prosperous and ecologically viable economy based on horticulture, perennial crops, and forestry.

It must be made clear at the outset that while this argument is basically correct, such figures as are given may not be equally applicable to all hill areas. The general picture presented here would still remain valid in its essentials, and capable of extension, with due modifications, to many other parts of the Himalayan belt. The purpose of this paper is to present a preliminary analysis of the problem which can serve as a starting point for further discussion and investigation in an area of critical importance. A great deal of detailed quantitative data will be required before corrective policies and programmes can be formulated. It is hoped that this preliminary statement will serve to draw attention to the need for more systematic surveys, and to show the factors which must be taken into account in formulating corrective policies and programmes.

THE PROBLEM

The people of the Kumaon are rapidly bringing their environment to the point of ecological collapse. With the increase in population over the years, forests were felled to accommodate larger cultivated areas, and new villages were established, usually at higher altitudes. The older and larger villages lay in the valleys where the soil was rich, the terraces wide, and water channels irrigated three full

crops in the year. (These irrigated valley areas comprise no more than 10 per cent of the total hill area and are excluded from the purview of this paper.) 1,000 to 1,500 feet above lay another line of villages, smaller, poorer, with narrower terraces, and with only mountain springs for water. Above them again came another line of dwellings, poorer still, having perhaps three crops in two years; many of them established as villages within living memory. This is the last line of villages at 6,500 to 7,000 feet altitude. When the population lower down increased to the point where the harvest yields no longer supported it, families migrated to start cultivation higher up, clearing more forests in the process. The prevailing picture today clearly spells population increase to the limit of available land.

An essential feature of hill agriculture is its absolute dependence on animal dung as manure. Hill soils are so light, shallow and low in humus content that without application of manure no rain-fed crops will grow. Light doses of nitrogenous artificial fertiliser can supplement manure on rain-fed terraces, but it cannot substitute for the moisture retaining qualities of dung and humus. In fact, experience indicates that the use of chemical fertiliser by itself, without manure, may be positively harmful on hill soils. Thus, the primary reason why hill farmers keep cattle is not, as popularly supposed, for milk, but to provide manure for the fields. These animals are gazed on common pastures and forests during the day and hence only their night dung can be collected. Maintained in this fashion, cows require minimal attention as compared with stall-fed animals. Stall-feeding of cows is rare, because poor milk returns seldom justify the labour involved.

In order to maintain crop yields, each farmer would ideally like to keep about four animals per acre of cultivation. Though there are variations between altitude belts, hill pastures are commonly so poor that each mature animal would require some 15 to 20 acres of mixed pastures and fodder forests to support it in good health and to allow continuous grazing without causing deterioration of pastures. Therefore, under existing methods of grazing, each acre of cultivation ideally requires some 50 acres of mixed pasture to support it.

When the population was small in relation to the land area, this proportion originally existed. But, as extension of agriculture progressed, the proportion between cultivated area, on the one hand, and pasture and forests, on the other, reached the point where pastures could not sustain the number of animals required to maintain the level of agricultural returns. If we say that a hill family of four requires 1,000 kgs of grain to feed it properly for one year, and that the average yield of rain-fed terraces is 300 kgs per acre in one crop and 200 kgs in the second, then each such family requires two acres of land to feed itself, and a minimum of half an acre for a cash crop. In order to produce even at such low levels on hill soils, the dung of at least one stall-fed buffalo, two grazing bullocks and two grazing cows is necessary. The poverty of hill pastures is such that each mature animal needs (but never gets) about 15 to 20 acres grazing area. In addition, each family requires an area of forest capable of supplying 75 to 100 oak trees for plough replacements if forests are not to be reduced by the demand. Building timber is a further requirement. While all these figures are subject to dispute because local conditions vary enormously from area to area and from altitued belt to altitude belt, we shall not be far out if we say that each family of four ideally requires 100 acres of mixed pasture and forest land to support itself even at the lowest subsistence levels without causing environmental deterioration. Such conditions disappeared more than a hundred years ago.

1970 figures for a sample of five villages show a total of 374 buffaloes, 388 cows, 442 bullocks, and 577 goats, totalling 1781 animals for a human population of 1342. While the desirable load on pastures under existing methods of grazing is something like 15 to 20 acres per head of cattle, estimates for the actual present load on pastures vary between 0.8 acres to 1.5 acres per head of cattle. Figures supplied by the UP Forest Department show that out of a total forest area of 27,000 sq kms in the Kumaon, about 20,000 sq kms are actually available for grazing by about 4 million cattle. This huge number of half-starved and stunted cattle gives a pasture loading at least ten times greater than what hill pastures can sustain without deterioration. Where there are concentrations of population, the loading would be much higher.

The outcome, in consequence, may be readily envisaged. Population increase together with restrictions on agricultural extension have resulted in the fragmentation of land-holdings into such tiny plots that very few families today obtain more than two or three months' food from their fields. For the families to survive, the working members have to find other employment. And since there are few opportunities for employment in the hills, it has to be found in the plains. However, for the most part only the men migrate, leaving their families and their cattle in the hills. So large is the number of men in outside employment that, if the families were to accompany their menfolk, the hills would be almost empty. The residents are mostly women, children, and old men. Only a small portion of men of working age finds local employment in the forests, on roads, or on the local staff of government agencies. The number of families resident in the hills has thus continued to increase, while the per capita land-holding and the per capita share in the harvest continued to decrease. The number of animals maintained has also continued to increase with the number of families, at an estimated rate of 2 per cent per annum.

At the same time, a natural economic phenomenon has occurred which masks the poverty of the hills and creates a deceptive illusion of prosperity. Hill men in service in the plains send their earnings home. From a small trickle in the 1940s, the money flowing into the hills became a flood by the late 1960s, inundating the villages with ready cash. Families with a husband and a couple of sons in service had never known it better. With the help of what has come to be known as a 'money order economy', the supply of plains-earned money and plains-grown grain has permitted the resident population to continue their traditional farming practices, while their numbers have been steadily rising above the maximum sustainable by the environment. Had the Kumaon been an isolated state, such an escape from environmental compulsions would not have been so readily possible. The natural consequences of over-exploitation of the environment would have, in the long run, pinned down population density at a level where the recuperative

capacity of the environment balanced the amount of exploitation. But because of the possibility of migration and the resulting inflow of cash, there are no forces inherent in the situation today to jolt local people into an awareness of what is happening.

However, none of this money has reduced the environmental burden on the hills. On the contrary, with money to pay for casual labour, agricultural extension is being pushed to the limits. More animals are being bought and new homes requiring timber are being built. Forests which were unbroken canopies of green till two decades ago are now ghost forests of grey poles with a few tufts of leaves. Natural regeneration of forests is being prevented by the grazing and trampling of too many animals. In what is now a competitive scramble to collect fodder leaves which may be fetched from a distance of several miles, hill women are hacking off large branches with a heavy cutting tool (*bariyat*, where they previously used a light sickle to remove only leaf-bearing twigs. Such heavy cutting badly damages trees and greatly reduces the crops of both green leaves for fodder and dry leaves for the animals' bedding, all of which eventually goes into the fields as manure. Deprived of its litter, the forest floor erodes down to the tree roots. There are areas of Oak forest where each tree stands on a hillock formed by its own roots, the surrounding soil having been washed away.

The pressure on pastures is now greater than ever. Heavy over-grazing, and over-cutting of fodder trees have also resulted in a degeneration of the cattle and reduction in milk yields. Existing programmes for cross-breeding cattle with high-yielding exotic strains have tended to fail for the same reason. In fact, exotic strains often do even worse under existing cattle management methods than the unproductive but hardy locals. Continuously grazed pastures produce only 1/4 of the quantity of grass produced when pastures are under controlled grazing or hand-cutting, for the reason that the beneficial effects of photosynthesis begin only after the blades of grass are over six inches high, and with uncontrolled continuous grazing the plants never reach this height. And because cattle graze selectively, the most succulent and nutritious grasses suffer the most and so give way to coarser and poorer grasses. Continuous grazing thus has the further effect of driving the better quality grasses out of existence.

In other words, even in order to maintain itself at its present meagre level, hill agriculture is drawing on the capital resources of the natural environment at a greater rate than they can replenish themselves. For this reason hill agriculture is uneconomic, besides providing much less than subsistence for the land-holders. If we regard pasture and forests as the natural capital resources of hill agriculture, the yield therefrom in terms of grass, fodder, leaves, and humus can be considered their yearly interest. Over-grazing and over-cutting of leaves mean that farmers are not only spending their annual interest but are also eating into their non-replaceable capital resources. This is the highway to economic and environmental bankruptcy.

Environmental Destruction

The geological formation of the Kumaon hills is such that they are extremely vulnerable to dessication and erosion. The soil is unstable, the gradients are steep, and the monsoon rainfall is high (Nainital, 108"). Damage to forests and grass-cover therefore represents a major threat to soil stability. The biggest contribution to environmental destruction is made by free-grazing bullocks, cows and goats, helped out by the demand on fodder forests. Instead of carrying one animal per 20 acres, pastures and fodder forests together are actually carrying about one animal per 1.5 acres or less. Cattle scramble over steep hillsides in search of food, cutting the soil with their hooves, trampling down tree seedlings, and leaving grassfree tracks down which monsoon rain washes the loosened soil.

Once the subsoil rock is exposed, re-establishment of vegetative cover is difficult, if not impossible. Water retention being lost, the run-off is unchecked. This threat is increasing exponentially, for each new area of cultivation reduces available pasture, and each new family unit, formed when brothers of a new generation divide their land, commonly maintains its own cattle, thus increasing the demand on decreasing pastures. Rain on bare hillsides is carrying off subsoil, spreading sterile detritus on the fertile plains, silting dams and choking canals and river beds. Heavy rains run quickly off the hills that retain no moisture, causing increasingly severe floods, but in dry weather the rivers and springs are tending to run dry.

Everyone has now heard that deforestation affects the climate. Not everyone appreciates, however, that average rainfall figures are not in themselves a sure guide to climatic change. What matters to vegetation — and so to the farmer — is not so much the amount of rain as its dispersal over the plants growth period and the number of consecutive dry days. Though deforestation may reduce the average rainfall, the effective reduction is greater when, in the pattern associated with deforestation, rain comes in heavy downpours with dry periods between storms. And when this pattern is further associated with reduction in the water-holding capacity of the soil due to inadequate humus content, the effects of climatic change on agriculture and environment are further aggravated. Such climatic changes may take place so slowly that our awareness of their onset is inhibited by the normal alternations of good and bad years. Imperceptibly, an environment like the Kumaon hills may reach a critical state in which virtually irrecoverable erosion or dessication could be triggered off by a period of excessive rainfall or prolonged drought. The total effect would be to threaten the agriculture of the north Indian plains, because the pattern of the Indian monsoon and the release of its waters for the rest of the year is controlled by the condition of soil and vegetative cover in the Himalayan mountain belt.

In the context of such predictable devastation, the conclusion is inescapable that nothing can check the accelerating decline in the hill eco-system without drastically curtailing the farmers' suicidal exploitation of their irreplaceable natural resources.

Why Piecemeal Reforms Will Not Work

It might be thought that an order prohibiting the grazing of cattle (disregarding for the moment the virtual impossibility of enforcing such a ban) would solve the problem at one stroke. Cattle would be stall-fed, forests would regenerate quickly, and grasslands would produce four to six times the bulk of grass previously grazed. Because both day-time and night-time dung would be collected, the manure available for fields would double.

However attractive this may appear at first sight, the suggestion is un-

workable. Against these advantages we have to consider that the fodder demands of the existing numbers of cattle (stall-fed buffaloes and night fodder for cows) have already resulted in approaching destruction of existing fodder forests, and that it takes a woman the best part of half a day to keep the buffalo fed. Who is going to cut grass for the two bullocks, two cows and their calves? The men cannot do it, for they are at work the year round to earn food for the family. We may immediately think in terms of reducing the number of cattle by half, still keeping the manure yield at its present level. Even then, the work load of the women would still be too high, and we run up against the difficult problem of disposal of surplus animals.

The problem ramifies. In order to give the hill women an incentive to undertake the extra labour of hand-cutting grass and fodder leaves, the present low-yielding buffaloes and cows would need to be replaced by a smaller number of high-yielding animals whose cash returns would economically compensate for the extra work. But to obtain such economic returns, concentrates are necessary — and the national export policy on oil cake has raised prices beyond the reach of the below-subsistence farmer. Also, these cross-bred high-yielding cows produce humpless bullocks. No steps have been taken to popularise a yoke by which they can be utilised for draught, so they are sold for the production of vaccine and the farmer keeps his old local breeds going to ensure a supply of humped bullocks for ploughing. Thus the cross breeding programme instead of reducing the number of animals has increased them.

Furthermore, unlike in the plains where bullocks work the year round, the hill bullock may work as little as 12 days in the year. A hill farmer with as little as one acre of land keeps his own bullocks in order to make sure of getting his ploughing done at the best time. In economic terms, therefore, the hill bullock is an almost total liability. Just prior to and during the short ploughing seasons he feeds his bullocks. For the rest of the year thousands of idle bullocks trample the over-grazed pastures. With one or two rare exceptions, the gradients of village lands and of local roads are all too steep for bullock carts. Their use for lift irrigation is unknown, and even threshing of the tiny harvests is done by hand. Can one rationally expect the hill women to break their backs feeding these all but useless animals at stall?

There are those who maintain that with irrigation and fertilisers, wheat yields in the hills can be raised from an average of around 10 quintals per hectare to a regular 35 quintals or more. The basic objection to this is, of course, that increased yields from the fields will in itself do nothing to diminish the destructive effects of over-grazing and over-cutting. Moreover, water resources for expensive small-scale irrigation are limited and produce, in effect, a few oases of greenery in an otherwise arid land.

A cruel blow lies hidden in the benevolent government plan for a fruit belt. Plans for promoting horticulture in the hills have a long history, going back to pre-independence days. The problem which none of these plans could overcome was that cultivators would be deprived of crops for several years between planting fruit trees and their economical fruiting. This problem was thought to have been solved by a recent government scheme to prepare small orchards on fresh land and to hand them over to farmers when they reached fruit-bearing age. But there is no such fresh land. Almost every square inch of land not under cultivation is already more than fully grazed. By felling forests and enclosing village pastures for the fruit-belt orchards, the remaining pastures and forests are brought under even heavier grazing, thus hastening the day when the grass roots will be washed away. The expropriation of large areas of forests and grasslands for conversion to orchards would do nothing to reduce the cultivated area, while at the same time reducing village pastures by an equal amount, thus exacerbating the effects of over-grazing. In any event, only a tiny percentage of the population could be settled on such orchards.

To those who recommend the establishment of industries in the hills, it may be pointed out that this would only exacerbate the basic problem by holding even more men in residence in the hills.

What Is the Solution?

These and other interlocking problems have brought hill agriculture to its present state of small, uneconomical holdings, steadily eating away the natural resources on which they depend and, even so, producing an average of but two to three months' foodgrains in the year for the resident population.

The fact is that so long as we attempt to solve the hill problem in terms of agriculture, we find ourselves blocked at every turn, for the reason that we are fifty to a hundred years beyond the time when, however poor it was, there was a viable agrarian economy in the hills. Since the hill forests are already badly damaged, mere palliatives having the effect of freezing the *status-quo* will not touch the basic problem. The conclusion to be drawn from the facts recited is that the area of cultivation needs to be reduced to a point where the relationship between cultivated area, cattle numbers required to support such cultivation, and pasture-cum-forest required to support the cattle, stand in such proportion that the demand on pasture and forest is less than their regenerative capacity.

If forests and pastures are to be allowed to regenerate, a reduction in cattle numbers is essential; and if cattle numbers are to be drastically reduced, the amount of land under cultivation of foodgrains would have to undergo a proportionate curtailment. The area of hill pasture cannot be increased, for they constitute almost every inch of the hills, including government forests and fallow lands. Since the total area is being over-grazed, and over-grazing is the major factor contributing to loss of vegetal cover and environmental devastation, either agricultural practices must be reformed in such a manner that grazing can be stopped, or grain agriculture must be stopped altogether. Since pasture areas cannot be increased, and we have to assume that cultivated area cannot be decreased, we are left with two variables: the numbers of cattle and the types of crops. Since the numbers of cattle, and particularly the numbers of bullocks, are related to the types of crops and the amount of ploughing required for each crop, it is apparent that the substitution of perennial or hand-cultivated crops in place of the traditional foodgrains is the key to hill reform. In brief, therefore, the ultimate aim of hill reform should be to stop virtually all foodgrains cultivation, and to put all arable lands to such uses as do not require the plough: fruit orchards, tea, nuts, medicinal plants, castor, flowers, vegetables. With stoppage of foodgrains cultivation in the hills (except in the fertile irrigated valleys)

the need to keep animals only for their manure would be eliminated. Once the plough is banned, the large-scale felling of oak trees for replacements of the wooden plough-share would automatically stop. With no further need for drought animals, bullocks which outnumber cows and do immense damage through uncontrolled grazing, would no longer be needed. Prohibition of grazing could then be realistically implemented, and the low-yielding hill cows replaced by a breed capable of giving an economic milk yield on stall-fed fodders. Two advantages would immediately result from stall feeding of all remaining animals: the same quantity of manure would be obtained from half the number of animals, and ungrazed pastures would produce four or more times the quantity of grass for hand-cutting. Thus, with half the number of animals and four times the quantity of grass, the effective loading on pastures would reduce from one animal per 1.5 acres to one animal per 10 or more acres in terms of uncontrolled grazing. Or, to put it another way, by reducing the number of animals by half and stall-feeding them, eight times the present ration of grass would become available to each animal. It is well to bear in mind that since bullocks outnumber cows, and since no farmer is willing to do without his bullocks even though they are needed for only 15 days' ploughing, the actual halving of cattle population and stall-feeding the remainder will not happen until the plough is abolished from the hills, and bullocks are therefore no longer needed for draught.

With foodgrains cultivation and uncontrolled cattle-grazing stopped the hills would be freed for the development of forestry. Large areas of bare land would become available for afforestation, even after allowing plentiful space for village requirements of hand-cut fodder grass. Since the all-important water retaining capacity of the hills is even more closely related to the extent and condition of the forest floor than it is to grass cover, erosion would be stopped, and the ecological balance restored. Forest revenue would increase to several times its present amount, and a far greater number of hillmen would find whole-time employment in forest work than presently find employment in the hills. Although reafforestation might take anything upto 50 years to complete, the Kumaon would soon become a huge tourist recreation area of almost unparalleled scenic grandeur.

Under more ordinary circumstances, a proposal to stop foodgrains agriculture in the Kumaon — and extending the argument, elsewhere along the Himalayan foot-hills — might appear extravagant. But these are not ordinary circumstances. The agrarian economy of the hills has already collapsed, and if the hill environment is not already in a critical condition, it is certainly approaching it. Whether it will go in 20 years, as the author has heard foreign 'experts' predict, or in 50 to 100 years, as appears nearer the truth, the nation cannot afford to wait and see if the Kumaon will reach the point of no return. The welfare of all the people of India is conditional upon the welfare of the Himalayan foot-hills, because no part of India can afford to ignore what happens to the agricultural economy of the North Indian plains.

We have to return to the point that the hill population is, on the average, producing two to three month's foodgrains from their agricultural operations. Foodgrain for the remaining nine to ten months is already being imported from the plains, and families are actually subsisting on money earned in non-agricultural pursuits. If, as is now the case, India is producing a sufficient surplus of food to feed the hill population for nine to ten months, can it not feed the hill population for twelve months? If so, then the entire maze of interlocking problems can be brushed aside because hill agriculture ceases to have any national significance comparable to the threat posed by the degenerating environment in the hills.

A new set of problems will immediately arise and will have to be solved; but at least their solution will not be blocked in the manner that the agricultural problem is blocked when attempts are made to solve it on its own level. In the long run, the cost to the nation of subsidising the hill population during the transition to an economy based on forestry and horticulture to the extent of two to three months' foodgrains would be immeasurably less than the overall gains from establishing an economically and environmentally more viable situation in the Himalayan foothills.

Corrective Measures

A total re-structuring of the hill economy is being envisaged. The ultimate aim, as already stated, is to eliminate grazing by abolishing the plough from the hills (excepting the irrigated valleys), and to bring virtually all land presently under cultivation or pasture under perennial or semi-perennial vegetal cover. This would include afforestation of some land hitherto cultivated or grazed, and the utilisation of arable land for uses which do not require the plough, such as fruit-orchards, nuts, tea, medicinal plants, flowers and vegetables. In this connection it may be noted that ecologists recommend complete afforestation of all lands above 4,000 feet altitude.

Extreme administrative action, such as prohibition of grazing and confiscation of bullocks and ploughs, even if this were to be backed by large-scale compensation and aid in establishing new cropping patterns with their associated infrastructures and sales outlets, would be both humanly undesirable and difficult to enforce with justice. It would appear to be more appropriate to begin by introducing elements of reform which, while not in themselves changing the traditional life-style, tend to produce a social climate favourable to change. Later when the need to prohibit grazing arises, as it must, its impact may be felt only by that section of the community which has not voluntarily accepted the advantages of the innovations.

The policies and programmes required may be summarised here.

(1) The programme could be started in the higher altitude villages where the effects of deforestaiton and erosion are most damaging. These villages are usually the poorest, smallest and least heavily populated, and are therefore expected to provide the least resistance to change. As an immediate step all ridges and well-defined spurs where bare, should be afforested with suitable varieties of trees for a minimum of 50 metres on each side. Where existing cultivation stands on such ridges and spurs above 3,600 to 4,000 feet altitude, it would be advisable to assign other areas for cultivation and to afforest, or even to consider moving such villages to other locations.

(2) In the interests of conversion of existing arable land to orchards etc, further extension of agriculture should be prohibited and no new land grants should be given for orchards. This would be a relatively straight-

forward matter.

(3) The Consolidation of Landholdings Act, which has not yet been implemented in the hills, must be enforced just as vigorously as it has been in the plains, notwithstanding the difficulties on account of the wide variability of hill soils from place to place. The fragmentation and scattering of landholdings militates against the development of initiative and the introduction of innovations by individual farmers. No individual farmer can, by himself, change his cropping pattern, change from agriculture to horticulture, or from grain to fodder crops. His tiny, fragmented holdings are scattered over several hillsides with no space-wasting bunds to mark the division between his land and his neighbour's. He must plant exactly what his neighbours plant, for anything different would be destroyed by his neighbour's bullocks when he ploughed or turned his animals onto his fallow. If landholdings are consolidated, individual farmers are free to change their cropping pattern at their own wish and are therefore open to progressive proposals. If the village lands stay as they are, then no change can be brought about without obtaining the unanimous consent of every landholder in the village. And since village lands are often owned by residents in several other villages, decisions involving the land of one village become the concern of people in many villages. The difficulties in obtaining unanimous agreement would therefore be practically insuperable. It is therefore considered that application of the Consolidation of Landholdings Act in the hills is a pre-requisite to any sort of reform of land use.

(4) Some of the land under cultivation, particularly at higher altitudes, is of such poor quality and on such steep gradients that forestry is its only proper use. At the time of consolidation of landholdings, the opportunity should be offered to landholders to surrender their land to the government for afforestation against adequate compensation, or a scheme could be worked out whereby land would be leased to the forest department for a rent which would be at least equivalent to yearly crop values from its agricultural use Where such land is available in sufficiently large areas to make a sizeable block, the purpose of increasing the forest area by afforestation of arable land would be achieved more cheaply than if full compensation were to be given for outright acquisition of land.

(5) While total prohibition of grazing must eventually be imposed if the hills are to be saved, this cannot be done as an initial measure since the resentment aroused and the consequent difficulty of enforcement would arrest the programme before it was started. As an introductory step it should be possible to impose a grazing tax on all animals taken to pasture, rates being made higher for low-yielding cows. Rates could be subject to revision as breeds improved. Stall-fed animals should not be taxed, the intention being to discourage grazing and to encourage stall-feeding. This could be expected to engender awareness of the relation between the costs of maintaining animals and the benefits they give, so placing a disincentive on keeping animals only for manure and an incentive on economically yielding animals. Evasion of tax could be expected, but even evasion increases village awareness of the issues at stake

(6) No solution to the hill problem is possible unless the number of grazing animals is drastically reduced A reduction in the number of cattle would require, in turn, an improvement in quality of the lesser number of animals. In order to achieve this, a crucial pre-requisite is the provision of a legal and easily workable channel for the disposal of useless and surplus animals. Once this is provided, a start could be made by offering one buffalo or middle-yielding cow in exchange for two or more local cattle. Male calves could be purchased at a nominal rate.

It is a sad and ridiculous fact that the Act preventing the destruction of useless cattle is the biggest obstacle to the solution of the hill problem. It would seem absurd that the fate of the Indian nation may hang upon such an irrational and out-moded sentiment It is particularly ridiculous when one knows that the great majority of hill farmers have no objection to selling cows destined for slaughter, provided that their destination is discretely concealed. The most important contribution the government could make towards solving the hill problem would be to provide a practicable channel for the disposal of unwanted cattle.

(7) Both to encourage stall-feeding and to provide more fodder to support programmes for the upgrading of cattle, it should be compulsory for every village to set aside sufficient grassland to furnish hand-cut grass for winter fodder. These areas should be fenced-in or walled. Some villages already have such grass farms, and they are highly valued. Similar provision should be made for replanting and protecting areas of fodder trees. Forest areas fenced by the forest department in the normal course of forest administration could become permanently fenced grass-cutting areas allotted to neighbouring villages. Grass-cutting rights in such areas could be restricted to families actually stall-feeding improved cattle. Both cattle and forests would benefit.

(8) It is generally accepted that goats and forests cannot survive together Goats permit pine forests to grow, but they destroy the seedlings of broad-leaved trees and so contribute to the monoculture of pine, which is ecologically undesirable. Indeed, it is possible that it is goats, and not the policy of the forest department, which are responsible for the increasing pine monoculture of which so many complaints are being made. Hill goats are not milked but are kept almost entirely for sale to town butchers. They are popular because they are little trouble to keep, require no night fodder, and, though there is little of it, their manure is rich. While they add considerably to their owner's income, their contribution to village diet is minimal. Any government with a will to save the hill forests, preserve the hill environment, and benefit the hill population, would ban the keeping of goats entirely. Chickens could substitute for both income and diet, and would harm nothing

(9) Much could be done to encourage stall-feeding and so to reduce pressure on pastures if cheap fodder could be imported from the plains by subsidised transport. Such fodder might be the treated and pelleted crop-residues for which the UP Agricultural University is said to be erecting a pilot-plant at Pantnagar.

(10) One of the greatest incentives to change would be the introduction of cottage industries. A current programme teaches women to spin wool on the Bageswar Charkha, and they are said to be able to earn six rupees per day. Such alternative occupations for women are important, for it is only lack of alternatives that causes hill women to labour all day on uneconomical landholdings and uneconomical cattle without counting the cost in

cash equivalent.

(11) No ordinary village farmer will even consider a proposal to stop growing grain unless he is given grounds for confidence in the ready availability of market grain. Mere assurances will mean nothing to him. Grain must be visibly available at all times, and available within easy reach. This means that the distribution system must be vastly more efficient than at present. Storage warehouses must be built in the hills and kept stocked so that supplies do not vanish within a few days of major road breaks which are common during the monsoons. A fairer and more convenient placing of grain distribution points should be a major factor in planning village roads. It appears that most major road construction in the hills has been either for strategic purposes or for the exploitation of forest and mineral resources. The village economy has benefited by accident. If a major reform of hill village life is to be brought about, it is necessary that minor feeder roads be built to link village areas to the main highways.

(12) Some form of subsidy would be required to support the farmers during the transition from grain-farming to the time of obtaining economic returns from the proposed new crops not requiring the plough. In the case of orchards, several years elapse between the planting of trees and their economical fruiting. In the case of other new crops too, subsidies and/or a support price for the products need to be guaranteed. The quantum of subsidy should be equal to the value of grain lost to the grower, which could even be supplied in the form of free-issue rations.

(13) Although the aim of the programme is to dispense with draught animals (bullocks), and so to dispense with ploughs and yokes, many years will pass before the programme begins to take effect. It is therefore desirable to provide an acceptable iron substitute for the customary wooden ploughshare. Hill farmers continue to fell thousands of mature oak trees, each farmer requiring 4 or more wooden shares which the stony soil wears out each year. The requirement is roughly one tree per farmer per year. If an acceptable iron substitute could be designed, the felling of oak and other hardwoods for ploughshares may be reduced during the interim period. Similarly, the introduction of a yoke designed for humpless bullocks bred from exotic high yielding strains would help to reduce the total number of animals presently maintained by making it unnecessary to retain the ... for draught.

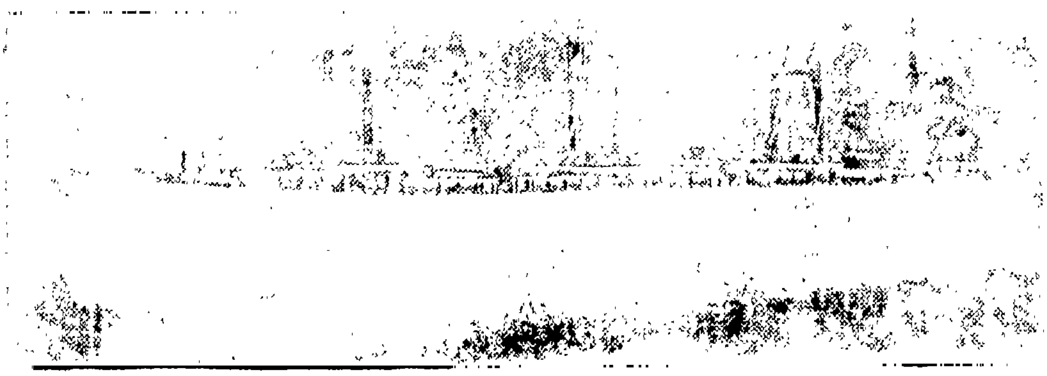
The task of implementing such a programme might at first sight appear enormous. Since many different government departments would be involved, it is essential that their programmes be co-ordinated by a single authority with its headquarters in the Kumaon, and with powers to control and co-ordinate every aspect of the programme. If such an authority is established, private citizens representing different interests must be represented.

A detailed ground survey is required in order to define more closely the problems to be tackled and to estimate the funds required. Much research into alternative uses of agricultural land has already been done, and this needs to be collated and investigated. Field-trials need to be undertaken under conditions which relate to actual village situations. The financial outlay involved may seem forbidding, but the cost to the nation would, in the long run, be for less than the penalties of allowing present trends to continue unchecked. Let it not be forgotten that the abuse of environment which we are up against cannot be treated as grossly selfish exploitation and stopped summarily by law. The hill people, and particularly their women, are uneducated peasants caught in the toils of a traditional life-style which they do not know how to change. Psychologically, perhaps the biggest obstacle consists of the fact that the hill man persists in regarding himself as a foodgrains cultivator. Because the proposed corrective measures will inevitably interfere with the traditional life-style and ...

Before introducing such corrective measures, a mass education programme is therefore absolutely essential. Hill village people are aware that the land is not supporting them, but they do not have a grasp of the total situation, nor can they envisage any viable alternative to their present uses of the land. Government sponsored schemes for the improvement of the hills have come and gone by the dozen with little or no effect. In fact, hill men have learned to regard all such proposals with cynical distrust.

This is why an imaginatively planned education programme is essential. It is necessary to engender awareness of their predicament in the minds of the hill people and to give them an understanding of the causes. Before threatening their emotional security, which is linked to their life-style, they must be made to see that their traditional life-style is itself insecure. In so far as this is possible, they need to be persuaded to ask for the very reforms they most need to have. They have to be shown the precipitous danger they are approaching. To offer or to enforce change before the need for it is generally felt would result in their clinging even more firmly to their traditions.

All this will not be easy. But to balk at the task is to march towards predictable self-destruction. The facts recounted here are grimly real. The solution suggested here may be modified on the basis of more and better facts. What we cannot do is to continue to turn a blind eye to a rapidly deteriorating situation.



Masterpieces inspired by Indian Dyes



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SINISTER GOINGS-ON IN TEA

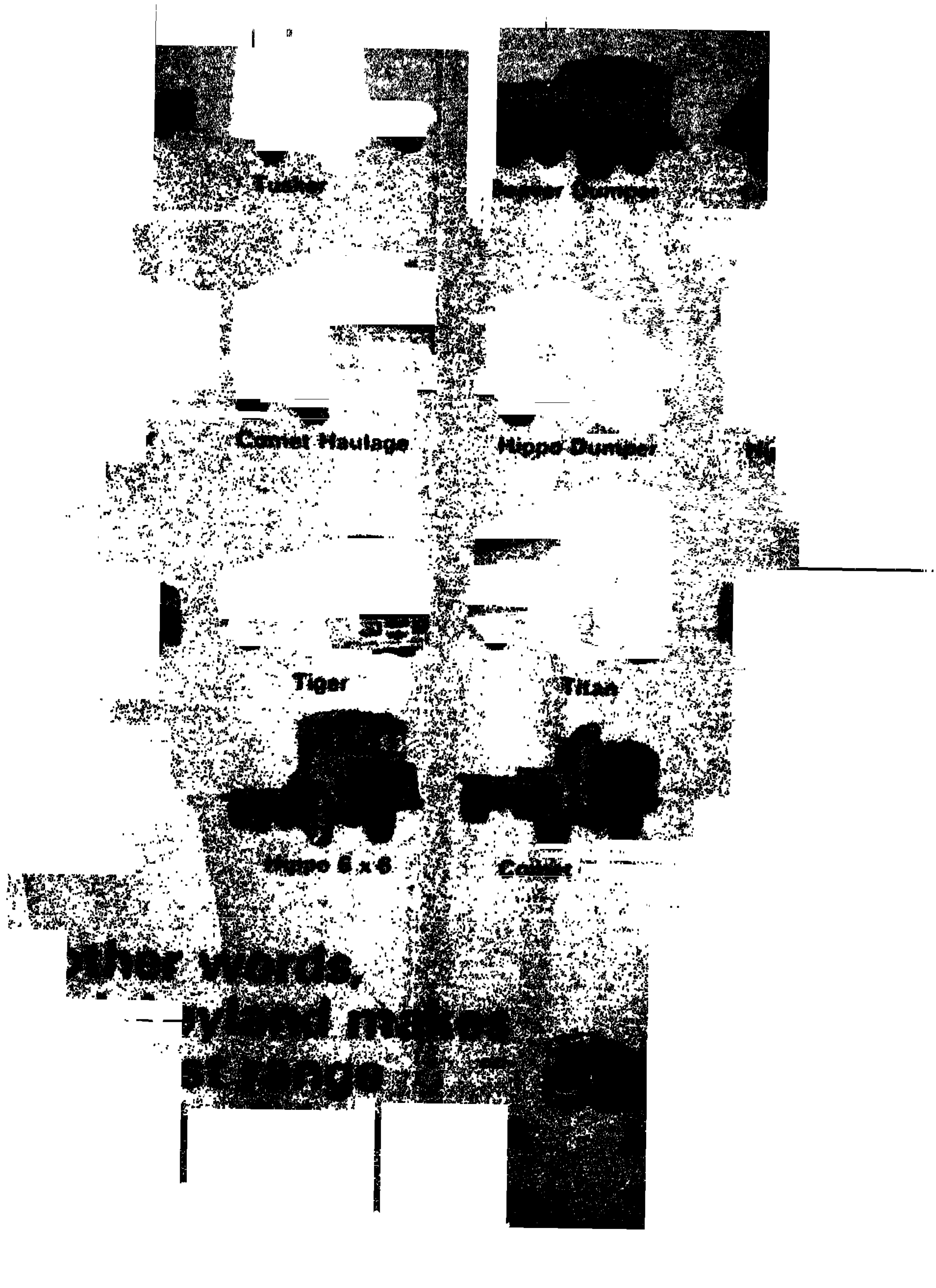
RURAL FEMALE LABOUR AND DEVELOPMENT

AIADMK IN TRUE COLOURS

FUTILITY OF SCHEDULED CASTE COMMISSIONER

POLITICAL FAILURE IN MIZORAM

EVIEW OF AGRICULTURE


Comet Haulage
Hippo Dumper
Tiger
Titan
Hippo 6 x 6

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ADDRESSING a press conference 'chaired' by the Minister for Information and Broadcasting on June 25 (the fourth anniversary of the declaration of Emergency), Morarji Desai said that some kind of preventive detention law was in the offing and that government was considering whether it could bring forward such a legislation and get it passed. Not to be left behind, the Union Home Minister, while addressing another press conference on the same day on the continuing agitation by Central police personnel all over the country which, according to him, was being instigated by "certain elements", threatened that in view of the widespread unrest in the country, some kind of a preventive detention law was necessary.

These sentiments were forthcoming, coincidently, barely days after the Central government had formally issued the Presidential notification enforcing the provisions of the Constitution (44th Amendment) Act, 1978, which sought to undo some of the changes introduced by earlier constitutional amendments (39th and 42nd) curtailing democratic functioning and supremacy of the law. Perhaps it was equally fortuitous that the said Presidential notification, while announcing the various stages over which the provisions of the 44th amendment would come into force, carefully omitted setting any date for the coming into effect of those provisions which promised protection against arbitrary arrest and detention. Actually, since government, while piloting the 45th (later 44th) Constitution Amendment Bill, did not agree to strong demands that the provisions in the Constitution permitting the enactment of a law providing for preventive detention be so limited as to be made available only in the event of a declaration of a state of emergency, government is even now entirely within its power to promulgate an ordinance and bring preventive detention back in action; and since once an ordinance is promulgated, there would be a qualitative change in the situation, a proper preventive detention law is well within the realm of possibility.

That the Janata leaders, most of whom were themselves victims of preventive detention laws during Emergency, should actually be contemplating to bring them back, is not in the least surprising. In fact, the Janata leaders were most tardy about repealing MISA, which was finally accomplished more than a year after the Janata party assumed power at the Centre. In the meantime, government had even attempted, unsuccessfully, to incorporate the provision for preventive detention into the Indian penal code itself. Since the formal repeal of MISA in July last, senior Janata leaders, particularly the Prime Minister, the Home Minister and the Law Minister have several times given broad hints that they still considered it necessary for the government to arm itself with such "special powers" in order to be able to deal with "anti-social elements". Thus, when on September 30, 1978, the Union Law Minister was arguing that his ministry was considering a proposal to give such "special powers" to states to detain "anti-social elements for a limited period", he was merely echoing the sentiments expressed earlier in the week by the Prime Minister at the conference of chief ministers; the preventive detention law had to be repealed, Morarji Desai said, because of the popular resentment against its misuse during Emergency; but it would have to be brought back because "those who want to destroy democracy should not be allowed to exploit democratic safeguards to destroy democracy itself" — the very words that Indira Gandhi had used in her broadcast of June 26, 1975.

Against this background the Prime Minister's remarks on the anniversary of the declaration of Emergency acquire quite sinister significance. There is perhaps not much point in enumerating the general as well as specific failures of the Janata government during the last two years and more of its existence; but what is interesting is that even senior Janata leaders have begun to openly declare that the situation currently existing is very much reminiscent of the situation that prevailed before Emergency was clamped on the country in 1975. The latest and most striking manifestation of this crisis has been the countrywide police agitations to suppress which the government had to call in its own para-military forces; these, seeing in the course of suppressing the police agitations that the police had been given generous pay rises, in turn duly revolted; to suppress them the army has had to be called out; and the unasked question is whose aid the government would invoke should the army now make its own demands for bigger pay packets and revolt?

An easy answer would be to declare Emergency. But such a solution

only appears, superficially, to be easy; the problem for the Centre is that its present control over some of the crucial instruments of Emergency — the police and the army — is much less sure than that of the previous regime.

The revolt of the Central Reserve Police Force and Central Industrial Security Force has posed some quite peculiar problems for the government. After all, these forces were specifically created to be used against the people, and their deployment was carefully managed in such a way as to completely isolate them from the people of the region where they were deployed, to better ensure that they would be the most effective instruments of suppression. Under a very liberal interpretation of Article 257 of the Constitution, these forces were used again and again to intervene unilaterally in states where the administration was headed by a political combination different from the one prevailing at the Centre, and the Central Reserve Police Rules explicitly recognise that the "members of the Force may be employed in any part of the Indian Union for the restoration and maintenance of law and order, and for any *other purpose as [may be] directed by* the Central Government". Minority nationalities in the border regions have no cause to love the CRPF.

Now that this most dependable servitor of the Centre has itself been found to be not quite so reliable, and the government has had to ask the army (its last resort) to quell the revolt by the Central police forces, it is unlikely that even a declaration of Emergency in itself will ensure stability. Hence the fresh loud thinking on a detention law. For a detention law is the least troublesome way of tackling difficult problems, overcoming inconvenient opponents. The ruling party too seems to be more harassed by contradictions within itself than by enemies outside, even more than the Congress was in 1975, though the Congress leadership too took advantage of MISA to settle scores with opponents within the ranks.

On the face of it, however, there might be doubts about the Janata government's actual capacity to legislate and enact a new detention law since, obviously, large sections from within the ruling party would be opposed to such a measure. But such a reading fails to take into account the possibilities, in the 'realignment' that is presently being widely talked about; and a grand coalition comprising elements of the Congress from all the parties can certainly claim to be historically continuing the glorious Congress tradition by agreeing to the enactment of a detention law.

What the government needs is a credible excuse, and the revolt by the Central police forces, while no doubt extremely serious, still has not touched the day-to-day lives of the people in as dramatic a manner as even the hesitations of the more humble policemen in May and June did. It is rather difficult to pretend that the Republic is in mortal danger because some of the most repressive organs of the Republic have been in revolt — especially since that revolt has, to all appearances, been smothered. A more credible alibi for seeking to enact preventive detention legislation (one could begin, as earlier such legislations all began, with a simple ordinance to take care of immediate problems) would be large scale industrial strife, and the ensuing crisis in the railways over the question of bonus to railwaymen could well have its own uses.

Mizoram

Political Failure

THE apprehensions that the kind of crisis that overtook the Sailo government soon after it assumed office almost exactly a year ago (which led to that government's fall four months later) would once again overtake the *new government* formed once again under Sailo towards the end of April this year have come true; within weeks of its assumption of office, the Mizoram government is once again gripped by a serious crisis. As in the period immediately following the elections last year, when the Chief Minister tried to further consolidate himself by extending his hold over sections of the 'underground' and even managed, for a while, to create the impression that a major faction of the MNF was in revolt against the leadership of its founder, Laldenga, in the present instance too, the crisis bears close relation to the continuing interaction between that faction of the People's Conference which the chief minister heads and all other forces opposed to it. The chief minister has himself said that the present situation has been created by his political opponents who include the breakaway faction of the People's Conference, the Congress, and the Janata party. The chief minister would naturally want all political opposition to him to be tarred with the 'underground' brush.

The new political arrangements in Mizoram, after the lifting of the Emergency, could have been of a kind as to have included all political elements and, following the agreement reached by the MNF and the Janata government at the Centre, there were indeed hopes that the MNF would be accommodated in the new arrangements. These expectations have been belied.

The continuing instability and violence in Mizoram are only an expression of the deeper political failure of all the parties to the dispute especially of the Government of India which for long even refused to acknowledge that a dispute existed. To a lesser extent, the failure is also of the chief minister who has failed to come to terms with the rebel elements, or at least achieve some kind of a passive 'peaceful co-existence' with them — as has been done by the Nagaland administration under the leadership of the UDF. The Centre has also contributed its bit to the further alienation of the Mizo people, especially through its policies regarding Hindi, the cow, religious conversions, etc.

The serving of the 'Quit Mizoram' notice on non-Mizos, the murder of a non-Mizo official in Saitual and the widespread attacks against Mizo residents in Silchar that followed, have led to quite predictable response from the administration. The virulence of the retaliation in Silchar has certainly been a new phenomenon, and has to be seen in the context of the emergence of an altogether different kind of 'inward-looking' movements among the non-tribals in the northeast — be *they of the relatively more recent* chauvinists in Assam or of the older chauvinists in Bengal.

The situation, on the eve of the expiry of the 'Quit Mizoram' notice, is noticeably reminiscent of the one that prevailed before the outbreak of the MNF insurrection in 1966; and the violence that accompanied the brief lifting of the curfew in Aizwal on June 19, and the blanket permission given to the army authorities to 'shoot at sight' suggest that the government is, as always, of the view that the only way to contain and finally defeat Mizo aspirations is to come down heavily on them. That the MNF, despite the presence of quite superior Indian armed forces could so easily dictate terms to the government of Mizoram, to the extent that the chief minister himself has had to confess that his government has no control over, or even a clue to, the doings of the MNF tells its own story.

Clearly, the rebels are able to strike it will because they have popular support; every 'show of strength' in the shape of flag marches, every effort to 'isolate' the rebel elements, 'flush them out' from their hideouts, etc, will more surely make the Indian army appear in the eyes of an even larger section of the Mizo people than at present as a pure and simple occupying force. That, of course, has been the reality since 1966 — notwithstanding whatever useful work that might have been done by the Indian army in the midst of its other, more pressing duties.

The failure of the Centre's policy towards smaller nationalities in the peripheral regions is nowhere more starkly seen than in Mizoram. The failure is also difficult to understand for, after all, the Lushai Hills district of Assam was for long been an integral part of the state, more thoroughly integrated into it than the Naga Hills areas, and even the representative political organisations of the Indian ruling classes like the Indian National Congress and its various offshoots have been in existence in the region from as long ago as one can recall. Indeed, the emergence of disaffected elements in the area and their political consolidation is actually related to the efforts of the Congress party in Assam to prevent the entry of the rival All-Party Hill Leaders' Conference in the Lushai Hills district. That an area and a people so fully integrated into the Indian political system (including its system of patronage) should, within so short a period, become an arena of protracted rebellion which neither the might of the Indian army has been able to quell, nor the innate curruption of the Indian political system has been able to buy, only further highlights this failure of the government's policy towards the people of the region.

Small Industries

Dubious Claims

IN a special press release issued by the Press Information Bureau, the government has claimed what is described as "significant growth" of small-scale industries during the years 1974 to 1978. The number of small-scale units, it is claimed, increased by 48 per cent from 2.16 lakhs to 3.19 lakhs during this period and their output by 73.5 per cent from Rs 4,900 crores to Rs 8,500 crores. More significantly, employment is estimated to have increased by 47.7 per cent from 21.6 lakh persons in 1974 to 31.9 lakh persons in 1978. The small-scale sector now contributes, government claims, about 40 per cent of the total industrial production and its share in exports of non-traditional goods is also around 40 per cent.

If these claims are true, the record of small-scale industries should be considered impressive indeed. However, a careful scrutiny of the data casts many doubts on the reliability of the claims. To begin with, it is doubtful if the government has any systematic arrangements for getting accurate information on the output and other characteristics of small-scale industries, except through the CSO's Annual Survey of Industries (ASI) which is available with a few years' lag, the latest available being that for 1975-76. Also, more than 70 per cent of small-scale units registered with the Directorates of Industries fall outside the purview of the factory sector (because they employ less than 10 workers, etc).

A census of small-scale units was conducted in 1973-74 with 1972 as the reference year. Though there were at that time 2.58 lakh small-scale units registered with the Small Industries Development Organisation (SIDO), the census could tabulate data for 1.4 lakh units (or 54 per cent of the total) only, as units which started functioning after 1972 and the non-responding units had to be excluded. Along with the census, data were collected on production in the small-scale sector during the years 1970 to 1972. Considering that the small-scale units produced over 5,000 items, the data collected had necessarily to be in value terms. According to these data, there was a substantial increase in production of the small-scale sector in the years 1970 to 1972, "in spite of the unfavourable terms of business of the small entrepreneur"; the gross value of output increased by 31 per cent in 1972 over 1971 and 25 per cent in 1971 over 1970. The corresponding increases in the CSO's index of industrial production for medium and large-scale units were 5.8 per cent in 1972 and 4.2 per cent in 1971. Even the gross value of output for the registered sector at current prices had shown an increase of only 11.1 per cent in 1971-72 over 1970-71, as per the CSO's national accounts (the registered sector being all ASI units including small-scale units in the factory sector). For gross value added, we have CSO's estimates both for the registered and unregistered sector (the latter comprising household enterprises and non-household, ie, non-factory, small enterprises). In respect of the registered sector, gross value added at current prices had increased by 8.9 per cent in 1971-72 and by 10.6 per cent in 1972-73, and corresponding increases for the unregistered sector were 12.6 per cent and 11.2 per cent. Gross value added at 1970-71 prices had risen in the two years by 1.9 per cent and 4.1 per cent in the registered sector and by 4.7 per cent and 4.2 per cent in the unregistered sector. The SSI units must thus be deemed to be in a class by themselves —their production increases ranged from 25 per cent to 31 per cent while those of medium and large-scale units as well as those of household enterprises were far lower, having been less than 10 per cent or so.

This was the position for the years for which production figures were collected along with the census in 1973-74. For subsequent years, though production returns have been prescribed, it is not known what the response has been. From February 1976 onwards, even monthly production returns are being collected, but only on a 2 per cent sample basis. The adequacy of this 2 per cent sample was to be examined by the government, and, in the meantime, a 20 per cent sample was being used for collecting data on a quarterly basis. It is not known what the basis for the latest estimates of number of units, their output and employment is. However, as was true of estimates for 1970 to 1972, the present estimate also suggest exceptionally high growth rates for small-scale units as compared with the known levels of activity in the rest of the economy.

Doubts arise on many counts. Take the number of units. The census of Small-Scale Industrial Units had collected information for 1.4 lakh units for 1972. Now the number of units in 1974 is placed at 2.16 lakh units and that in 1978 at 3.19 lakh units. These figures are entirely at variance with the figures put out by the Reserve Bank, for instance. According to the Reserve Bank, the number of small-scale units financed by commercial banks increased from 2,10,258 in June 1974 to 5,12,842 in June 1978 (see RBI *Bulletin*, January 1979, and *EPW*, June 16, 1979). The latter figure is to be compared with that of 3.19 lakh units in 1978 as released by the government. Both figures relate to units registered with the SIDO, i e, units whose original investment in plant and machinery does not exceed Rs 10 lakhs from September 1975 onwards and Rs 7.50 lakhs for the earlier period.

[illegible] the discrep- ancy one can think of is that the number of units financed by commercial banks include, apart from manufacturing units, those engaged in processing or preservation of goods, whereas the government data are only for manufacturing units. This explanation is not very convincing, however. First, the 1973-74 census had defined industrial activity to include manufacture, assembly, job work (production and processing), repairing and servicing. Secondly, for 1974, the number of units reported by the Reserve Bank was actually lower than that reported by the government. Thus there are glaring and inexplicable discrepancies between the number of small-scale units as reported by different official agencies.

The official estimates of growth in output of small-scale industries are disproportionately high compared to growth of output in the organised sector of industry or compared to the general level of economic activity. According to the press release, the increase in output of SSI units in a period of four years from 1974 to 1978 works out to 73.5 per cent or a simple annual average rate of 18.4 per cent. During the same period, the CSO's index of industrial production (1970=100) for medium and large-scale units registered a rise of 29.2 per cent, i e, a simple rate of 7.3 per cent per annum. True, for medium and large-scale industries the figures are of physical output, whereas the estimates of output of small-scale industries are in current prices. Hence even if the estimates for small industries are correct, their publication without correction for price increases does present a misleading picture. This is evident from the fact that CSO's data on national income show that the gross domestic product at factor cost originating in registered and unregistered manufacturing sectors at 1970-71 prices increased by 18.1 per cent and 21.3 per cent, respectively, between 1973-74 and 1977-78, i e, at annual rates of 4.5 per cent and 5.3 per cent.

Similarly, the claim that employment in the small-scale industrial sector increased by over 10 lakhs in a period of four years has no firm basis. During the period for March 1974 to March 1978, private manufacturing units in the organised sector added only 1.38 lakhs to employment and the public sector manufacturing units another 2.98 lakhs, together making a little over 4 lakhs. A large number of small-scale units are already covered by these employment statistics for organised sector collected by the Ministry of Labour and Employment which relate to all non-farm establishments in the private sector employing 25 and more workers on a compulsory basis and those employing 10 to 22 workers on a voluntary basis. Despite such wide coverage, these employment statistics independently collected do not at all substantiate the claims of increase in employment in SSI units made by the Industry Ministry.

Politics

Dreams of Grand Realignment

POLITICAL PARTIES have certainly been having a field day, and they hogged all the headlines last week. The week began with the expulsion of Devaraj Urs from the Congress(I) and the conversion of his following into the Karnataka Congress and the resignation of Raj Narain from the Janata party and of Devi Lal from the leadership of the Haryana legislature party. The following day, being the anniversary of the declaration of Emergency four years ago, was dominated by even more newsworthy events — like the pitched battle between the army and the CRPF and the CISF in Delhi and Bokaro, leaving (officially) about 30 dead and more than sixty injured; and the Prime Minister doing his bit to add to the drama by announcing that some kind of a preventive detention law was in the offing. After this, the pronouncement of the Industry Minister — that the socialists in the Janata too would be having a conclave of their own — could not but be an anti-climax, especially in view of the fact that the announcement, if intended to be a threat to join the ongoing game of realignment of forces, could not be taken seriously, given the position of the former socialists in the present correlation of forces in the Janata.

It would be tempting to see in these and other recent developments the 'grand realignment' of forces that has been so much in the air for more than a year now. Till now, the shifting alliances within the Janata contributed the grist to the mill of such speculation; but with the developments in the Congress(I) and the call for unity of all Congressmen 'wherever they are' given by Devaraj Urs, there is naturally much speculation that those reluctant elements in the Janata too who can trace their political origins to the Congress might respond to such a call.

Such hopes and expectations can, at best, be attributed to political innocence and wishful thinking. The Janata party, despite [illegible] hecism, is sti[illegible] If only because the malcontents in the Janata do not have a more coherent programme to agree upon than what they have been managing with at present.

So, the programme of realignment, if any, will be a purely Congress affair. But even here, the response from within the Congress to Urs's call for realignment has been less than enthusiastic. Most of the Congress leaders who have welcomed the call had already broken with Indira Gandhi, and the success of the Urs endeavours has to be judged from the dent he is able to make in the Congress(I) outside Karnataka.

But even if the present efforts of Urs should not result in an immediate and large-scale exodus from the Congress(I) to the Congress, the strengthening of the organisation of the Congress party itself — under whatever initials or nomenclature, it might be designated — would still be an important item on the agenda of Indian politics. For, the strengthening of the Congress party is an integral part of the larger strategy of seeing to it that a 'stable, two-party system', which can ensure the continuance of the present political arrangements, emerges in India. Ensuring that the Centre will continue to hold, even if rather precariously, is apparently the most immediate task; but that itself can be ensured only if a 'viable alternative' to the Janata is created. After all, the Janata party too arose as an answer to such a need for a 'viable alternative' to the Congress; and the imposition of Emergency only served as the midwife to that historically 'felt need' of the Indian ruling classes

But the problem with this neat scenario that is being prepared for the Indian people is that there are a far larger number of imponderables now and the general loss of control over the instruments of governance is only one of the many qualitative differences that exist between the objective situation as prevailed even as recently as five years ago and now.

And yet, both consolidation and realignment will be sought, for the Janata, as much as the Congress, has vital stakes in ensuring the emergence of this 'strong, viable alternative'. What is however less certain is whether the forces released during the two years or so of Janata rule can at all be contained by these rather transparent devices; or whether new structures of repression will have to be deviced in order to ensure the continuance of the present arrangements.

The Political Vacuum

Romesh Thapar

FROM Calcutta to Bombay to Delhi — and, then, to god knows where. The electricity black out is spreading, closing industry, commercial establishments, hospitals and what have you, apart from driving citizens round the bend in these summer months. The power stations say the coal is not reaching them. The railways say there is no coal to lift at the mines. The coal authority says that there are no railway wagons available. While all this is on, the Prime Minister is jetting around the USSR and Eastern Europe with an entourage larger than his External Affairs Ministry staff. His colleagues back home are locked in discussions on the future of Charan Singh's BLD, or gossiping about the confrontation between Indira Gandhi and Devaraj Urs.

At the level of the ordinary people, both urban and rural, it can safely be said that politicians are fast becoming anathema. The trouble is that no alternative to the shattered Westminster model is being posed by any of the parties, whether Jana Sangh/RSS, Socialist or Communist, or plain nationalist. Only the authoritarians can be heard repeating that there is no other way except Emergency rule. The Janata wafflers have brought the country to this desperate plight within two years.

Our continental system, or whatever remains of it, manages to struggle along without political or economic direction because at a certain level productivity is still possible and the monsoons keep their appointment with Bharat. But the chaotic handling of a very favourable situation is rapidly pushing us into two-digit inflation and a breakdown in the supply system. Competing trade unions, oblivious of the country's interests as always, are merrily creating the sanctions for authoritarian measures by encouraging critical go-slows on transport systems, disruptive strikes calculated to serve some mean interest, and various blackmail moves which have nothing to do with the interest of the working people.

It is no use singling out the Janata party for abuse. Every political formation seems determined to play for votes in the most narrow sense, forgetting that if we pursue this path there will soon be no votes for gathering. The recent by-election results are clear at least in one area. The Janata party is being rejected all over the country. Any working combination opposed to it can show considerable strength. But the alternatives are all the same, capable only of stop-gap solutions.

Unless some very solid effort is made by the Chandra Shekhars, the Urs, the Bahugunas and the Limayes to work boldly for an alternative continental party, united organisationally and programmatically, the voters will move increasingly in the direction of regional consolidations. Under the present Westminster model, this would mean for certain coalition governments at the Centre — not the chaotic spillover of a Janata-type operation, but something more carefully assembled and orchestrated.

Irrespective of what we feel the future political structuring of India should be, a period of coalition functioning might give us the time to structure the federal polity more organically with the traditional participative systems which are still alive in our political practice. While it is true that such sentiments are not being expressed in public for fear that they may cause misunderstanding and confusion, all private discussions are laced with these thoughts. It is at last obvious to important and decisive elements in the political hierarchy that there is something profoundly wrong with the political and economic system, and that no amount of personality manipulation is going to change the serious character of the crisis.

Actually, we are on the brink of a situation which might persuade the Janata party to plunge for a freeing of the economy from controls and public sector restraints. Already, various "expert" committees are making noises which add up to saying that the jungle of controls and regulations is suffocating productivity at all levels, including even the intellectual. This may well prove to be an attractive escape from the hard and tempestuous challenge of putting our affairs into working order. Free-wheeling, however, in a continental setting holds many political dangers as we can see from the remorseless money-making activities of our "contractors" and "traders" in tribal belts, frontier tracts and backward areas. Whatever the argumentation around this issue, I have never known the mood to be so favourable to a demolition of our "scialism".

The extraordinary national interest that has developed in Devaraj Urs, the successful chief minister of Karnataka now cutting off from Indira Gandhi's gangster politics, is an indication of the intensive search for someone who makes sense and who might give the country the leadership it is looking for — yes, the Grover Commission notwithstanding. It is the kind of attention Chandra Shekhar drew before he became a pale reflection of the Janata party's perambulations, or Limaye before he allowed himself to be too closely associated with the CPI. Interestingly, Bahuguna has never reached this point of recognition because he is narrowly involved in Uttar Pradesh — and is too clever by half.

The existence of a political vacuum has encouraged speculation about various political possibilities never discussed before. This is idle activity, for the answers to our political disarray have to be put together as a result of political battle. But who will head the battle, organise it, and move it into the crucial areas of continental revival? It is an open question, and the longer it remains open the graver the damage to the frail economic and social structures which have been built up over thirty years. We wait and watch in the Capital, haunted by despair.

June 23

Metal Box India

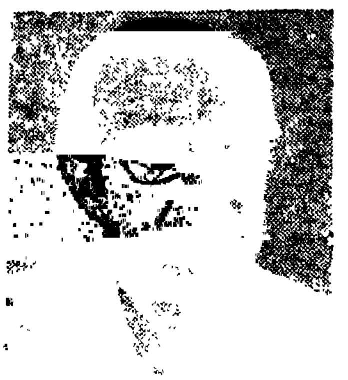
METAL BOX INDIA has this year again been awarded the CLIO gold statue of New York — the world's most coveted award for excellence in package design — for the third year in succession. It is indicated that Metal Box India is the only company in the world to receive this award three years running, a record for Indian packaging.

This year the CLIO has been awarded to a tea caddy titled Old Calcutta, designed and produced by Metal Box for Duncans Agro Industries Limited, Calcutta. The exporting of Indian branded teas to world markets is a comparatively recent phenomenon, and currently a booming trade.

Dunlop India Chairman's Speech at Annual General Meeting

THE MOST IMPORTANT PERSON IN OUR BUSINESS IS THE CUSTOMER

"The part that Dunlop can play is to improve its efficiency, continuously upgrade product performance to provide the best value for money and to offer a complete service for the satisfaction of our customers. This we pledge to continue to do."



Mr. A. W. G. MacIntyre

The following are excerpts from the speech delivered by Mr. A. W. G. MacIntyre, Chairman, at the 53rd Annual General Meeting of Dunlop India Limited, held on June 15, 1979, at Calcutta:

At last year's Annual General Meeting, I was able to report signs of some recovery from the depressed conditions experienced by the Company and the Tyre Industry as a whole in 1977. This recovery was sustained throughout 1978 despite the adverse effect on road transport activity of an unusual monsoon season in some northern and eastern regions. In particular, the disastrous West Bengal floods severely disrupted production at Sahaganj, while sales demand fell off in areas where road movements were restricted over a period of several weeks.

Sahaganj was also plagued by shortages of electricity and coal of acceptable quality. Consequently, there were times when we were unable to meet market demand for certain sizes and types of products. Economies were made wherever possible to make up for the volume loss and this included tight control on working capital. We were, however, able to respond to a great extent to the increasing market shift to nylon in the truck tyre range. This was possible with the installation of additional Bag-O-Matic presses at our Sahaganj factory.

Our Industrial Products division, which had another satisfactory year, also benefited from capital investment in such products as fan and vee belts. I should mention here that we have decided to divisionalise our two main lines of business, i.e., Tyres and Industrial Products. This will give increased thrust to our efforts to improve their individual performance and give better customer service.

Profit not Adequate

The sharp fall in profits suffered by your Company in 1977, which resulted in a cut in dividend in that year from 20% to 8%, has been arrested. However, a profit before tax of a little over 2% of income is just not enough. It is not enough to pay you the dividend you received two years ago and it is certainly not enough to plough back the internally generated funds which are vital to our modernisation programme and to our future as suppliers of essential goods, exporters, employers and good corporate citizens.

Prospects in 1979

This year opened with reasonable market demand, but our early hopes of making real improvements through higher factory productivity have been adversely affected by severe power problems, perhaps the worst ever.

However, a continued effort in improving operating efficiency makes me reasonably confident that we can achieve a further improvement in results during 1979. If we do, it will be because of the untiring efforts of our employees, often under difficult conditions. I can assure you that their spirit and sense of motivation are a great source of strength to this Company.

Extremely Difficult Raw Materials Situation

I now turn to the extremely difficult position of the major raw materials required for our Industry — specially tyres—both in terms of availability and prices.

It needs to be emphasized in this connection that:

(i) Natural rubber and petrochemical based materials, such as synthetic rubbers, nylon yarn and/or caprolactum, carbon blacks, rubber chemicals, etc., account for over 90% of the direct material costs of a nylon truck tyre.

(ii) Local availability of these materials for the Indian Rubber Industry is not adequate and, consequently, substantial quantities have to be imported regularly.

(iii) Import duties on most of these materials are prohibitive, e.g., the total incidence of import/countervailing excise duties is over 180% for Nylon 6 Yarn, nearly 140% for caprolactum, 52% for synthetic rubbers and 102% for carbon blacks.

Availability of natural rubber has been uncertain since April 1978 when, due to the inadequate stocks in the country, prices of RMA I shot up from Rs 6,500 per tonne in early 1978 to over Rs. 12,500 per tonne during the second half of 1978. This is partly due to a decline in natural rubber production in India—only 135,000 tonnes have been produced during April 1978/March 1979 as compared to a consumption of 165,000 tonnes. The imports arranged so far by the Government—15,000 tonnes in August/October 1978 and 15,000 tonnes in April/May 1979—have been just equivalent to the deficit between consumption and production during the last financial year and are, consequently, totally inadequate for building up the additional stocks required in the country. Moreover, even the import of these 30,000 tonnes has not been arranged in time when the need to bridge the gap between requirements and availability has been greatest. Prices have, therefore, remained at high levels and, in fact, over recent months are between 40% and 60% above the revised floor price of Rs. 8,250 for RMA I fixed by the Government. Earlier this month Government recognised the seriousness of the situation by announcing its decision to import a further 30,000 tonnes over the next few months when local supplies will be affected by the monsoon conditions. This decision is welcome, although unfortunately world market prices have risen again in recent weeks.

The position with regard to petrochemical based materials is also alarming. For instance, apart from being in short supply, the CIF price of imported caprolactum, which is the base material for Nylon 6 Yarn, has increased during the last six months from $900 to $1700 per tonne. The price escalation in the case of the other materials mentioned by me, although not so great, still averages over 25%.

In these circumstances, it is urgent that Government implement the following important representations made by the Industry during the last twelve months.

(i) Timely and duty-free imports of natural rubber so that prices remain reasonably stable between the floor prices already announced and ceiling prices which are yet to be announced (which would trigger imports).

(ii) Reduction in the import duties on butyl, SBR, nylon yarn and carbon blacks, where imports are necessary due to inadequate availability in the country.

Licensed Capacity Stagnation Not in Public Interest

In this era of rising costs, it is not possible for a company to remain viable and protect employment without growth in output. We have proposed to Government that a 5% annual increase in existing licensed capacities should be permitted to provide incentive for productivity – improvements and modernisation of obsolete equipment, both of which are necessary for the continuing health of an organisation. In particular, companies such as yours, who are working within industrial licences issued many years ago, should be permitted to expand in existing products and enter new businesses, which are outside the capabilities of the small scale sector

COMPANIES

Basking in Road Transport Boom

Hansavivek

DUNLOP INDIA has shown a substantially improved performance for 1978 with a gross profit of Rs 6.81 crores against Rs 3.72 crores previously following higher sales of Rs 146 crores against Rs 131 crores. These figures show that gross margins have doubled. Net profit is Rs 2.80 crores (Rs 1.11 crores). Dividend is stepped up from 8 per cent to 12 per cent. This outcome has followed improved demand for truck tyres and favourable market conditions for industrial products. Both divisions, however, were faced with increases in the cost of natural rubber and other raw materials and higher conversion costs. What helped the company to recover these costs were increased production and higher selling prices. The ouput would have been still higher, but for erratic power supply and shortage of coal and some raw materials. Turnover was also affected by severe floods in large areas of north and east India. The company incurred capital expenditure of Rs 6.12 crores compared with Rs 3.65 crores in the previous year. The major investments were in respect of expansion and rehabilitation of Sahagunj factory. Capital expenditure was also directed towards improving the technological content of tyres and industrial products. Despite the substantial capital expenditure, there was a temporary reduction in short term borrowings due mainly to lower average working capital. This resulted in saving in interest burden. The proposed issue to the financial institutions of debenture stock amounting to Rs 1.17 crores is still under negotiation pending finalisation of issue conditions, particularly those related to the forms of security to be given by the company, which are acceptable to all parties. The management hopes to resolve the matter shortly. The proposal to acquire the whole of the share capital of India Tyre and Rubber Company (India) is still being considered by the appropriate authorities It is expected to be finalised during this year. Commenting on the current year's prospects, the chairman says that the year has started on a more promising note with increased sales. While raw material supply situation and shortage of power in West Bengal give rise to some concern, substantial capital expenditure and technical work undertaken by the company have improved its competitive position in the market.

SHRI DINESH MILLS has fared very

well during 1978 with higher volume of production and record sales. What, however, is more impressive is the increase in margins. On sales up from Rs 8.93 crores to Rs 10.37 crores, gross profit has expanded from Rs 1.08 crores to Rs 1.49 crores. Net profit is Rs 70 lakhs against previous year's Rs 52 lakhs. Dividend is raised by two points to 14 per cent and is covered 4 times by earnings. Over the year, reserves have increased from Rs 1.58 crores to Rs 2.35 crores to stand against the equity capital of Rs 80 lakhs. These good results have been obtained despite rise in costs due to increase in prices of raw materials and other inputs and in excise duty. Prices of imported raw material, bought mainly under OGL, have remained more or less steady. Prices of Indian wools were very high and their availability became difficult for making apparel fabrics because of the keen demand from carpet manufacturers. The management feels that this situation is likely to continue in the coming years. Supplies of woollen fabrics to the defence and DGS and D were affected on account of intense competition. The company is, therefore, trying to concentrate more on the civilian market. Production and sales of the felt division were higher. Newer styles as well as 100 per cent synthhetic felts and drier screens, introduced in the market, have been well received. The wool combing plant at Ankleshwar has been working at targeted production. The top dyeing plant has been shifted from Baroda to Ankleshwar. The company is importing 20 Sulzer looms and expects to commission them by October next.

BHARAT COMMERCE AND INDUSTRIES has fared so well during 1978 that the directors have stepped up dividend from 10 per cent to 15 per cent and the enhanced distribution is covered four times by earnings. On sales up from Rs 49.22 crores to Rs 56.85 crores, gross profit has trebled from Rs 1.12 crores to Rs 3.37 crores and net profit has quadrupled from Rs 40 lakhs to Rs 1.66 crores. These impressive results have been obtained despite labour unrest at practically all the units of the company "due to inter-union rivalries". All the four spinning units continued to operate efficiently. The fabric division, however, did not perform well because of keen competition and uneconomic levels of prices. As the company does not have its own weaving and processing facilities, the management is considering this matter. For the first time, the aviation division undertook spraying of rubber plantations in Kerala. The overhaul workshop at Safdarjung has started doing jobs of other parties. The company is pursuing modernisation schemes and is implementing them according to availability of finance and machinery.

BOMBAY PAINTS AND ALLIED PRODUCTS has shown a marked improvement in its performance during 1978. Sales have increased from Rs 3.37 crores to Rs 4.56 crores and gross profit has advanced from Rs 15 lakhs to Rs 26 lakhs. Net profit is Rs 9 lakhs against Rs 5 lakhs previously. Dividend has been raised from 10 per cent to 12 per cent and is covered 2.25 times by earnings. Improved profitability is attributed to the easy availability of raw materials and stability of their prices coupled with a better product mix. The directors say that profitability would have been still better but for considerable increase in cost of packing materials. Sales of 'Hempel's' marine paints were lower at Rs 82

The Week's Companies (Rs Lakhs)

	Dunlop India		Dinesh Mills		Bharat Commerce		Bombay Paints	
	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-77	Latest Year 31-12-78	Last Year 31-12-79
Paid-up Capital	1570	1570	80	80	275	275	29	29
Reserves	2237	2138	235	158	458	330	27	22
Borrowings	2346	2472	363	293	753	723	129	99
of which Term borrowings	263	267	103	113	17	17	—	—
Gross fixed assets	5411	4794	563	452	1532	1420	51	49
Net fixed assets	2927	2601	372	291	760	722	22	22
Investments	31	34	2	2	17	17	—	—
Current liabilities	4254	3734	238	201	1275	1104	308	249
Current assets	7291	7133	542	447	2107	1785	145	121
Stocks	3606	3162	340	302	1357	1266	112	89
Book debts	3270	3686	187	140	618	424	182	155
Net sales	14556	13080	1037	893	5685	4922	456	337
Other income	106	134	24	14	90	101	16	16
New material costs	9600	8647	453	463	3691	3110	300	302
Wages	2009	1756	140	115	834	680	43	40
Interest	442	490	64	42	187	183	17	19
Gross profit(+)/loss(−)	681	372	149	108	337	112	26	15
Depreciation provision	286	249	29	22	76	72	3	3
Tax provision	115	12	90	34	95	—	14	7
Net profit(+)/loss(−)	280	111	70	52	166	40	9	5
Development rebate provision	116	54	17	21	18	14	—	—
Transfer to reserves	—	—	42	21	109	—	5	2
Dividend								
Amount	P 5	5	P —	—	P 2	4	P —	—
	E 1.80	1.20	E 11	10	E 37	25	E 4	3
Rate (per cent)	P 8&5.50	8&5.50	P —	—	P 9.5	9.3&9.5	P —	—
	E 12	8	E 14	12	E 15	10	E 12	10
Cover (times)	0.88	0.43	4.00	3.10	4.00	0.88	2.25	1 66
Ratios (per cent)								
Gross profit/sales	4.68	2.84	14.77	12.09	5.93	2.24	5.70	4 45
Net profit/capital employed	7.37	2.99	22.22	21.85	21.83	6.61	16.07	9 80
Inventories/sales	24.77	24.17	32.78	33.82	23.88	25.72	24.56	26.41
Wages/sales	13.80	13.42	13.50	12.87	14.67	13.81	9.43	11.87

lakhs against rupees one crore in the previous year due to recession in the shipping industry. It is proposed to allot 30,000 equity shares of Rs 10 each at par to Hempls's Marine Paints. This may enable the company to obtain technical knowhow for a long uninterrupted period without payment of any royalty. The company's exports were also lower at Rs 14 lakhs against Rs 20 lakhs.

AGRICULTURAL FINANCE CORPORATION recently convened a meeting of the representatives of commercial banks, State Governments, KVIC, State Khadi and Village Industries Boards, ARDC and other related organisations for reviewing the progress achieved in setting bio-gas plants and participation by commercial banks. Addressing the meeting, Ghulam Ghouse, managing director, AFC, said that during the four years from 1974-75 to 1978-79, 74,622 bio-gas plants have been set up. Commercial banks have extended a loan of Rs 291 lakhs for setting up 26,012 plants during July 1976 to June 1977. He further pointed out that commercial banks will continue to support their programme during VIth Plan period in view of the fact that Government of India has targeted to set up 2,00,000 family size, 50 community and 25 night soil bio-gas plants during the Plan period involving an outlay of around Rs 70 crores.

Among the various suggestions made by the representatives of the governments of Maharashtra, Gujarat, Rajasthan, Karnataka, UP, Punjab, Bihar, Haryana and others, are : (1) the government should continue to provide subsidy for implementing the programme; (2) ARDC refinance facilities to commercial banks who extend loans for setting up bio-gas plants should be expeditiously utilised; (3) community Bio-gas Plants should be set up on experimental basis with the help of gram panchayats particularly with a view to helping small and marginal farmers benefit from the scheme; (4) adequate sevicing facilities should be organised once the plants are set-up; (5) co-ordinating committee consisting of commercial banks, state governments, KVIC, ARDC, AFC should be set up at state level for implementing the programme during the sixth plan period; (6) suitable extension programmes should be undertaken to educate rural people on the advantages of bio-gas plants and economic benefits that would accrue to them and (7) the cheaper Janatha model developed needs to be popularised with adequate publicity back up so that financing institutions could provide necessary support.

BOMBAY TYRES INTERNATIONAL (formerly known as Firestone Tyre and Rubber Company of India) is issuing to the public 10 lakh equity shares, of Rs 10 each, for cash at par to reduce the non-resident shareholding to 74 per cent under FERA. The subscription list will open on July 9. The issue is fully underwritten. The company received underwriting offers of over Rs 3.5 crores, against its requirement of Rs one crore. The company's paid-up capital of Rs 2.20 crores held by the parent company, Firestone Tyre and Rubber Company of USA, was increased to Rs 3.33 crores by the latter's additional injectment of cash in US dollars equivalent to Rs 1.13 crores in October 1978. Apart from the public issue, Rs 17 lakhs of equity shares are reserved for employees and business associates. Total issued and paid-up capital after this issue will thus be Rs 4.5 crores. The company, incorporated in 1930, started in 1940 manufacture of Firestone products in India. It has operated profitably since 1941, except in the last two years, when there was demand recession following the oil crisis, power cuts, and higher costs of inputs. Operating results for the current year have since improved. According to R L Steinmetz, chairman, the company's working during the first six months of the current financial year has shown a profit. Turnover for 1979 is expected to exceed Rs 75 crores. The company's products enjoy wide acceptance in India and abroad. The company will continue to make Firestone products in India with full support from the parent company's research division, whose expenditure last year was nearly Rs 52 crores. The public issue is managed by SBI.

SANDOZ (INDIA) has had another good year. With increased contribution from each of the divisions, it has achieved higher turnover and profits. What is more, profit margins have increased although costs have been rising and selling prices have remained unchanged. Dividend, maintained at 16 per cent on the capital enlarged by a bonus issue, is covered 3.8 times as against 3.53 times previously. The dyes division introduced many new products based on knowhow provided by Sandoz, Basle. The management feels that the government decision to reserve certain ranges of dyestuffs for the small-scale sector will impose a major constraint on future growth and development of the organised sector of industry. The pharmaceutical division exported finished drug formulations worth Rs one crore despite stiff competition in the international market. As part of the import substitution programme, the division has taken up basic manufacture of Clopamide. Commenting on the new drug price control order, the chairman, S Ranganathan, says it is likely to have a severe impact on the operations and profitability of the pharmaceutical division. The agrochemicals division, which is the youngest, has continued to make good progress.

INTERNATIONAL INSTRUMENTS is coming to the market on July 18 with a public issue of 7 lakh equity shares, of Rs 10 each, at a premium of Rs 2 per share to raise part of the finance required for its Rs 3.5-crore expansion and diversification programme. Since 1958, the company has been manufacturing, at Bangalore, a range of automobile dashboard instrument. The products are marketed under the brand name 'YENKAY'. Today, more than 85 per cent of the vehicles, including two-wheelers, plying in the country and fitted with the company's products. The company also manufautures instruments for tractors, industrial and agricultural applications, tachographs for roadways and railways, efficiency recorders for machine tools, electronic hour meters, and special float switches for aircrafts. In view of the large-scale expansion plans of the automobile industry, the company has planned to expand its capacity. As a measure of diversification, it is entering the field of ticket-issuing instruments. A technical colloboration agreement has been entered into with Ticket Equipment of UK for manufacture of 5,000 numbers instruments per annum. For this purpose, a new plant is being set up at Bommansandra, a 'backward' area. Commercial production is expected to commence from January 1987. The company has good past record of sales and earnings. During 1978, it earned a gross profit of Rs 104 lakhs on sales of Rs 6.87 crores as against Rs 80 lakhs and Rs 5.77 crores, respectively, in the previous year. Net profit was Rs 26 lakhs (Rs 22 lakhs) out of which 12 per cent dividend absorbed Rs 14 lakhs.

TAMIL NADU

AIADMK in True Colours

TWO parliamentary elections were forced on the people of Tamil Nadu by the ruling party, the AIADMK, one way or the other. Ministerial ambitions of the party's MP from Thanjavur and the alleged murder of the CPI MP from Nagapattinam by a member of AIADMK had caused the two vacancies.

The two regional parties, DMK and its splinter AIADMK, still being the main contenders for power in Tamil Nadu, the electoral alignments have revolved around them. The recent elections witnessed yet another grouping of parties — AIADMK and Congress (I) pitted against DMK, CPI, CPI (M), Janata and a host of other small parties. This was the first time that the CPI had found itself ranged against the Indira Congress in alliance with the Janata. The CPI (M) had also, for the first time, come out unequivocally against the AIADMK, irrespective of whether the latter aligned with Congress (I) or not.

It is worth recalling the developments since the Madurai Corporation election last year when the AIADMK was opposed by both the Communist parties and had been pushed into the exclusive embrace of the Indira Congress. Even the CPI, which would have found an electoral alliance with Indira Congress and AIADMK an occasion for revolutionary rejoice, had shunned the two parties. Given the 'Bhatinda' line, it could not seek the warmth of an alliance with the Indira Congress so soon, some of its state leaders' undiminished admiration for Indira Gandhi notwithstanding. The state's celluloid Chief Minister, M G Ramachandran, in his excessive zeal to be the self-appointed servitor of local capital, has so succeeded in making himself something of a political untouchable, that parties with even a lesser pretension to leftist ideology than the CPI would find it difficult to be seen near his party. Even the Congress (I) had only squirmingly shared its platform with AIADMK and this would have been so even without the high drama that lost Thanjavur to Indira Gandhi even before she could contest.

Repression of Working Class

M G Ramachandran lost his friends in one stroke, last October, when he capped a long series of silent betrayals with an open and wanton attack on the organised workers of TVS and TI cycles. The bandh held then was the first state-wide united action of the opposition parties barring Janata and Congress (I) to protest the government's anti-labour policies. The role of the Janata in this was dubious as it claimed solidarity with the workers but declined to join the bandh. Indira Congress naturally steered clear of the bandh since it was the INTUC that M G Ramchandran had sought to foist on the workers of TVS and TI, literally at gun-point.

Although the unity of the opposition had come too late to help the workmen of TVS and TI, the workers of SIMCO in Tiruchy benefited a great deal. As in TVS, in SIMCO the confrontation was between the INTUC and CITU — the latter attempting to undo a settlement forced on the workers by the foremen. The entire town of Tiruchy rose as one man to support SIMCO workers and there were several state-wide actions as well, including dharnas inside the Assembly. Only such a united stand by the political parties and the unfailing determination of the workers in the face of goondaism by the 'white army' of the AIADMK and police action, was able to counter, the pressure of the SIMCO proprietor, who had been the very first to receive the Chief Minister and do the necessary honours when the latter landed in the US. The SIMCO struggle had then already begun.

The struggle lasting four months and carried on as much in the legislature as at the factory gates, compelled the Chief Minister to deviate from his "firm" policy that an agreement made under Sc 12(3) of the ID Act shall never be violated and to concede a wage increase, even while an agreement made by the hated INTUC union was in vogue. The MGR philosophy, faithfully implemented by his more-loyal-than-the-king labour minister, an ex-union leader himself, has again revealed itself in the textile industry dispute. The textile workers are up in arms demanding increases in wage levels not revised since 1974. Their impatience is further fanned by the windfall profits the industry has made in the last three years. The government showed no interest at all in the matter until the strike notice was issued. On the second day of the strike, with no serious effort yet initiated to solve the dispute, it referred the dispute to adjudication. Making no reference to the merits of the dispute the Chief Minister — and in this he was joined by George Fernandes — gave a call to the workers to withdraw the strike. The police also have simultaneously swung into action, lathi-charging the workmen who have thronged the ESI Offices.

Foisting false cases and rounding up workers at the behest of managements are not MGR's innovations, but special to his style has been the policy of not withdrawing the charges even after an amicable settlement had been reached at the work-spot and normalcy restored, as had been customary so far. All requests for withdrawal have been met by the staid reply " the law will take its own course".

However, to soften the abrasive edge of opposition action, MGR made an independence day declaration last year that all cases against workers would be withdrawn excepting those involving in destruction of poverty and physical injury. In fact, however, no cases were withdrawn by the police. A few months later, an incident took place that compelled the Chief Minister to further modify his "law will take its own course" injunction — large-scale vandalism, mainly destruction of property, was indulged in by Indira Gandhi fans on news of her arrest. This vandalism included the organised bombing of a bus, killing several people. Quickly rallying to succour his mentor's chelas, MGR modified his directive to release all excepting those charged with attempt on life. Yet cases against workers withdrawn have been minimal and blatantly discriminatory. A recent government order most significantly says that all political cases booked after 1972 — the year MGR walked out of the DMK — will be reviewed and suitable action taken!

That MGR is no great champion of civil rights should not be news to any one who has watched his unswerving admiration for Indira Gandhi and the "gains" of her Emergency. Highly illustrative is his attitude towards the report of the Ismail Commission, appointed before his coming to power, to probe atrocities committed on prisoners in the Madras Central jail during the Emergency. Departmental enquiry is said to be going on against some of

those held responsible by the Ismail Commission for the brutal beating up of political prisoners, mainly the DMK, during the Emergency. Although punishment has been long in coming, reward for ill-treating the Chief Minister's enemies has been prompt. Paramaguru, the then IG of Prisons, against whom strictures were passed by the Commission, has now been promoted as one of the four IGs in the "reorganised" Police, his ninth rank in the order notwithstanding.

The government is also supposed to be considering the recommendations of the Anantha Narayanan Commission, the state counterpart of the Shah Commission. Indications so far suggest that no one need fear that the Chief Minister might deal severely with those who took the law into their own hands, as he is often given to declaring, when faced with mass agitations. The Commission to go into the excesses of the DMK regime — no doubt after 1972 — could be cited as the only instance of the Chief Minister's roused conscience.

The notorious Prohibition Act amended by the present government, which makes burglarly and even murder seem petty crimes compared to possession or consumption of liquor, has come as a boon to the police to terrorise the poor and anyone who crosses them or the ruling party. That this act had rendered the police terribly corrupt is public knowledge. This corruption with absolute power starts at the very top: MGR recently warned his cronies in the movie world that but for his benevolence, 95 per cent of them would be in jail for violating the prohibition act.

Communal and Caste Riots

Tamil Nadu under AIADMK has proved no exception to the general trend of rising communal and caste conflicts. Atrocities against the scheduled castes in particular have shown a phenomenal rise, but the government has evinced no special concern. Apathy, however, has not been the only sin of the government; on occasions its men have also been the prime instigators of these horrors. The party's MLA was widely reported to have been involved in a leading role in the Villupuram riots in which 12 Harijans were killed. Several ruling partymen were rounded up in a recent incident of arson in Panrutti where 400 huts of scheduled castes were razed.

The demand of the local RPI that a Harijan member should be included in the commission of inquiry into the Villupuram incident was turned down by the government which found it quite convenient to accept the findings of the one-man commission which exonerated the MLA and contented itself with passing strictures against the local police for not taking "proper action against local rowdyism" by some Harijans. It must have pleased MGR to no end that the report decreed the riots not communal in character, a finding that he himself had announced before the commission was appointed. Even more pleased must he have been at the gratuitous references in the report to political interference in police during the DMK rule and the absence of such interference in the incident under study.

To MGR attacks on the vulnerable sections of the people had never been a "law and order" problem; this was always the exclusive handywork of industrial workers, farmers and students. When Venkatachalam, a CPI(M) leader, working with the landless in Thanjavur, fell victim to a dastardly crime, the local landlord to whom all suspician led, was not even arrested and for nearly two years the police have pleaded inability to locate the body or the murderer.

When, however, a landlord in Ramanathapuram and a village official in Thanjavur, were killed some months ago, the government alleging Naxalite involvement, rounded up about 400 men from the three communist parties and a host of others with no organisational loyalities.

The agriculturists' agitation continues to dount MGR. Led by rich farmers — who, characteristically, have demanded cancellation only of co-operative debts and not debts from non-institutional sources — the movement has managed to inspire both the big and small farmers, thanks to the government's total failure to isolate the kulaks by offering concessions to medium and small farmers.

The agitation led to police firing in April 1978 which claimed 14 lives. Exactly a year after, in the firing in Vagaikulam, in the Chief Minister's own constituency, five people, including two peasant women, were killed. Not concerned in the least, the Chief Minister asked the police to continue to deal with law-breakers firmly and broadcast a most provocative speech — this has become customary by now — on the eve of the state-wide bandh called by the agriculturists' union led by Narayanasamy Naidu, to protest against the Vagaikulam firing. More blood was spilled and two more lives were lost.

The peasants of Vagaikulam and some other villages had on several occasions in the past stalled the digging of wells by the government to supply drinking water to some villages, on the apprehension that the water table would go down and their irrigation wells would dry up. It took the killing of five people for the Chief Minister to order an inquiry to find out whether there was any basis for their fears. Such an assurance given earlier would have saved the five lives, but would have been totally out of tune with MGR's style. With the promptness customary on such occasions, Rs 5,000 was granted to the bereaved families.

The protest bandh called for April 23 might have passed off without claiming further lives but the government had foresworn that the bandh would be a flop and was determined to prove itself right. The "firm" handling led to the death of a Sub-Inspector and a youth. In several villages lives were spared, but the lathi was not. And it was in the village of Valliyur near Madras that sexual equality before the police lathi was fully established. Women of all ages — the young and the very old not exempted — were pulled out of their house and beaten black and blue. The police went berserk there for one full day. Several women were arrested and kept in an open lorry for more than a day without food or water and later dumped in Madras jail. The furore that this incident caused sent MGR out on his usual PR exercise; accompanied by a woman minister, he visited the village and those in the hospital. After the visit, the woman minister was particular in lauding a major police achievement: no woman had been raped. That done, MGR castigated the women for taking part in any kind of struggle at all and vowed that the 'cowardice' of putting women to the forefront in struggles will be tackled; Valliyur was the beginning.

Although MGR's much flaunted march to Delhi to demand a "fair" procurement price for the paddy growers fizzled out as suddenly as his "draft Indira for Thanjavur" call, he was quick to raise the price by Rs 20 just a week before the election. Only a few weeks ago he had declared categorically his inability to increase prices unless aided by the Centre! Apart from Thanjavur being the rice bowl of Tamil Nadu Indira Congress

which had fielded its candidate there banked heavily on the upper strata of the peasants who would most likely benefit from it. The majority of the farmers are out in the cold as the state is not prepared to go in for massive procurement and they would have to fall back on uneconomic market prices.

By-Election Results

It was against the background of this performance by MGR's ministry that the recent by-elections were keenly watched. MGR, who had repeatedly postponed the municipal and panchayat elections, was desperate to gather as many allies as possible. In the event, only Congress(I) was possible, even that on the humiliating condition spelt out by Indira — we do not seek their support, but if they want to support us, let them. MGR's gyrations included seeking of Janata support in Nagapattinam after pledging Thanjavur to Congress(I) and a sudden offer to CPI, just one week before the polls, to withdraw opposition in Nagapattinam if CPI would support Congress(I) in Thanjavur.

But MGR need not have worried. His campaign trail showed that the masses in villages turned out for a glimpse of their movie hero in as large numbers as ever before. Tamil Nadu which voted solidly for Congress(I) after nineteen months of Emergency once again proved that attacks on industrial workers or students or any such minority segment of the society has still not become a mass issue. The voting pattern revealed no significant shift in trend from the last parliamentary and assembly elections, after allowing for alignments in the different elections.

The AIADMK — Congress(I) combine took both Thanjavur and Nagai in the February 1977 general elections, the AIADMK winning the former with a margin of 97,000 votes and the CPI taking the latter with a margin of 41,000 votes. The assembly elections four months later saw DMK going it alone, CPI with Congress(I) and CPI-(M) with AIADMK. With a three-way split of votes, DMK took seven of the 12 assembly seats in the two parliamentary constituencies, CPI took two, Congress(I) one, AIADMK one and CPI(M) one. Janata, which also was on its own, lost deposits in most places.

The present elections had AIADMK and Congress(I) together in an uneasy relationship with all other parties ranged against them in one block. Congress(I) won Thanjavur with a substantial margin while AIADMK lost Nagapattinam narrowly. The PCC President of Congress(I) commented: "If only MGR had worked as hard for his own candidate at Nagapattinam as he worked for the Congress(I) candidate at Thanjavur, his party would have taken Nagapattinam as well."

Amidst the CPI's euphoric statements of "left, and democratic" victory in Nagapattinam has come the only sober assessment of the election from CPI-(M)'s state chief: "The results show that the autocratic forces are still strong in Tamil Nadu".

KERALA

Popular Support for Police Agitation

K T Zacharias

IN Kerala the CRP strike has been total. It thus may be the high water-mark of the agitation being conducted by the various para-military forces in the state. Various Service organisations and school and college teachers are also agitating at the same time. The revolt of the man-in-uniform in this state has to be seen against the background of strikes and struggles of policemen which started in Punjab and have spread to all other states. It certainly marks a new era in the history of the para-military forces in this state as well as in all India.

In Kerala, a significant feature has been the unprecedented fraternisation between the police and para-military forces and the democratic forces in the state. The Marxist-led youth organisation was first to come out in open support of the striking men. They demanded that the Chief Minister intervene at the Centre to bring about a settlement. Then came support from the student wing of the CPI(M), followed by that of the CPI. The CPI(M) state secretary asked the Chief Minister to intervene in the matter. CITU, AITU and later UTUC — and in some places INTUC also — have come out with statements and joint meetings and demonstrations. The SFI and AISF conducted a one-day sympathetic strike.

There are two CRP battalions and one Group Centre in Kerala. The 15th Battalion is encamped at Pallipuram, 19 km to the north of the city. The 56th Battalion is at Palayam, in the heart of the city. A number of Groups are posted at a score or so 'sensitive' spots in the state. The total number of men is about 2,500. They come from UP, Bihar, Punjab and Kerala. The strike in Kerala took place a day ahead of the proposed all-India struggle. The provocation came from the authorities themselves. Two leaders of the CRP men from Pallipuram, E C Pant and Pannoose, had gone to the Palayam camp on June 20 in the evening. It is alleged that there they were taken into custody and beaten up. As in Delhi, the striking men here have paid bitterly: 438 of their colleagues have been dismissed, though the strike was completely peaceful and disciplined. Even the taking over of the camps, the armoury, and the quarter-guard was peaceful. The army men, specially airlifted for the purpose from Hyderabad, handled the situation tactfully. One of the CRP man said: "We are not fighting the government; we are only demanding better service conditions".

Nandanan, Secretary of the All-India CRP Association, in a statement has characterised the CRP camps as "concentration camps", where "worse than slavery exists". The men have even to wash the underwears of the officers and their mem Sahebs. The behaviour of Pallipuram Commandant and Palayam Camp Deputy Commandant is cited as the most unbearable.

The striking CRP men have been living in the Pallipuram camp. A very small proportion has reported for duty. There is a move to evict the dismissed CRP men from the camps and then to deal with the situation. The CRP men are angry that the Chief Minister has not intervened on their behalf. They, of course, recall how, in 1969-71, after the present ruling front camp to power, they had to stand by it against the CPI(M) protest movement. During that period, next to East Bengal, CRP was used most of all in Kerala.

Along with the CRP, CISF is on the path of struggle. Following the arrest of their leaders who had gone to New Delhi for negotiations, the Industrial Security Force at Cochin Harbour and Shipyard, at Udyogmandal, and at the Space Centre at Trivandrum, had come out on the streets voicing their demands. The strength of the CISF men is less than 1,800. They have all

been disarmed. After the events in Bokaro and Delhi, the CISF and CRP staged protest demonstrations in Trivandrum. Both had trekked all the way to the city. They were greeted on the way by student, youth, and worker groups. A demonstration by the forces of suppression receiving such popular support is unprecedented in the history of Trivandrum.

The unrest among the Kerala police has not subsided yet. Following the strike in Punjab, Kerala government announced a wage increase on June 3. But the police were not satisfied. Posters appeared declaring a strike from June 15. The prison guards at Trivandrum and Viyyur Central Jails observed a Demands Day. The excise guards held a one-day dharna in front of the Secretariat. The demands of the excise guards are said to be under consideration. On June 13, the government announced fresh concessions to the police, makig a total monthly increase of Rs 66 in their wages.

Posters have nevertheless appeared that the police will go on strike from July 4. On that day begins the state-wide joint strike of the service organisations and the college and school teachers. Irrespective of whether the police goes on strike or not, it is now evident that the government will not be able to use the 'men-in-uniform' to suppress the struggle.

PUNJAB

Murder of a Naxalite

Amarjit Chandan

ON February 9 this year, a badly-mutilated dead human body was found lying in the fields of Chhapa village in Barnala tehsil of Sangrur district. Its head was chopped off, right leg was missing, the face and a part of left thigh (where dandy Punjabi youth get tattooed peahens) was burnt Near the body were a bicycle, a pair of shoes, an empty liquor bottle, a cartridge-belt and some burnt clothes.

Whose was this body? Who was the murderer? The Punjab police responsible for murdering more than ninety communist revolutionaries during 1969-1975 in contrived encountres, with all their customary indifference say that they do not know anything. A report lodged in Malerkotla police station by one Darshan, a landlord of Dadahur village, says that on the night of February 8, two persons, Tahal Singh and Bira, attacked his liquor shop with fire-arms and that they escaped with some cash, a bicycle and a few bottles of booze.

But an association for democratic rights, the Jamhuri Adhikar Sabha, Punjab (JAS), on the basis of the report of a five-member probe-committee recently released by it, asserts that the murdered man was none but Tahal Singh, a harijan of 45 and a Naxalite activist of Dadahur village of Sangrur district.

The committee, comprising Jaswant Singh Kanwal, the Punjabi novelist, Jagmohan Singh, former general secretary of the Punjab Agricultural University Teachers' Association, Dharam Vir, physician and general secretary of the JAS, and two other college lecturers, after touring a dozen villages and recording evidence of 70 persons including Tahal Singh's dish-washer widow, relatives, village-folks and the Dadahur panchayat, and going through the postmortem report and relevant police record established the fact that Tahal Singh's murder had been well planned by landlords with the tacit support of the police. The murder was allegedly committed by two notorious elements of Dadahur — Darshan and Nahar. Ten years back Tahal Singh along with another Naxalite of the village Piara Singh (who was later murdered by the police) had challenged the authority of these elements by organising landless labourers Tahal Singh was implicated in murder cases, he was tried and he had to go underground again after his acquittal.

It may be recalled that Dadahur, which lies in the traditional Punjabi 'red-belt', was the main target of white terror in the early seventies. The then IG of Police of Punjab had personally carried the operation of razing Naxalite's houses to the ground, destroying crops and beating up people of Dadahur. Moreover the largest number of Naxalites killed in Punjab during 1969-75 belonged to the Sangrur district.

Tahal Singh's body was mutilated in order to destroy his identification marks and hamper the investigation at the very initial stage. The police did not bother to inform the kith and kin of Tahal Singh for identification in spite of the fact that the bicycle alleged to be taken away by Tahal Singh in the dacoity drama a night before had been found near the body of the deceased — a fact confirmed by the police. It was a deliberate attempt on the part of the police not to use the cycle link in establishing the identity and for further investigation. In fact Tahal Singh was already a captive of his murderers, when the dacoity drama was enacted.

The Tahal Singh murder is a pointer to the Punjab police's changed tactics for eliminating communist revolutionaries. The oft-repeated demands for judicial probes into such incidents naturally continue to fall on deaf ears.

Voltas

VOLTAS' board has approved the amalgamation into Voltas, effective from July 1, 1979, of Tata Merlin and Gerin, National Electrical Industries and Wandleside National Conductors, according to the schemes of amalgamation approved by the boards of the three companies. The amalgamations will be subject to the approval of the appropriate authorities, financial institutions, shareholders and creditors. The amalgamations are also subject to a suitable declaration by the Central government, under section 72A of the Income Tax Act, allowing Voltas to set off the losses of Tata Merlin and Gerin and National Electrical Industries. The shareholders of the companies to be amalgamated are to be paid on the basis of the valuation of their shares made by the auditors of Voltas (who are also the auditors of NEI and of WNC) and who have taken into account both the current value of the assets of TMG and NEI as well as the benefits of tax set-off accruing to Voltas as a result of the amalgamations. The fair values of the shares of the companies to be amalgamated, as assessed by the auditors, are as given in brackets against each. TMG's Rs 100 share (Rs 20), NEI's Rs 100 preference share (Rs 60) and Rs 50 equity share (Rs 5), and WNC's Rs 100 share (Rs 100). It is intended that the shareholders of TMG and NEI should receive to the extent of 75 per cent of the value of their shares by way of 11 per cent secured debentures of Voltas and to the extent of 25 per cent by was of shares of Voltas which, for this purpose, will be valued Rs 150.

TEA

Sinister Goings-On

THERE has always been an element of mystery in the government's decision to allow non-resident shareholders to have 74 per cent of the equity capital in Indianised tea companies whereas in most other industries, the ceiling under the Fera norms is 40 per cent. Since the official spokesmen have never cared to spell out the reasons, it is presumed that matters of high policy are involved which they, in their wisdom, have chosen not to share with the common public. The common public, in its foolishness, has concluded that the decision must have brought some material benefit to at least some of the decision-makers, whose interest and the country's are often regarded as being synonymous.

But the foreign shareholders must have been grateful for the consideration shown by the people who have come to assume the onerous responsibility of giving the country a touch of real economic independence. For the foreigners, the whole thing has worked out wonderfully well. The rules allow them to have the cake and eat it too. They have put their hand-picked trusted men at the helm of the successor Indian companies; they have not even spent their own money in buying the shares of these companies but have merely converted part of the proceeds accruing to them from the sale of the erstwhile foreign concerns as loans to the new units formed with Indian registration. All in all, nothing would have served their interest more nicely.

And they have not stopped here. While in India, the newly-formed Indian companies are all supposed to have an independent identity, in Britain some of the leading companies holding 74 per cent of the shares in the Indian units are merging or coming under the control of a handful of enterprising Britishers. The result is that some of these British conglomerates are now coming to secure virtual control of large chunks of the investment in the Indian tea industry. If only some of the wise people of New Delhi cared to look a bit deeply into the emerging patterns of corporate expansionism among some British companies in plantation industries, they could have seen how new monopolies, with their roots in faraway Britain, are emerging in the Indian tea sector. Each of the new Indian tea companies is having its own group of non-resident shareholders, but on one plane they all seem to converage at some points.

But this is not the only aspect of the tea industry for which the bosses at New Delhi may spare some thought. An equally sinister development is now taking place in another pivotal section of the tea trade — broking. The problems here have been brewing for quite some time, but they recently came to a head when one of those typical get-rich-quick charlatans that the tea industry has now produced chose to have a go and acquired the control of a leading broking firm. Its former owners had in a playboyish flush put their fingers in too many pies, soon found themselves out of their depth and had to save themselves by parting with control of the broking company.

But the Brahmins of the tea industry did not view the entry of the outsider with favour. Much of the 100-year-old tea trade is run on trust. The producers hand over their tea to the brokers for auctioning; the brokers take charge of the consignment, store it, auction it and pay the proceeds to the producers. And for all this, the brokers collect a small commission. But when this new management failed even to pay up the producers' dues in time, the market immediately took note of it and its fears about the changeover were deepened. The new management is now desperately working on a salvage plan, but its fate remains open.

While this case has expectedly evoked considerable interest in tea circles, what some of the more illustrious members in the broking trade are doing is no less controversial. Perhaps the least of their irregularities is that they disregard with total impunity the convention that broking firms should not have any other type of interest in the tea industry. Members of their boards sit on the boards of many tea companies. It also perhaps does not look odd any longer that the top of the small-sized brokers community should be handling between them over 60 per cent of the total business. And all the broker companies, seizing upon the loopholes in the law, have continued to remain private limited companies while their business turnover amounts to crores and crores of rupees.

But perhaps the most shocking part is the growing tendency among a section of the broking community to adopt questionable means to widen their business. One of the commonest methods now being followed is to advance money to the less affluent garden-owners, now increasingly facing the bank credit crunch, and thereby book the produce of these estates in advance. It is in a sense a somewhat sophisticated version of the "dadan" system which, we are given to understand, often denies the producer his rightful returns. In tea, the price is determined by bids at the auction sales; even then, there are a lot of details, like valuing the tea for sale where the brokers are supreme.

Another curious going-on in the trade concerns samples. Samples are distributed by brokers among buyers to help them make up their mind before the sale date. In all, about Rs 6 crores worth of samples are distributed in a year. But very often, the money that different companies make by selling the samples — which, in any case they are not supposed to do — are often not properly accounted for in their books. The West Bengal government has initiated a probe into this matter. In the meantime, the "brown sahebs" who have stepped into the tea companies' higher echelons get their "sample allowance", if only to spend it at the races or clubs.

Curiously, all this goes on and on. The government's own tea trading company has not been able to make the least difference to this pattern. If anything, it seems to have only docilely submitted to it. Tea Trading Corporation of India is being actively, and rightly, pushed by the government and its foreign embassies to handle more and more foreign business. Its sales figure is on the rise, and its profit is also growing. But certainly, the idea has never been that the business that it secures should be farmed out among private companies (one of which still has considerable foreign holding and another has, to say the least, a very dubious business image) with the corporation first content with drawing the cash compensatory allowance? What is the stake of the private "sub-contractors" to put their best to build TTCI's image abroad? Their main interest is their profit, and they leave the rest to the Corporation. And this also goes on and on.

LABOUR

Struggle against an Emergency Legacy

THE police firing on workers at Bajaj Auto, Pune, on June 17 has set off a wave of protest which is still continuing. The firing itself came on top of a lengthy agitation against an increase in work-load. The company is the largest in the Bajaj group. Set up in a collaboration with the Italian company Pigotti, it produces scooters that are sold not only in India but also in Africa and Asia. Of course, the foreign principal reserves for itself the European market with the new self-starter scooters that reduce both oil consumption and reduction.

The company has an installed capacity of 2 lakh scooters per year, besides three-wheelers. In the Emergency period the work-loads were arbitrarily increased. Despite the detention of their union leader, Rupmaya Chatterjee of Poona Workers' Federation, and despite the general atmosphere of 'emergency' repression the workers had carried out a tool-down strike. After the withdrawal of the Emergency, the workers carried forward the struggle against the increased work-load and demanded that it should be brought back to the pre-Emergency level. A 45-day strike in July-September 1978 was withdrawn after the management agreed to discuss the matter when settling the new charter of demands. At the same time notices were served on three leaders of the strike. When these three were suspended the workers again went on a strike. One of the leaders of this strike was also suspended, leading to yet another protest, this time a tool-down.

In March 1979 the old agreement expired and discussions were to begin on the new charter. The management now dismissed two of the suspended workers. The management further announced that unless the productivity norms fixed by the company were accepted, there would be no discussion on any of the union's demands. The refusal of management to carry on negotiations led to further protests. For an hour every day the workers carried on a tool-down strike. When the union leader Rupmaya Chatterjee was contacted by the management he said that his union was not conducting the tool-down, that it was a spontaneous affair. On this two of the leaders were given memos on June 16. The workers protested against this with a tool-down strike. The police were called. As they came right into the factory premises, there was a clash in which many persons were injured.

That same day the Maharashtra government declared a five-day closure of all industry, due to the power crisis. The next morning when the workers came to punch their cards, the police who had been reinforced, refused to allow the workers in After a while they agreed to let them in ten at a time! As this would have taken many hours, the workers insisted on entering the factory in the normal manner. On this there was again a clash with the police lathi-charging and tear-gassing. When even this failed to subdue the workers, the police opened fire killing three persons — two workers and a shopkeeper. As news of this firing spread there were immediate protests. The municipal workers who had only that day gone back to work after an eight-day strike immediately struck work in protest. In some factories that were running, like Silverbrite, there was a protest strike. More than 4,000 workers attended the funeral of the killed workers. The next day the shopkeepers of Pimpri-Chinchwad area observed a bandh.

Union Minister Mohan Dharia admitted that the incident could have been avoided and that a judicial enquiry should be held. The Maharashtra government, however, hesitated as the industrialists of the area brought pressure to bear on it. They alleged that the agitation was the work of elements who had no faith in the government. In a situation where even members of the cabinet do not have faith in the government, it will be difficult to find any common people who do have faith in the government!

Chief Minister Sharad Pawar held the firing to be justified. The industrialists claimed that a judicial enquiry would 'demoralise' the people. Soon after, the newly-formed Police Mitra Mandal threatened that if a judicial enquiry was held, all 85 policemen of the Chinchwad police station would resign.

The workers replied to all this with a massive demonstration of 10,000. With this the government was forced to order a judicial enquiry. The workers' anger has, however, not been stilled by the instituting of an enquiry. They know of many such enquiries in the past. Some unions are demanding that the inspector of police concerned, who has been connected with a number of incidents of police repression in the area (at David Brown Greaves, SKF, Garware, Nav Nagar Palika, etc) should be dismissed. They are insistent that they will not aceept a mere transfer.

The factories remain closed due to the lay-off at the time of this writing. But when the factories reopen, the agitation is likely to pick up.

ZAIRE

Lull before Storm?

Rajen Harshe

AFRICAN states like the Ivory Coast, Gabon, Senegal and Togo which had sent their troops to Zaire last year to protect the Mobutu regime from the 'Shaba rebels' have begun withdrawing their forces. Morocco, one of the foremost defenders of Mobutu's regime, would also be withdrawing its troops within three months after June.

Zaire is at the cross-roads of Africa. It provides a link between explosive southern region comprising South Africa, Rhodesia and Namibia and other states of sub-Saharan Africa. Its Shaba province (formerly Katanga), bordering Angola, is rich in mineral resources and accounts for three-fourths of the country's foreign exchange earnings.

Shaba has a history of secessionist movements. During early 1960s under Moise Tshombe's leadership, the province had made an abortive bid to break away. With the defeat of the secessionist forces, the Katangan gendarmes fled to Angola. A year later, when Moise Tshombe became the prime minister of the country, he tried to organise Katangans but within a short period he was himself overthrown.

After Mobutu's advent to power in 1965, some Katangan units again fled to Angola. The Portuguese colonialists gave them asylum on condition that they helped Portugal in containing the nationalist forces in that colony. The Katangans fought on the Portguese side till the Caetano government was

overthrown in Portugal by a military coup in April 1974. Later, during the civil war in Angola, Katangan units supported the MPLA (Popular Movement for the Liberation of Angola), while the other two factions (FNLA, National Front for Liberation of Angola, and UNITA, National Union for the Total Independence of Angola) were backed by Mobutu and the West. Katangan units helped the MPLA in capturing the strategically important city of Luso on the Beneguela railway line.

The Shaba insurgencies of March 1977 and May 1978 have to be seen in the light of the relationship between Angola and Zaire. The Katangans had by then established a 'progressive revolutionary movement' called Front for National Liberation of Congo (FLNC) whose aim was to overthrow the corrupt and inefficient regime of Mobutu. In March 1977 the FLNC insurgents were moving across the southern borders of Zaire getting into and out of Angola. A large number of these insurgents belonged to the Lunda tribal group and Lunda population of Shaba aided them considerably in their infiltration. Again, in May 1978, roughly 4,000 armed insurgents entered Shaba from Angola *via* Zambia and attempted to seize the copper-mining centre of Kolwezi.

There have been two versions of these events: the Zaire government version, and that of the opposition groups. While Mobutu accused Soviet Union and Cuba of training these former Katangan gendarmes on the Angola soil to invade Shaba with a view to securing its secession, the FLNC denied any secessionist designs and FLNC leader Nathniel Mbumba reiterated that the insurgents' aim was to oust Mobutu.

During Shaba crisis, there was some sense in describing the Mobutu regime as 'chaotic'. With its economy in a shambles, Zaire had become a debt-ridden country, and the government was holding discussions with private foreign creditors, particularly the Citibank, to obtain a moratorium on debts amounting to $ 700 million. Earlier, in February 1977, the country's foreign creditors had gone ahead with an additional loan of $ 250 million which they tied to strict control (by themselves) of the country's economic policies. Faced with such worsening of economic conditions and the threats from insurgents Mobutu decided to seek armed support from friendly countries in Europe and Africa.

The strategic importance of Zaire has always prompted the US to maintain close and friendly relations with the Mobutu regime. In spite of this the US avoided any direct military involvement during both the Shaba crises. Instead, the US assisted France and Belgium which decided to support Mobutu with direct military intervention in airlifting men and material. Belgium, the 'ex' colonial power and France, deeply involved in African affairs even after decolonisation, were 'natural' candidates for such intervention.

Amongst the African countries joining the Zaire expeditionary force, Morocco's involvement has been the greatest. It not merely co-operated with France but also mobilised a number of other African states to rally round Franco-Belgium-Moroccan operations. The reason for Morocco's zealous support to Mobutu was that it saw some kind of affinity between its domestic problems and those of Zaire. Just as his counterpart, Hassan II of Morocco has been involved in suppressing the liberation struggle in Western Sahara led by Polisario. Also, by participating in the war, Hassan II could divert the attention of his people from the grave economic crisis the country was facing.

Just after the first Shaba crisis, Morocco and France took the initiative in organising the conference of Francophone states in April 1977. These Francophone states were all clamouring for the 'right to security', and even the so-called radical states such as Guinea and Benin refrained from condemning French intervention in Zaire. After the second Shaba crisis, yet another Franco-African Summit was held in June 1978 during which the position of twenty moderate states on Shaba became clear. Omar Bongo, the president of Gabon and the then chairman of the OAU publicly supported the idea of an African intervention force and the Togo president, Eyadema, went to the extent of suggesting that France should help set-up such a Pan-African fighting force by providing necessary training and weapons. These two conferences highlighted the pre-eminence of France in Africa on the one hand and the fear of likely secessionist movements on the other hand.

Finally, Soviet support to Angola and Cuban involvement in Zaire affected the attitudes of important Afro-Arab countries like Sudan and Egypt (and also China). In a way, Soviet policy towards Ethiopia, Somalia and Libya drove Egypt and Sudan to Mobutu's side.

The internationalisation of the domestic problems of Zaire offers but one example of kaleidoscopic alignments and realignments among African and non-African states. Since the politico-legal boundaries rarely coincide with ethnic or national boundaries in Africa, outbursts of separatist strifes such as Biafra, Katanga, Eritrea, and Western Sahara have been frequent. The urge of African states to build up an African interventionist force also stems from this anxiety. Because such force is at present not in existence, secessionist strife invariably tends to draw the 'ex' metropolitan countries to reassert their influence in Africa. The undercurrents of rivalry for influence between the superpowers are also reflected in the troubles emanating from the secessionist movements. This seriously damages African unity. African states, divided on the issues, line up against each other with the help of major world powers and endeavour to solve their problems with military confrontation.

Zaire has always divided the African states in the past. In fact, the Congo crisis of 1960 had accelerated the formation of Casablanca and Monrovia groups. Ever since independence, Zaire has repeatedly faced the threat of disintegration. In the recent Shaba crisis Mobutu could effectively marshall his diplomatic talents and surround himself with a wide range of supporters to retain himself in power. With the rapprochement between Angola and Zaire in July 1978 and the relative improvement in the country's internal situation, the African troops are now preparing to withdraw from Zaire. What is however still uncertain is whether this withdrawal means that Mobutu's regime is out of danger or whether it marks only a momentary lull before yet another storm.

Company Meeting : Hindustan Lever Limited.

A COMPANY OF PEOPLE

Speech delivered by T. Thomas, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Thursday, 28th June 1979.

I INTRODUCTION

The popular image of a company like ours is that of a manufacturing and marketing enterprise with a variety of products. But to those like me, who work in the company and are responsible for managing it, ours is a company of people The biggest and most important element in a job like mine is to deal with people. Therefore, this year, I thought I would tell you something about the people who are involved with this company They are people in all parts of our country, from all walks of life, with varying levels of consciousness about their involvement in the company.

II INVESTORS

On an occasion like this AGM, I cannot help but start with the people whom I am literally facing this afternoon—the investors in our company We have over 82,000 shareholders and have thus, I believe, the distinction of having the largest number of shareholders of any company in India at present Our last share issue was one of the largest on the Indian stock market and the magnitude of response to it was a gratifying measure of confidence which the investing public has in this company. That was when the number of shareholders increased from about 16,000 to over 90,000. I must confess that we had never anticipated such a large increase and it took us a while to learn to cope with this number! We would like to thank you for being patient with us At one stage, there was an expectation that the number might drop significantly as shareholdings got consolidated, but it has remained at over 80,000.

Our shareholders are by no means rich people... 70% of them own only up to 50 shares each and 82% own only up to 100 shares each. They do take a keen interest in the company's affairs and we, as management, have responded by being as open and communicative as possible Because of the numbers and geographical spread, most communications with investors have to be through the printed word However, the AGM provides one occasion for a face-to-face dialogue with the shareholders This is the 12th AGM that I am attending as a Director or Chairman of this company, and my impression over the years has been that it has been a dialogue rather than a formal meeting. We have always allowed adequate time for shareholders to raise their questions and have sincerely attempted to respond to them immediately. Of course, this has meant that the meetings have tended to take about three hours. But it has been a worthwhile tradition to be open and communicative. We have a lively and critical audience every year, but you have also been generous with your appreciation. And we, as a Board, have learnt a lot from these meetings.

What does a shareholder expect from this company? He expects a return on his investment which is better than what he would get from investments which did not involve risks—e.g. National Savings Certificates, fixed deposits, etc. Any investment in equity of a company carries with it a measure of risk. Therefore, the return has to be correspondingly higher than from a risk-free investment. However, the risks involved in different shares can vary considerably and the investor has to make his own assessment. So, one of the first expectations of an investor is reliable information about a company and its record of performance from which the degree of risk can be assessed.

The return from fixed deposits from good companies at present is about 12% per annum. Therefore, to induce an investor to buy shares instead, a company will have to offer upward of something like a 15% dividend, unless there are other major attractions.

The other major expectation of the shareholder is growth which is required to compensate for the continuous erosion of the value of money through inflation. With an average of 7% inflation per annum, unless the dividend income from the same investment at least doubles every ten years, the investor is losing the substance of his investment. This is generally achieved through the issue of bonus shares at intervals which adds to the base capital and thereby compensates for inflation to some extent. There is a common misconception that bonus shares are some kind of windfall gain which shareholders get every few years. The truth is that it is merely one of the methods of compensating for inflation. In this respect, it is not dissimilar to the periodic revision of wage scales of employees to ensure that the real standard of living of an employee is not seriously affected in the long run as a result of inflation. The shareholder is equally entitled as the employee to protection, at least to some extent, against inflation. In our country, where capital is in short supply, the need to provide inducement to save and invest makes it even more important to protect investors in shares against inflation.

Over the years, the shareholders—especially the well-informed urban groups—and institutional shareholders have become more discerning in their assessment of a company. They look beyond the dividend and growth record and try to judge the quality of the people who manage the company. This is an important change in the expectations of Indian shareholders. In the old days, shares were taken up if some well-known industrialist or business family lent their names to the project. Although in some cases this may still be a factor, it has become generally a less important influence. This is mainly because the shareholders have become more well-informed and are able to exercise more objective judgement. In effecting this change, the community of brokers, merchant bankers, *underwriters and institutions have played a* very useful role. They are constantly analysing the performances of companies and educating investors.

Judged against the expectations of investors, we have fared reasonably well and that is why our investors stay happily with us. However, we do not seem to attract the speculators who expect dramatic returns which, in many cases, is also a reflection of the risks. We realise that it is necessary for us to continue to enjoy the confidence of our investors—individuals as well as institutions—and our policy is to build up that longerterm confidence through our conduct of the business and our dealings with the investors.

III EMPLOYEES

In the ultimate analysis, the people who make an organisation what it is will be those who work in that organisation. This is true of a family, a religious group, a political party or a company. Most large business organisations have access to finance from the same sources; they have access to similar sources of technology and they can recruit people from the same national market. And yet, their performances vary considerably. This mainly is because of the kind of people who work in the company—at all levels from the Board down to the shop floor.

There is no gainsaying the fact that it is the people, who make policy decisions regarding the direction of the company and are responsible for the execution of such policies, that can make the most significant difference to the performance of a company. One can have the most dependable source of finance, the finest of technology, the best of skilled workmen and yet perform disastrously. This was probably best illustrated by the fate of Rolls Royce in the UK a few years ago and, unfortunately, we have several examples of this in our own country too.

In this connection, I would like to bring to your attention, as shareholders, a very serious situation that is developing in our country with regard to the motivation and rewarding of this class of people in the company. Till this year, a director of a company in India could be paid Rs. 7,500 per month, certain taxable perquisites like a car and driver, furnished accommodation, servants'

salaries, leave travel and a maximum commission of half of his salary. A person who gets the maximum salary of Rs. 7,500 per month, has a take home salary of only about Rs.2,270 per month, after deduction of income tax, provident fund and 10% contribution towards house rent. Out of this Rs.2,270 per month, most people at that level would have to pay for some insurance (say Rs. 300 per month) and expenses on education of at least two children at University level (say Rs. 400 per month). That would leave Rs. 1,570 per month. From this net income, the family has to be fed and clothed and one has to meet several other obligations and responsibilities. Most of us in India have responsibilities for aged parents or a widowed sister, or aunt, or someone in the family who looks to the better-employed person for financial sustenance. In addition, we have to provide for small gifts at weddings and other festive occasions to family members, and to have as house-guests relatives from up-country. All these are obligations which we, as a nation of joint-family and community oriented people cannot ignore.

Then, of course, there is the added annual nightmare of having to find the necessary funds for Compulsory Deposit. In this case, it will probably amount to Rs. 17,300 to be found by March every year. The only source to compensate for this is the commission. On the commission of Rs. 45,000 per annum, the income tax is Rs. 32,200. Therefore, the net amount would be Rs. 12,800. That would not meet the Compulsory Deposit needs.

This, then, is the picture of the man at the top. I can assure you that it is very different from what the public has been led to believe in the recent past. In many cases, these men manage to avoid having to borrow only because they may have inherited wealth or savings from their younger days when the burdens were less.

But now let us look at a young man joining a company like ours He has done five years at an IIT and in several cases an additional two years at the Institute of Management, to take his MBA. He has an outstanding record both at the IIT and IIM and represents some of the best talent in our country. We start him as a management trainee at Rs.1,150 per month including bonus. After training of about two years, his salary will be Rs.1,470 per month including bonus. After deduction of income tax, he will get Rs. 1,390 per month. To get even a room in a city like Bombay, he will have to pay Rs. 500 per month. Most companies cannot provide accommodation. Even if the company assists him with modest accommodation, he has to pay 10% of his salary. In that case, his net salary is Rs.1,150 per month. If provident fund is also taken into account, the net salary will be further reduced to Rs.1,020 per month On this, he has to feed and clothe himself. It is hardly possible for him to save.

Now, contrast this with the income of a trader or a well-to-do farmer, or a professional lawyer, doctor, consultant engineer or accountant. In all these cases, there is no such restriction in income. Therefore, it is indeed a severe inequity to have such a restriction of salaries and perquisites of business executives. As shareholders of the company, I would like you to take note of this because if this policy continues over the years, it will become more and more difficult to attract and retain good management. And, as I said earlier, it is the quality and commitment of the management that will make all the difference to the performance of a company.

Restrictions on managerial remuneration are similar to a price control. In the last decade or so, we have seen what price control did to several industries like cement, steel, sugar, vanaspati, paper, etc. It led to shortages, black marketing, lack of investment which accentuated the shortages and an inevitable erosion in quality. I am afraid the present 'price control' on management will inevitably lead to the same situation. There will be greater tendency to evade the provisions and greater reluctance for the best people to take up professional management as a career In this situation, companies such as ours which will not indulge in any dubious practice will selectively suffer even more. I am sharing this concern with you because you have an interest in the continued growth and performance of this organisation. Let us all hope that just as in the case of other price controls, Government will find it possible to relax some of the rigidities in the existing provisions.

When I think of people in our company, the ones who stand out most in my mind are our workmen who work in night shifts in factories, people who have to work in pioneering projects, people who work in villages and rural areas to improve supply of raw materials, our salesmen who trudge around in bazars all over the country in the heat and the dust, our clerical staff who work into the late hours to reconcile their control figures, our supervisors, who have mostly come up from the ranks, and have the delicate task of interpreting to each other people who are below them and above them, the many people who provide the services that keep the operating arms going—and our managers who are almost married to the company.

There are 9,000 of us working in this company. We have 22 factories located in all parts of the country from Srinagar in the north to Coimbatore in the south, and from Shamnagar in the east to Ahmedabad and Bombay in the west From our four regional branches, our 400 salesmen cover every town over a population of 20,000 in the country—and thus, a total of 220,000 outlets in 3,660 markets. In addition, our stockists cover over 60,000 outlets in 6,500 markets through their own resources.

It is this perpetual activity in the factories and the market place by numerous individuals that keeps this company going I have often wondered in my travels and visits as to what keeps us all so committed and unified as a team. There must be many factors including some that we are not even conscious of. One of the most important factors would be the way people are treated. If they are treated with honesty and dignity, and are allowed to participate in a process of constant communication regarding the common objectives and activities, they respond with commitment. This applies to all levels whether they are workmen or directors. Therefore, a lot of time is spent by senior managers with people, listening to them, working with them, talking to them and feeling for them When I go on a tour with a salesman in Junagadh or in Assam, my entire focus is on that salesman, his effort at persuading the retailer to buy another dozen tablets of soap, or a bottle of shampoo. It is that kind of effort carried out by hundreds of them, day after day, that keeps the product moving. When the market work is over and we sit down for lunch or dinner, we invariably talk about personal problems; and in several instances these conversations have helped me gain a better insight into the feelings and aspirations of salesmen, how they have to work odd hours, how they cope with the separation from their families, how they manage to age without impairing their work, how they cope with diabetes or the expenses of marrying off a daughter, etc. On these occasions, the barriers of rank and status drop and we become ordinary human beings to each other, with similar problems and aspirations. A bit of the salesman's problems get transferred to me so that when I return to the comforts of my office, I can still feel for him and many like him.

Then again when I go to a Pan Room or an Oil Refinery, and see the people who make soap or clean a hot filterpress, I do feel for them and the physical effort that they have to put in day after day, year after year for thirty to forty years. These are men who were young with me but now are burdened with the same concerns—about sons waiting for jobs, daughters waiting to get married, wives who are in indifferent health, etc. When we talk about these things we come closer. The young man who was an athlete twenty years ago is a mature father who likes to talk about old days, as well as his present concerns. The differences in rank fall away and a human relationship is established.

In my experience, it is these human contacts which keep one sensitive and interested. Without them, one might as well be operating a huge machine.

The other major factor in evoking commitment and loyalty from people is the force of example by seniors. Unless we have total commitment to the common objectives in the top layer, all exhortations are in vain. Therefore, one of our main objectives has been to sustain this tradition of commitment and hard work at the top, which has existed in our company over decades.

Another warming feature in our company is the loyalty of people who have left the company to join other organisations or into retirement. I have often wondered and discussed with some of them as to what contributes to this continued interest and genuine loyalty to the company. The most common factors mentioned are the pride they feel in having worked in an honest and decent environment where no one asked or expected one to do anything that was mean or dishonest, and where one could feel that the people above cared.

As we grow and expand, one of our major concerns would be as to how we keep up this human and informal touch within the company, with an increasing number of employees at all levels. It will require more time and effort, especially on the part of the senior people.

Lest you think that we have uninterrupted good relations all the time and at all levels, I should add that we have our occasional

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differences and disputes. As a company, we believe that trade unionism is a right of our workmen, and it is to our advantage to have strong union leadership with whom management can negotiate and settle issues concerning unionised workmen. As of now, we have longterm settlements in all our major factories and they have been arrived at as a result of considerable amount of discussions with our workers. We believe bilateral settlements are much more desirable than imposed ones. Therefore, we are particularly glad that in our largest factory in Bombay, with over 4,000 people, we have recently concluded an agreement. The largeness of the numbers had made the task more difficult; but the continued personal contacts among those who work together as workmen, supervisors and managers and the ultimate belief that we have a common interest in the company have contributed to this agreement, and a similar one in our large establishment in Calcutta.

Wherever intelligent and free human beings work together, it is only natural that there will be differences of opinion and when they do occur the best we can do is to be always prepared to discuss and to be honest in one's dealings without being cowed down by threats or blackmail. In the end, it is in nobody's interest, not even that of the employees, if an organisation is not effectively managed. This realisation has to be shared by all who work in the organisation and, in our case, this seems to be a well-accepted norm.

IV THE TRADE

Another very important band of people who help in the operations of the company are our transporters, forwarding agents, stockists and retailers We have nearly 4,000 Redistribution Stockists (RSs) in all parts of the country who distribute our products through over 700,000 retail outlets. Some of them—like Khemchand Dayaljee of Poona and Ahmedabad, Bhailal Raichand of Bombay, Poonam Enterprises in Jullunder, Raj & Co. in Jorhat, Bombay Stores in Bikaner, Nala Chakravarty Chettiar in Madras, Murlidhar Jain in Bhopal—have been with the concern for more than one generation. In their case, one generation gives place to another at a slower pace than that of the Chairmen of Hindustan Lever. Therefore, you come across some of them who are constantly comparing one generation of sales managers, Directors and Chairmen with the preceding generations. They are polite enough not to give offence through comparisons unfavourable to the present generation—but their nostalgia is a kind of reminder that the bonds are older than what the present generation in the company knows. Some of them are the shrewdest traders in the country and the most well-respected ones in their own towns.

At the other end of the spectrum, you have the young, self-made, first generation stockist who has worked his way up and is still working the markets himself. For instance, there is Marwah in Kulu, who came as a boy into Himachal Pradesh with his refugee father from West Punjab. After a spell in Government service, he set himself up in business and built it up himself, trudging the valley to sell the products. Even now, he has to go by bus into the Lahul/Spiti valleys to distribute our products At the other extreme of the country, there is C.J. Thomas in Tiruvella, Kerala, who was an RS's salesman in a neighbouring town till we started a stockist's position in his town. Now he has built up his business to such an extent that financially he is better off than the Chairman of Hindustan Lever! Then, there is Jagdish, our RS in Jammu, who sold cigarettes in war-affected villages near the Pakistan border a decade ago, but is now a prosperous trader in his own right. In this younger generation, you see the resurgence of the innate trade instinct of the Indian all over again. It is not confined to one region or one community.

In our dealings with the traders, we demand honest trade practices and in return we ensure an adequate return on their capital with maximum security of business. This relationship has stood not only the test of time but also the vicissitudes like price controls, shortages, etc., and under all circumstances we have been able to ensure equitable distribution of products at fixed prices throughout the country. It is a partnership in which there is a commonality of interests and this results in a mutual loyalty which often extends beyond purely business relationships. However, one of the strictest rules we enforce is that none of our employees at any level builds up any obligation towards any trader.

While we demand a very high standard of performance and integrity from our RSs, we also strive to ensure that the business is stable and profitable for them. We believe that unless a business yields a reasonable return, it cannot be sustained. Therefore, we take care to work out the risks and profitability of our RSs to ensure that they are adequately rewarded Assistance is given to them in training their staff and improving their controls. But ultimately their success depends on the commitment they have and the quality of judgement exercised by them in their dealings with the retail trade in their town. When an RS gets into difficulty, it is usually because he has lost his touch with the market and the trade and has allowed himself to be insulated from the market. This is a temptation which befalls them as the business grows and they build up an organisation that makes the top man more remote. But in a distribution system, it is vital that the man at the top has a real and up-to-date feel of the trade. It is therefore sometimes necessary to split up the stockists' business in large towns to provide for this more intimate knowledge and contact with the market. The management of this vital distribution system is one of the valuable skills which our company has acquired over the decades. It still constitutes an important part of the training of our managers.

Although I have dealt with our distribution system in another AGM speech, the more I see of the world and the trade in many places, there is very little that can beat the combination of shrewdness, hard work, austerity and commercial judgement of the Indian trader While it is easy to criticise their behaviour at times of shortages, it has to be remembered that they are the backbone of one of the most efficient and, certainly the most economical distribution systems in the world Long may we be protected from State bureaucracy or from giant chains engaged in distribution We, as a company, are proud to be associated with our traders and in many ways we have shown them that longterm goodwill and profitability are best built up through honest dealings, as opposed to speculative ones. Companies like ours have a role to play in upgrading their skills as well as their ethics.

V SUPPLIERS

We have a diverse range of suppliers ranging from large chemical companies to the landless buffalo owners in Etah. In between, we have a large number of medium and smallscale enterprises which supply a variety of goods. Out of Rs. 46.6 crores worth of chemicals and packing materials that we bought indigenously in 1977, almost a third came from smallscale units. In many cases, we have helped either to set up the unit or to have its technology improved in order to meet our specifications. For instance, in the case of Mr. Y.H. Jhaveri of Vasu Chemicals, who is now supplying laboratory chemicals, we helped him with all technical information as well as initial guidance. In the case of Mr. Alok Nandi of Plastiko Industries, Bombay, we improved his process through our technical inputs and reduced wastage of raw materials in the manufacture of plastic containers. This helped Plastiko Industries to become more efficient and profitable. In three years, their turnover increased by 100%.

Unlike many other businesses, an important class of suppliers who deal with us are farmers and small traders—in oilseeds and milk. As we are the largest users of minor oilseeds in the country, we have in many cases to organise their collection and establish a market for them. For instance, when we discovered the qualities of sal fat for industrial use, we had to pioneer with local people in Orissa the collection of seeds from the forest, the extraction of the oil, the disposal of the cake and a host of operations associated with these primary tasks. After a few seasons, it became a regular trade and the activity was extended to other States.

Another important example has been that of our suppliers of milk in Etah. In the early stages, we were more concerned with the collection and processing of milk rather than the supply of milk. But we learned very soon that we had to get involved in the actual production and supply of milk by the farmers. It was a long and arduous learning process both for us and the farmers. But looking back, it has been a very gratifying experience for many of us and constitutes an outstanding example of how industry based on farm produce can make a significant contribution to rural development.

The primary objective of the project has been to improve agricultural productivity allround. That is the only way to increase output from animal husbandry which is an integral part of the total rural economy. Therefore our relationship with the farmers in Etah had to be extended beyond the sphere of milk supplies. As a result of our common effort, in these areas covered by our Integrated Rural Development programme, it has been possible to raise agricultural productivity by almost 30% in two years. This of course gets reflected in animal husbandry and milk output as well. The task is by no means completed. But it is another example of how one has to relate to primary suppliers and involve our organisational skills for mutual benefit.

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VI CONSUMERS

In this company of people, the most numerous and perhaps also the most powerful constituency is that of the consumers. Our interphase with the consumer is over a whole range of products in all parts of India and among all strata of society—spreading from the Himalayas down to the extremities of our subcontinent.

When I was a young schoolboy in a village in Kerala, my seniors considered me too weak to be taken into the football team and it was my habit to hang around on the sidelines every evening in the hope that if there was a vacancy among the fourteen players (seven a side), I might get a chance to play. And they used to advise me, somewhat teasingly, that I should try using Dalda for health and vigour. That was almost forty years ago when Dalda was beginning to appear in the south. None of us knew then that I would end up, not only using it but, one day, making it by the tonne!

A few years ago I was in a small village called Sirsa in the Lahul Valley, between the Himalayas and the Karakoram ranges, and had gone off on a short trek. On the way back, down the slopes of the mountain, I found a woman with her baby and a calf squatting and washing the family's clothes. She was using water coming down the hill and beside her, in this most remote mountainous part, was a packet of Surf!

More recently, on a trek from Darjeeling to Sandakphu three years ago, I had stopped overnight at a goat shed at Molle, which is about 10,000 feet high and abandoned in those winter months by man and beast. As we had our evening meal, and were sitting around a bonfire, we were joined by a group of Nepali farmers wending their way from the valley down below to their remote village in Nepal. They had gone down to buy salt and household necessities. One of them was soap and the soap they had gone all the way to buy was Sunlight!

When I was visiting my home in Kerala last year, I was surprised to find that even in my small village now there was a fulltime stockist, not only for the normal consumer products but also for our animal feed. To most housewives we are the source of many products they use on a day-to-day basis. But in this town, I was surprised to see some people to whom our company was a cattle-feed company. That is a measure of the confidence and satisfaction we enjoy in diverse products and places.

Whether it is in the remotest estate of Assam, or among the camel tracks of Rajasthan, you will find our consumers—loyal and satisfied and coming back generation after generation for the old products as well as some new ones.

What does a consumer expect from us? I think her first requirement is reliability in quality. Then comes the reasonableness of the price. In spite of all the difficulties in obtaining materials and the pressures of inflation, cheap competition, etc., we have managed over the years to maintain levels of quality that are generally above that of others. We have also introduced different qualities of products for various segments of consumers so that it is within the range of each category of consumers. In times of shortages, we have spent a lot of effort disciplining the trade to ensure equitable distribution at the agreed price. One cannot claim that it was perfect but it had certainly ensured a more dependable service to the consumer whose continued confidence we have assiduously built up over the decades.

The consumer also expects from us improvements and new products. Like everything else in life, there is a desire for change. So we constantly try to improve and change—not for the sake of change but in response to a felt need or a proven improvement. This again has helped to satisfy the consumer.

And, of course, we are constantly adding to the network of our sales and distribution system to cover more and more remote parts of the country, as the years go by. The packet of Surf I saw was the result of the efforts of our enterprising distributor in Manali who takes our products once a fortnight by bus for distribution in the villages in the Lahul Valley. As years go by, we add more and more of such places to our ever-widening distribution system and thereby add more and more to this company of people.

VII CONCLUSION

What you and I are involved in is truly a company of people. Each segment has its own expectations. The investors want an attractive return on their capital, with reasonable growth and minimal risk. The employees want improved standards of living and with security and fair treatment. The trade wants adequate profits and security in their business. The suppliers want a reasonable price and honest dealings. Our consumers want the best product at the lowest possible price. Many of these objectives are evidently conflicting. And it is the job of those of us whom you have entrusted to manage this company to reconcile these different interests and to provide an optimal solution which will keep this company of people going from strength to strength and in harmony—despite the different sectoral interests and our national diversities.

(Note · This does not purport to be a report of the proceedings of the Annual General Meeting. If any shareholder wishes to have a copy of this speech in booklet form, please write to: The Communications Department, Hindustan Lever Ltd., P.O. Box 409, Bombay-400 001.)

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Solicitude for the Rich

THE Finance Ministry has, according to press reports, decided to impose a ceiling of Rs 100 crores on expenditure on the food-for-work programme in 1979-80. In other words, the expenditure on the programme is proposed to be restricted to the level of the revised estimate for 1978-79. There has been no official pronouncement to this effect, but that there is a move on the part of the Centre to hold back the food-for-work programme is evident from recent statements of spokesmen of some of the state governments. Addressing a press conference in Calcutta last Monday, the West Bengal Finance Minister disclosed that the Centre had been unwilling to comply with West Bengal's request for release of an additional 75,000 tonnes of wheat under the programme.

The justification advanced for cutting back the food-for-work programme is truly disingenuous. The West Bengal Finance Minister has revealed that the Centre had turned down the state government's request for additional foodgrains on the ground that expansion of the food-for-work programme was likely to add to inflationary pressures. This is completely contrary to the Union Finance Minister's own statement, made while presenting the Budget for 1979-80, that any increase in expenditure on the food-for-work programme over the provision in the Budget "will .. have no inflationary impact as we will be drawing upon our accumulated stocks of foodgrains". Only a relatively small proportion of the expenditure on the programme is incurred in cash. Further, it is not as if the food-for-work programme is entirely in addition to the government's other development programmes. Thus the revised estimates for 1978-79 show that while the outlay on the food-for-work programme went up from the budgetary provision of Rs 30 crores to Rs 100 crores, that on the integrated rural development programme fell short of the budgetary provision of Rs 211 crores by 31 crores. In other words, taking advantage of the availability of food stocks as well as of the fact that the rural labour force, given its abject poverty, is in no position to demur, the Central and state governments have been substituting payment in foodgrains to labour for cash wage payments for some of their development programmes. In terms of the impact on prices, this substitution is obviously disinflationary. It is ridiculous, therefore, to make out a case for curtailing the food-for-work programme on grounds of its being inflationary. It is also patently dishonest, since horror of inflation has not come in the way of the government's massive purchase operations to keep up the prices of foodgrains for the benefit of the big farmers. These purchases are financed entirely through credit from commercial banks.

The inflation argument is sheer hocus pocus. The real reason for the government's inhibitions about the food-for-work programme is apprehension whether it might, to howsoever slight an extent, adversely affect the big farmers and traders. As the results of the Rural Labour Enquiry, 1974-75, have revealed, agricultural workers' average daily earnings in real terms *declined* quite substantially between 1964-65 and 1974-75. Such a thing could have happened during the period of the so-called green revolution only because of the existence of a large and growing reserve army of labour. Clearly, this state of affairs must not be disturbed. Central and state governments have been, therefore, ultra careful that rural employment programmes do not run any risk of pushing up wages for the big farmers, even in localised areas or for short periods. Thus in Maharashtra, for instance, work projects under the employment guarantee scheme are invariably suspended well in advance of the busy agricultural seasons. Also the wage rates that the labourers actually receive are low enough to dissuade them from bargaining for higher wages from their farmer employers. The government has also taken special care that the foodgrains distributed under the food-for-work programme do not depress market prices. Thus, for instance, the state governments have reportedly been directed by the Centre recently to raise the price of wheat distributed under the programme from Rs 100 to Rs 120 per quintal.

It is unnecessary here to go into the pros and cons of works programmes as effective instruments for generation of employment. Even if it granted that these programmes do little more than provide short-term relief for the rural poor, what is significant is that the limits to even such relief operations are set not by paucity of resources — the government's food stocks are expected to go up to a peak of 22 million tonnes this year, causing it to desperately try to export foodgrains — but by solicitude for the rich.

A Theory of Rent and Agrarian Relations

Ranjit Sau

Absolute ground rent is a hindrance to the transition from feudalism to capitalism in that it takes away a part of the surplus product of labour from being transformed into profit for capitalist development.

Agrarian revolution is the core of the current stage of the revolution in India. While it is oriented towards elimination of the vestiges of feudalism, it is not aimed against agricultural capitalism as such.

But the agrarian revolution does demand the abolition of landlordism — both feudal and capitalist. Unless the poor peasants and agricultural labourers are organised and united to carry forward the revolution to the next stage, landlordism in one form or another will reassert itself.

ABSOLUTE rent hinders the development of capitalism; private ownership of land is a hindrance to capitalism. So said Lenin in 1908, on the basis of the Marxian theory of absolute rent.[1] It is precisely the existence of private landownership that constitutes a limitation to the investment of capital and the free expansion of capital in the land. Landed property is here the barrier which does not permit any new investment of capital in hitherto uncultivated or unrented land without levying a tax, or in other words, without demanding a rent, although the land to be newly brought under cultivation may belong to a category which does not yield any differential rent. So argued Marx, in a context where 'agriculture is dominated by the capitalist mode of production', in the first place.[2] Strictly speaking, what Marx showed was that the presence of absolute rent works as a brake on the *further* development of capitalism in agriculture, which is *already* under the sway of capitalism, for it stands in the way of 'free' expansion of capital on land.

Utsa Patnaik has a different situation in mind when she says that ground rent is a deterrent to capitalist production, unless certain stringent conditions of technical change are fulfilled.[3] She refers to pre-capitalist rent, not capitalist absolute rent, as a formidable barrier to the emergence and development of capitalist production. This is easy to see. A petty producer gives away the entire amount of his surplus-product in the form of rent, whereas the capitalist farmer, in addition to that amount of rent, must earn a profit on his capital. Hence the surplus on the capitalist's farm must be sufficiently high to pay for the rent and to yield the average rate of profit. The basic reason for the high levels of pre-capitalist rent is precisely the monopoly of landed property, consequent landlessness or near-landlessness of a very high proportion of the working population, and their struggle for a livelihood within agriculture in the absence of alternative job opportunities.

Be it Marx's formulation about the antagonistic relation between absolute ground rent and *fuller development* of capitalism, or Patnaik's formulation in terms of *transition* from pre-capitalism to capitalism, in either case the presence of ground rent is a hindrance to the development of productive forces. Monopoly of landownership is a fetter on social progress. It is, therefore, understandable why at the current stage of people's democratic revolution, of which agrarian revolution is the core, feudal as well as capitalist landlordism is equally brought under attack, even though agrarian capitalism as such is not the immediate target of the revolution.

Finally, the fourth area on which the Marxian theory of ground rent sheds light is the identification of the principal contradiction. A large body of literature claims that in India today it is feudalism which is the principal contradiction. If so, then feudal rent must be one of the prominent modes of exploitation in Indian agriculture.

While the absolute ground rent plays such a critical role in the process of agrarian evolution, it is surprising that the analytical work on the theory of rent is comparatively meagre. This note is a modest attempt to prepare only a framework of analysis.

I

Rate of Exploitation

Surplus product of labour is appropriated by another class. This is exploitation. The concept of the rate of exploitation, therefore, must be cast in terms of the rate of appropriation of the surplus-product. Recall how Marx defines it: it is the ratio between the surplus-product and the necessary-product of labour-power. Here we shall define it in a slightly different way — in terms of the ratio between the surplus-product appropriated by a peasant and the surplus-product 'supplied' by him.

Suppose the peasant employs wage-labour on his farm to the tune of A labour-days, and he hires out on wages certain labour-days denoted by a; and he engages F labour-days of his family labour on his own farm. The peasant leases out some land; let B be the number of labour-days whose surplus-product is equivalent to the rent he receives on account of the leased-out land. Likewise, let b be the labour-days whose surplus-product is equal to the rent he pays on the land leased-in by him. If s is the surplus-product per unit of labour-power, then obviously he generates or 'supplies' surplus-product as measured by (F + a).s. In return, how much surplus-product does he receive? The answer is: (F + A + B — b).s. Now, *the rate of exploitation* (R) is defined as follows:

$$R = \frac{(F + A + B - b).s}{(F + a).s} - 1$$

$$\text{or } R = \frac{(A - a) + (B - b)}{F + a} \quad \ldots (1)$$

If R = 0, then the peasant does not exploit any body, nor is he exploited. A positive R means that he is an exploiter, whereas a negative R implies that he is exploited.

Mao Tse-tung, in his analysis of rural classes, mentions exploitation through rent as well as through usurious loan. If C is the labour-days whose surplus-product is comparable with the interests the peasant receives on the loan he has given to somebody, and similarly c is the labour-days corresponding to the interests he has to pay out, then equation (1) can be expanded to take them into consideration as follows:

$$R = \frac{(A - a) + (B - b) + (C - c)}{F + a} \quad \ldots (2)$$

Tables 1 and 2 give the computations of R according to (1), for two villages of Andhra Pradesh, *viz*, Kaza and Ananta Varam, in the year 1974.

Our equation (1) draws its inspiration from a similar formula of Patnaik. But, we think, Patnaik's construction is open to several questions. First, her way of calculating B and b (in our notation) is wrong. Second, her index does not really measure 'exploitation' in the Marxist sense of the term, nor

TABLE 1: CLASS STRUCTURE IN KAZA VILLAGE, ANDHRA PRADESH

Classes	Families Per Cent	Owned Land Per Cent	Agricultural Wage Labour Employed Per Cent	Agricultural Surplus Product Appropriated Per Cent	Village Income Received Per Cent	Rate of Exploitation R	Co-efficient of Relative Labour Utilisation E
Landlords	2.8	26.57	13.00	21.95	18.30	41.90	41.90
Rich peasants	10.2	31.35	46.00	38.09	20.70	3.00	3.20
Middle peasants	17.0	27.30	27.20	27.28	16.70	0.05	0.10
Poor peasants	19.8	14.77	12.70	12.68	6.40	−0.52	−2.00
Agricultural labourers	14.5	—	1.10	—	6.60	−0 90	−46.30
Others	35.7	—	—	—	31.30	—	—
Total	100.0	100.00	100.00	100.00	100.00	—	—

Note. Only the agricultural sector of the village economy is considered; the agro-related and other activities are ignored in all calculations except for those in the column 'village income received'. Land-holdings of agricultural labourers and of 'others', very small in amount, are not considered in computing the shares of 'agricultural surplus product appropriated'. However, the family labour and wage labour engaged in the family farms of agricultural labourers are included in the computation of indices R and E.

In the original data the total leased-in land exceeds the total leased-out land since some peasants have taken land on rent from outside the village. The land leased out by landlords has been distributed among the rich, middle, and poor, peasants in proportion to their respective net leased-in lands, keeping their operational holdings as they are in the original data. 'Others' are engaged mainly in government and other jobs.

Source: Computed from the data in Sundarayya (1977).

TABLE 2: CLASS STRUCTURE IN ANANTA VARAM VILLAGE, ANDHRA PRADESH

Classes	Families Per Cent	Owned Land Per Cent	Agricultural Wage Labour Employed Per Cent	Agricultural Surplus Product Appropriated Per Cent	Village Income Received Per Cent	Rate of Exploitation R	Co-efficient of Relative Labour Utilisation E
Landlords	11.52	71.57	72.53	70.60	61.78	...	...
Rich peasants	18.95	18.82	21.45	21.18	21.35	6.70	6.70
Middle peasants	8.32	6.76	4.58	5.59	7.53	0.40	0.87
Poor peasants	9.86	2.85	1.44	2.63	3.69	−0.60	−2.70
Agricultural labourers	38.54	—	—	—	4.39	−1.00	−46.50
Others	12.80	—	—	—	1.25	—	—
Total	100.00	100.00	100.00	100.00	100.00	—	—

Note: See the note in Table 1.
Source: Computed from the data in Sundarayya (1977).

does it indicate 'the use of outside labour relative to the use of family labour' in any meaningful sense, her claim to the contrary notwithstanding.

To begin with, "whether rent is paid in kind or money, we can reduce it to labour days", she says (and herein lies the error), "by taking the share it forms of gross output on the leased land, as an approximation of the share of total labour-days on leased land which is appropriated through rent". Patnaik elaborates that: labour-days taken through rent is equal to (rental share to owner of land leased out) *times* (total labour days on land leased out). If rent is one-third of the produce, and 30 labour-days are engaged on the land leased out, then 10 labour days is the labour-equivalent of rent received. A similar procedure is adopted for estimating labour-days given through rent. Note that in this numerical example B = 10, since the rent is equivalent to the *total product* of 10 labour-days. (By contrast, we estimate B such that the *surplus-product* of B labour-days is equal to the rent; should the entire surplus-product of the land be extracted as rent then in our reckoning B = 30.) Now, Patnaik constructs what she calls the labour exploitation ratio (E) as given below.

$$E = \frac{(A - a) + (B - b)}{F} \quad \ldots \quad (3)$$

Suppose, for simplicity, a = 0, b = 0, and A = 25, F = 5; and, as shown above, B = 10, in Patnaik's procedure. Then E = (25 + 10)/5 = 7. But, then, a question arises: Can 25 labour-days of wage-labour hired by the peasant be added up with 10 labour-days whose total product he receives as rent on the leased-out land? We think not.

The peasant appropriates only the *surplus-product* of 25 labour-days he employs on wages; as for the other 10 labour-days in the numerator, he appropriates their *total product* in the form of rent. That is to say, A = 25 and B = 10 are not qualitatively homogeneous; A and B are not of the same dimension. Hence it is illogical to add them up. If B is expressed in terms of labour-days whose surplus-product only is taken as the unit, so that B becomes 30 in the above example, then A can be added up with B in equation (3). In that event, E = (25 + 30)/5 = 11. Evidently, Patnaik's method may give not only wrong magnitude of E, but also wrong sign.

What does the ratio of equation (3) mean, in any case? We do not feel inclined to interpret it as the ratio between the use of outside labour and inside labour. The use of wage-labour on your own farm is not the same thing as extracting the fruits of the family labour of a poor peasant on the land he has leased out from you. Qualitatively they are again two different things; they may belong to two different worlds — two different modes of production. What is the point in adding or subtracting them? They can be meaningfully, arithmetically, operated upon, once they are projected into the co-ordinate of surplus-product. From now on, we shall be referring to either (1) or (2) in the course of discussion on the rate of exploitation.

TABLE 3: RATE OF SURPLUS LABOUR AND DEGREE OF EXPLOITATION IN PRE-LIBERATION CHINA

	Rate of Surplus Labour (Per Cent)	Degree of Exploitation (Per Cent)
Yulin County, 1933		
Peasant-proprietor	19.00	—
Peasant proprietor-cum-tenant	23.94	109.00
Peasant-tenant	19.68	189.25
Peasant tenant-cum-farm labourers	20.00	134.60
Wenchiang County, 1941		
Peasant-tenant	57.30	181.00

Note: Both farm and non-farm incomes are taken into account. Rate of surplus-labour is defined as the ratio between surplus-labour and necessary labour, while the degree of exploitation is defined here as the ratio between rent paid to the landlord and the peasant's surplus-labour. Tax is ignored.

Source: Chen Po-ta (1958).

TABLE 4: INCOME, CONSUMER EXPENDITURE, AND INDEBTEDNESS OF SMALL CULTIVATORS AND WAGE EARNER HOUSEHOLD IN INDIA, 1970-71

(Rupees)

Household Type	Annual Income	Annual Consumer Expenditure	Annual Deficit	Loan Taken Per Year	Loan Repaid Per Year	Net Loan Per Year	Total Loan Outstanding at End of Year
Small cultivator	1174	1488	314	172	42	130	335
Wage earner	1196	1332	236	106	32	74	210

Source: NSS (1976).

What is the share of the surplus-product appropriated by a peasant in relation to the total surplus-product generated in the economy? The former is given by: $(F + A + B - b + C - c).s$, while the latter is given by: $\Sigma\ (F + A).s$; so that their ratio is:

$$T = \frac{F + A + B - b + C - c}{\Sigma\ (F + a)} \quad \ldots (4)$$

The summation runs over all the peasants (and landlords). Of course,

$$\Sigma A = \Sigma a, \quad \Sigma B = \Sigma b,$$

$$\Sigma C = \Sigma c; \text{ and } \quad \Sigma T = 1.$$

Computations of T for Kaza and Anantavaram villages are presented in Tables 1 and 2, respectively.

II

Exploitation in Russia and Pre-Liberation China

The peasant differentiation debate within Russia commenced by the middle of the nineteenth century, and continued right through the 1920s in the USSR. Various criteria were put forward for classifying the peasantry. In 1926 Nemchinov, for instance, attempted a synthesis of as many as eleven methodological suggestions by others.[4]

Among the studies of exploitation in pre-liberation China, that of Chen Po-ta is of certain relevance to us here. He defines the *rate of surplus-labour* as the 'ratio of income from surplus labour to the expenditure for necessary labour'.[5] The expenditure of a peasant household may be divided into two parts. (i) means of production which includes seed, fertiliser, farm tools, upkeep of livestock, and farm buildings; and (ii) means of subsistence that covers household expenses and payment to year-round or seasonal helpers. The average yearly expenditure of 16 peasant proprietor households in Yulin County in 1933 was found to be 360.94 yuan with the following breakdown:

(i) Means of production ... **100.81** yuan
(ii) Means of subsistence ... **260**.13 yuan

The average yearly income was 410.43 yuan (farm income 291.21 yuan, income from domestic occupations 96.72 yuan, and income from subsidiary occupations 22.50 yuan). Surplus labour = income minus expenditures on means of production and means of subsistence = 410.43 — 360.94 = 49.49 yuan. The rate of surplus labour is then 49.49/260.13 = 19 per cent.

The *degree of exploitation* is the ratio between the sum of rent paid to landlord, tax and other levies, on the one hand and the surplus-labour of the peasant, on the other. Table 3 shows that the degree of exploitation in pre-liberation China was more than 100 per cent; that is to say, not only the entire surplus-product but also a part of the necessary-product of the peasant were given out by him to the exploiter.

III

Rent, Profit, and Class Conflicts

Consider an agrarian economy with four classes, *viz*, landlords, capitalist farmers, poor peasants, and agricultural labourers. Landlords own land which is leased out; capitalist farmers own land, and they also lease in land; poor peasants do not own land, they only operate land that is leased in; and agricultural labourers have no land at all, they hire out their labour power. Landlords have some 'capital', in the form of money or grain, which they lend at usurious rate of interest. *Capitalists also have some 'capital'* which they invest in land in the form of constant capital and variable capital. Poor peasants operate their tenanted land only with labour-power, and no constant capital at all.

We shall keep in mind the Indian situation where the tenanted land is rather small, about one-tenth or so, of the total cultivated area. Between the capitalist farmers and poor peasants it is the former who account for bulk of the leased-in land. Poor peasants and agricultural labourers are deeply entangled in indebtedness, as displayed in *Table 4*. The total amount of loan outstanding is nearly three times the net loan taken per year, perhaps the moneylender settles the account every three years by swallowing up some assets of the debtor. Total loan outstanding at the end of the year is about the same as the annual deficit, and the net loan taken per year comes to roughly 40 per cent of the household budget deficit. It is not known how the rest of the deficit is met. On the whole, Table 4 gives a picture of perpetual and increasing indebtedness of poor peasants and agricultural labourers.

It is found that some 60 per cent of small cultivator and poor peasant households in India are indebted; and the remaining 40 per cent are *not*

indebted. The existence of non-indebted peasant households lends credence to the assumption, which will be made below, that *the rent paid by a poor peasant to the landlords is exactly equal to his surplus-product.* Note that, in pre-liberation China, rent was *more* than the *necessary-product* (Table 3). It will be further assumed that the landlord appropriates a part of the peasant's necessary-product through the mechanism of usurious grain loan.

The landlord receives rent and usurious interest; and the capitalist appropriates only surplus-product of wage-labour in the form of profit. Since the landlord does not resort to self-cultivation, it follows that for him

rent + interest $\geq$ rent + profit .. (5)

He could have invested the capital on land, instead of lending it out, and earned rest as well as profit. But he does not actually do so, in view of (5). Likewise, for the capitalist,

rent + profit $\geq$ rent + interest ... (6)

The capitalist could have leased out his land and lend out his capital, and earned rent and interest. But he does not do it, because of (6). Taking (5) and (6) into account, it can be concluded that the co-existence of landlords and capitalist farmers requires that:

profit = interest .. (7)

In the event the rate of profit is higher than the usurious interest, there would be no landlord but only capitalists; if converse, then capitalists would turn themselves into landlords. In this sense, *it is the scope of realising a relatively high rate of interest on usury that stands in the way of transition of the feudal lords into capitalist farmers.* Seen in this light, *the barrier to the development of agricultural capitalism is not the high absolute rent, but the usurious rate of interest* But this is only one side of the picture, the other side is that high ground-rent and usury go hand in hand.

How is the ground rent determined in this economy? Land is taken to be homogeneous so that the Ricardian differential rent of Type I is kept at bay. Differential rent of Type II arising out of successive investment in the same plot of land is ruled out, for simplicity. The poor peasant hands over the entire surplus-product as absolute rent to the landlord. We shall use the following notations:

q = total output in peasant's farm which has one unit of land that is leased in from the landlord;
l = labour-days (all family labour) on the peasant's farm;
s = surplus-product per labour-day;
s.l = surplus-product on the peasant's farm;
n = necessary-product per labour day;
n l = necessary-product per unit of land;
r = rent per unit of land.

Then, $q = n\,l + s\,l$ ... (8)

and $r = s.l = q - n\,l$ ... (9)

This is how rent is determined. This is the rent per unit of land which prevails in the economy, and the capitalist farmers also pay rent at this rate to the landlord.

In the beginning of the year, the peasant borrows from the landlord for his immediate subsistence. After harvest, he pays the interest, in full or in part, on debt at the end of the year. The debt burden grows. What happens as time tends to infinity? This question need not detain us. We are not building here a general equilibrium model of long-run equilibrium.

The total output per unit of land operated by the capitalist farmer is *denoted by q', and the labour-days (all* wage-labour) engaged on the land by l'. The necessary-product per labour day is the same n. So we get:

$q' = n\,l' + s'\,l' + c'$ ... (10)

where s' is the surplus-product per labour-day, and c' is the constant capital per unit of land in the capitalist farm. This q' is distributed in the following manner:

$q' = c' + n\,l' + (q - n\,l) + p$ ... (11)

since the surplus-product is split into rent and profits as under

$s'l' = (q - n\,l) + p$ ... (12)

where p is the profit per unit of land. The rate of profit (π) is given by

$\pi = p/(c' + n\,l')$ .. (13)

In view of (10), (11), (12) and (13), we get:

$$\pi = \frac{nl + (q' - q)}{c' + nl'} - 1 \quad .. (14)$$

It follows that:

$$\frac{\partial \pi}{\partial n} \gtrless 0 \text{ iff } q' - q \lesseqgtr \frac{c'l}{l'} \quad ... (15)$$

This is a very significant relation. There are two distinct phases of agricultural capitalism. In phase I, when the average product of land in the capitalist farm is either lower than that in the peasant farm, or not much higher than it, *the wage-profit curve for the capitalist farm is upward-sloping.* In this phase, then, there would be a sharp conflict between landlords and capitalist farmers; the former would try to keep the necessary-product of labour down, whereas the latter would welcome an improvement in it; for, thereby, absolute ground rent can be reduced. The birth-pang of agricultural capitalism would be severe as the landlords would spare no efforts to prevent its emergence and growth. If the Farm Management Survey data can be taken to indicate that in India the output per acre is higher in a (small) peasant farm than in a (bigger) capitalist farm,[6] then it is understandable, in the light of (15), why agricultural capitalism has to initially go through a difficult process, difficult because of the resistance of landlords to any upward tendency of agricultural wages which is, by contrast, supported by capitalist farmers.

In phase II, where the average product of land in a capitalist farm is sufficiently higher than in a peasant farm, *the wage-profit curve for the capitalist farm is downward-sloping.* Now the contradiction between labour and capital takes over. In this phase, landlords and capitalist farmers would join hand to put down any upward trend of agricultural wages.

If this analysis is correct, then there are important implications in respect of class struggle. Should a technological change lift the average land productivity of a capitalist farm well above that of a peasant farm, the battle line will be drawn between the landlords and capitalist farmers on the one hand, and the poor peasants and agricultural labourers on the other.

What is the relationship between the profit rate and the output level in a peasant farm? From (14) we get:

$$\frac{\partial \pi}{\partial q} = -\frac{1}{c' + n\,l'} \quad (16)$$

Any rise in the output in the peasant farm reduces thhe rate of profit, simply because the rent goes up in consequence. *The smaller the average output of land in the peasant farm, the better it is for the capitalist farmer.* The contradiction between the capitalist farmer and the landlord is evident from (16). The poor peasant in any case does not get any more than the necessary product.

Now, taking into account (9) and (14), we can write:

$$\pi = \frac{q' - r}{c' + n\,l'} - 1 \quad ... (17)$$

This is the equation for the *rent-profit curve.* Obviously,

$$\frac{\partial \pi}{\partial r} = -\frac{1}{c' + n\,l'} \quad ... (18)$$

Its resemblance with (16) is not surprising.

This simple model brings out in bold relief the intense conflict that rages among the classes in the countryside. The pattern of the conflict is as follows.

(1) Assuming that the wage of agricultural labourer and the necessary-product of peasant's labour are equal and concomitant (the same n appears in equations (8) and (19) above), it is found that when the average product of the capitalist farmer's land is within a well-defined neighbourhood of that in the peasant's farm (this is called Phase I), the capitalist farmer *supports* the demand for higher wages.

(2) In Phase II, when the productivity of land in the capitalist's farm is sufficiently above that in the peasant's farm, the capitalist farmer *opposes* every movement for higher wages.

(3) The capitalist farmer is always *against* any programme that is designed to increase the level of output in the peasant farm, for it leads to a rise in rent which cuts into the rate of profit.

(4) The landlord usually *resists* a tendency of the necessary product of the peasant to rise, and *welcomes* an effort to increase the average product of land in a peasant farm. However, his stand cannot always be so clear-cut, for he takes into consideration the effects on his income from usury. He reverses the above-mentioned position in case it improves the total quantum of rent *plus* interest on usury.

(5) The nature of class conflict between landlords and capitalist farmers is complex. In certain circumstances, they join hands in order to keep the wages down; but they may differ in respect of the average product of land in the peasant farm. What is most noteworthy is that *it is in the early stage of development of agricultural capitalism when the contradiction between the landlord and capitalist is the sharpest.* As the productivity of land increases substantially, their class conflict may diminish in intensity, and what is more, landlords may turn themselves into capitalist farmer in due course. On the whole, *there is a critical range in terms of relative productivity of land, between the capitalist farm and the peasant farm, in which the forces of capitalism have to struggle hard against the resistance put up by the vested interests of landlordism.* For, over this range, the tussle between wage, rent and profit, is rather acute. The process of capitalist growth may be aborted mid-way; and there may occur the *restoration of feudalism.*

IV

Transition

Does the availability of labourers at a very low wage rate inhibit capitalism in agriculture? This interesting question can be explored within the framework of the model. While, admittedly, a downward change in the wage-rate (necessary product) is not the same thing as a low wage-rate, we can get an impression of the effect of wages on rent and profit from relations (9) and (15). A low wage-rate (necessary product) improve the absolute ground-rent, but its impact on the profit rate depends upon the average productivities of land in peasant farm and in capitalist farm.

What can be unequivocally said is that absolute ground-rent is a hindrance to transition from feudalism to capitalism in that it takes away a part of the surplus-product of labour from being transformed into profit for the capitalist, and to that extent it keeps the profit rate depressed. Of the current stage of the revolution in India, agrarian revolution is the core. It is oriented towards the elimination of the vestiges of feudalism, but it is not meant to be primarily against agricultural capitalism as such. Yet, the agrarian revolution demands the abolition of both feudal landlordism and capitalist landlordism, for two reasons. First, with the ouster of landlordism of every kind the barrier to agricultural capitalism, that is, absolute ground rent, will be lowered. Second, at the same time, the redistribution of land to poor peasants and agricultural labourers will strengthen them economically. But, unless the poor peasants and agricultural labourers are organised and united to carry forward the revolution to the next stage, a poor peasant economy with all its reactionary features would thrive; differentiation of the peasantry will be intensified, and landlordism in one form or another will reappear and reassert itself.

Notes

1 Lenin (1908), p 361.
2 Marx (1894), pp 614, 750, 762.
3 Patnaik (1976), p A-96. See also Schoer (1977), and Shanin (1977)
4 Shanin (1977).
5 Chen Po-ta (1958), p 5.
6 Patnaik (1976), p A-91, says that the capitalist farm 'must operate with more advanced techniques' which is interpreted to mean that the capitalist farm must 'obtain a higher level of land productivity for the same level of labour productivity as petty producers, if direct capitalist production is to make economic sense and be at all undertaken'. This however does not necessarily mean that the actual land productivity is higher in the capitalist farm than in the peasant farm. Note that our condition (15) is in terms of relative land productivity in peasant farm and in capitalist farm.

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Technological Potentialities of Peasant Agriculture

P C Joshi

Uncritical borrowing of technologies developed in the industrialised countries by the third world countries has had distorting effects on the latter's economies. This is especially so in agriculture.

This article attempts to understand the process of transformation of agriculture which accompanied the industrialisation of the now advanced economies. It underscores that, without a historical understanding of the phases and environment of that transformation, transfers of technologies to the developing countries tend to be mechanical, inequitous, and poorly integrated into the political economies of these countries.

Technology ultimately covers as wide a field as history and has, of necessity, history's slowness and ambiguities. Technology is explained by history and, in its turn, explains history, though the correlation in neither case is entirely satisfactory. This domain, co-existensive with the whole of history, does not involve one action but a multiplicity of actions and reactions and a series of interlinking cogs. It is not a linear process....

What does this mean if not that technology is sometimes the possibility which men are not capable of attaining and fully utilising, primarily for economic and social reasons, and also for psychological reasons; and at other times the ceiling which materially and technically blocks their efforts? In the latter case, when one fine day the ceiling gives away, the technical breach becomes the point of departure for a rapid acceleration. Nevertheless, the movement that overcomes the obstacle is never simple *internal* development of technology and science, or certainly not before the eighteenth century.

— Fernand Braudel,
"Capitalism and Material Life 1400-1800", London, 1973.

AN understanding of the problems of technological change in Asian agriculture is closely related to interpretations and re-interpretations of the West European Agricultural Revolution. The latter exercised a tremendous influence on all Asian countries which were late-comers to the arena of modern economic growth and which looked upto Europe as a model of modern economic growth. This influence was most pronounced in India which, among Asian countries, was perhaps exposed to direct Western impact for the longest period.

In some Asian countries, such as Japan, which escaped the colonial impact, exposure to European influence stimulated indigenous creativity in all spheres; but especially so in the field of agricultural transformation. In many other Asian countries, however, European influence created the tendency to view the problem of economic growth more as a problem of transfer of Western institutions and technologies than as one of innovations of institutions and technologies suited to the countries' own conditions. In grappling with their problems of economic development, many Asian countries have encontered formidable obstacles arising from lack of perception of the opportunities which are offered to them by their factor endowments, their indigenous technological potential, and the spectacular advances in science and technology in modern times. Among the factors obscuring the perception of the new opportunities, the most important is the absence of a conscious effort to distinguish between the transferrable and the non transferable lessons from the experience of West European countries which were pioneers in modern economic growth.

The tendency towards uncritical borrowing is reflected most sharply in agricultural policy in many Asian countries. Agriculture reflects, in the most pronounced manner, the disastrous consequences of giving greater weightage to the non-transferrable rather than to the transferrable aspects of European experience. Take the question of the economic viability and technological potentialities of peasant agriculture as a specificity of most Asian economies. The question has yet to become the central focus of thinking and investigation by Asian economists, agricultural scientists, and planners. This fact itself indicates that research workers and planners in these countries have been more imitative than creative, having no perception of fresh opportunities in solving old problems in a new way. They are still trying to solve today's and tomorrow's problems on the basis of yesterday's solutions. Serious distortions arose in agricultural planning in many Asian countries because non-transferrable lessons from the European experience were mechanically imposed on the Asian environment. More significant, however, was the phenomenon of missed opportunities resulting from the incapacity to draw the right lessons from the European experience.

In this context, attention should be drawn to several misconceptions about the European experience of modernising agriculture which are found among the elites of many Asian countries. These misconceptions have their roots in the fact that, in the past, certain phases of European experience have been treated as the totality of the European experience. Moreover, the history of European agriculture is a history of broad uniformities imposed by the physical environment to be treated as given for relatively longer periods, on the one hand, and of heterogeneities emerging as a result of continuously evolving human response to shifts in the man-land and labour-capital ratios, on the other. What was often accepted uncritically in the past, by elites of the developing countries, was a static view of technology and institutions in agriculture rather than a dynamic view. As a consequence of such rigid perceptions, a particular type of technology and a particular type of institutional framework was labelled as European, ignoring the continually evolving nature of the growth process in agriculture.

In recent years, more authentic accounts of the European growth processes and their sequences have become available — resulting in major re-interpretations of the European experience. These re-interpretations have the potential of yielding perceptions of new opportunities, even in Asian agriculture. The new insights are tending to impart a new meaning to old questions regarding possibilities and limits of technological change in Asian agriculture. They have revitalised some of the old concepts with new insights derived from more authentic and more rigorous examination of growth processes from *below* in place of more speculative and more grandiose constructions from *above*, as was done in the past. We draw attention here to

TABLE 1 : AGRICULTURAL HOLDINGS IN INDIA

Size of Holding in Acres	Percentage of Operational Holdings	Percentage of Operated Area
Below 2.50	45.77	9.21
2.50-4.99	22.38	14.60
5.00-9.99	17.66	22.52
10.00-22.99	12.08	35.33
30 and above	2.11	18.14

some of these new insights relevant to contemporary Asian countries such as India.

I

Specificity of Agriculture and Linkage between Agriculture and Industry

First, one must refer to the new meaning of an Industrial Revolution which now encompasses Agricultural Revolution much more explicitly and comprehensively than it did in the past. That this new meaning denotes a sharp break from past understanding becomes clear only if one appreciates that the Industrial Revolution was often misunderstood as a revolution in industry without the recognition of a thorough-going revolution in agriculture being an essential part of it. The very epithet 'industrial' seemed to dramatise the *industrial* component of the economic revolution and to obscure the importance and scope of its *agricultural* component. It was inadequately appreciated that an Agricultural Revolution was both a cause and a consequence of the classical Industrial Revolution.

Even when the linkage of industry and agriculture was conceded, the Agricultural Revolution was treated more as the fruit of an Industrial Revolution and not also as the seed of an Industrial Revolution. The two-way relationship between agricultural and industrial growth — the one being the cause as well as the effect of the other in successive phases — was not fully grasped, resulting in an underestimation of the contribution of the Agricultural Revolution to the Industrial Revolution. The very term 'revolution' as applied to agriculture seemed to suggest that this revolution represented the transition from static to dynamic agriculture in a single leap under the stimulus of the Industrial Revolution. What was missed by this sweeping and superficial view was the contribution made to transformation of traditional agriculture by a whole series of minor revolutions in the technical and economic base of agriculture for about three centuries preceding the major Agricultural Revolution, of the nineteenth century. Thus the 'industrialisation of agriculture' occurring in the nineteenth century was the acceleration of a process of agricultural change which began much earlier — rather than its dramatic beginning.

This new insight into the dynamics of the Agricultural Revolution brings to light certain basic divergences between industry and agriculture. The most important source of these divergences was that "increased output in agriculture was not, as in industry, to any significant extent, the result of mechanical innovation" (Chambers and Mingay 1966: 2). In English agriculture, for instance, "as early as 1800, the feat of releasing the latent powers of the soil on a scale that was new in human history... was not accomplished by means of a mechanical revolution" (*Ibid*: 3), but by such agricultural innovations as improvement of inherited tools and implements not directly connected with any advances in industrial technology. It would be wrong, therefore, to treat "the Agricultural Revolution as simply the counterpart of the transition to industrialism, the agrarian side of the medal of the Industrial Revolution" (*Ibid*: 2).

Such a view of the Agricultural Revolution, as a mere extension of the revolution in industry to the countryside, minimises the importance of improvements in agriculture accomplished autonomously by the dynamic elements within rural society without the support of the emerging industrial system. These improvements were the fruit of native ingenuity and skills, the result of "trial and error, of the uncanny instinct — the 'feel' of the dedicated farmer for doing the right thing with soils and plants and animals without appreciating the nature of the reasoning that lay behind their decisions" (*Ibid*: 12). These were not the fruit of modern science and technology introduced into the agricultural system from outside. To miss the indigenous character of these improvements is to overlook the role of the indigenous technological potential in the transformation from traditional to dynamic agriculture. Indeed, the concept of industrialisation as the main source of the stimulus to agricultural development in all phases leads to the underestimation of the indigenous growth potential. The experience of many Asian countries including pre-modern Japan, Thailand, Philippines, India, etc, underscores that such misconception has led to the underutilisation of native rural skills and innovativeness and to the exaggerated reliance on the highly imitative, Westernised professional classes (Shigeru Ishikawa 1970, Yujiro Hayami 1974).

The concept of agricultural development as industrialisation of agriculture is also one-sided if not erroneous because it is divorced from the peculiarities and specificities of the production process in agriculture. Agriculture presents certain complex and unique problems, both for understanding as well as for practical intervention, because the limits and possibilities set by nature are far more fundamental and powerful in the case of agriculture than in the case of industry. Agriculture is relatively more *region-bound* because of its inherent dependence on the soil and climate and on the exploitation of the regional economic potential. A particular agricultural pattern represents man's adaptation and response to the compulsions of an intricate and interlooking set of factors — like climate, weather, soils, plants and animals, social structure and, value systems achieved over a long period, covering sometimes centuries (Myrdal 1968 2121). This pattern, therefore, acquires a unique stability and sanctity, and any break from it is not easily accepted by the people who have got accustomed to it through force of habit and experience.

The region-bound character of agriculture has far-reaching implications for agricultural planning. Thus, industrial technology is far more 'transferrable' from one country to another and even from one region to another with in the same country. But agricultural technology being region-specific is far less transferrable from one country to another and even from one region to another within the same country. There is thus an inherent compulsion for *technological innovation* rather than for *technology transfer* in the case of agriculture. This implies that industrial growth is a necessary, but not a sufficient, condition for agricultural growth. It also shows why developing countries which are able to create an impressive industrial sector through imported technology are not able to create automatically the desired changes in agriculture.

In more concrete terms, the European Agricultural Revolution was primarily a revolution in an agricultural and climatic region specialising in corn production and livestock-raising. The solutions thrown up by

TABLE 2 : AGRICULTURAL HOLDINGS IN INDIA, STATEWISE

(in acres)

State	Below 2.5		2.50-4.99		5.00-9.99		10.00-22.99		30 and Above	
A Type	Percentage of Operational Holdings	Percentage of Operated Area	Percentage of Operational Holdings	Percentage of Operated Area	Percentage of Operational Holdings	Percentage of Operated Area	Percentage of Operational Holdings	Percentage of Operated Area	Percentage of Operational Holdings	Percentage of Operated Area
Assam	52.40	21.64	30.23	34.90	14.30	30.54	3.04	12.62	0.03	0.30
Bihar	58.86	18.14	23.32	26.22	12.85	28.92	4.09	22.45	0.28	4.27
Orissa	54.52	18.60	25.78	27.32	13.90	27.06	5.49	23.41	0.31	3.61
West Bengal	61.21	24.80	22.80	28 92	12.94	31.06	4.05	15.22	—	—
Kerala	86.21	40.05	8.90	24.75	3.66	20.08	1.18	13.26	0.05	1.86
Jammu and Kashmir	54.52	24.90	30.85	37.43	12.41	28.08	2.22	9.59	—	—
Karnataka	28.76	5.10	22.81	10.69	19.44	22.97	19.39	40.51	3.60	20.73
Uttar Pradesh	49.78	15.64	26.20	25.30	16.45	29.76	6.48	25.27	0.37	4.03
B Type										
Andhra Pradesh	47.29	9.28	19.14	11.74	18.23	21.91	12.90	36.18	2.44	20.89
Gujarat	27.19	3.90	20.70	8.55	23.24	17.41	24.29	44.04	5.48	26.10
Madhya Pradesh	26.11	3.42	20.29	8.86	25.77	21.15	23.40	43.57	4.43	23.00
Maharashtra	23.71	3.06	21.74	8 38	23.44	17.59	25.47	43.95	5.64	27.02
Tamil Nadu	60.06	21.93	21.26	22.73	13.17	27.32	5.18	23.75	0.33	4.27
Rajasthan	31.00	2 01	16.40	5.79	21.30	14.19	24.02	39.19	7.28	38.82
Punjab	11.71	1.46	19.06	7.09	32.70	24.28	32.77	51.19	3.76	15.98
Haryana	17 48	2 53	17.54	6.54	28 30	19.84	32 65	53.72	4.03	17.35

Source: National Sample Survey, 26th Round, 1971-72.

European agriculture are, therefore, location-specific and unique to such a climatic region and not capable of being mechanically transferred to the tropical and sub-tropical zones, especially to the predominantly rice-growing regions of Asian countries.

The history of Japanese agriculture shows, very clearly, that the first phase of adopting the European type of innovations led to failure and disappointment (Hayami 1974. 142). It was soon followed by an innovative phase of adapting technology to the specificities of the Japanese environment. It is said that, initially, the Japanese adopted the French-style army, the American style banking system, and British style cotton textile industry and agricultural methods. Later, however, modifications had to be effected in all these to suit Japanese conditions. But, in agriculture, not modifications but wholesale innovation provided the answer to Japanese problems (Gary Saxonhouse 1974: 149, Y Hayami 1974: 131-148).

The region-bound character of agriculture increases the importance of micro-level research into varieties of regional conditions and responses, to a vastly greater extent than in industry. The critical importance of this would be understood as we discuss the specific problems of technological change in agriculture. The only comment which can be made here is that the cost of ignorance of agriculture as a region-bound system, and the cost of a mechanical transfer of technologies evolved in one type of regional system to another type, is colossal in agriculture. Particularly as, because the cost-bearing capacity of agricultural producers is far less than that of industrial producers.

One of the transferrable lessons of the third phase of the Agricultural Revolution in Europe, and subsequently in Japan, is extremely relevant in this context. The emergence of a scientific and technological system, and an institutional framework supporting agriculture from outside, made a major contribution not only to raising the risk-bearing capacities of small agricultural producers but also towards the adaptation of technology to the needs of these producers — thereby enhancing their capacity to internalise this technology which was generated exogenously. Since the massive release of resources and knowhow for agriculture in the third phase was the result of industrialisation, the stimulus received from industry for agriculture was a factor of tremendous importance for agriculture in the second phase.

II

Declining Importance of Agriculture in the Course of and as a Consequence of Industrialisation

The view that agriculture loses its importance in the course of, and as a consequence of, industrialisation forms the unconscious if not the conscious premise of the thinking on problems of development in many developing countries. This premise, which has adversely affected development policies to a considerable extent in many countries, is derived from a certain misinterpretation of the European experience. The notion of decline is associated with the identification of modern economic growth with the dwarfing of the primary sector and the tertiary sectors. The latter are regarded as an index of the declining importance of agriculture. It must be explained that the new view of the Agricultural Revolution, as a Revolution having several stages and the substantial relative decline of labour force engaged in agriculture being associated with the mature phase of the Industrial Revolution, does not lend support to the notion of decline. Moreover, the relative decline of the labour force in quantitative terms should not be treated as the decline in the quantitative significance of agriculture as an economic activity. This *quantitative* decline was associated with a *quantitative* transformation of agricultural activity, converting agriculture from "a merely empirical, mechanical and self-perpetuating process employed by the least developed part of society into the conscious scientific application of agronomy" (Karl Marx 1959: 603). Thus, "at the lowest levels of productivity, each farm family is producing food for itself and half a non-farm family, whereas at the highest contemporary levels each farm family feeds itself and seven other families (W A Lewis 1963. 230)." This massive release of human and land productivity in agriculture in the course of modern economic growth is not captured by the formulation that the importance of agriculture declines in the course

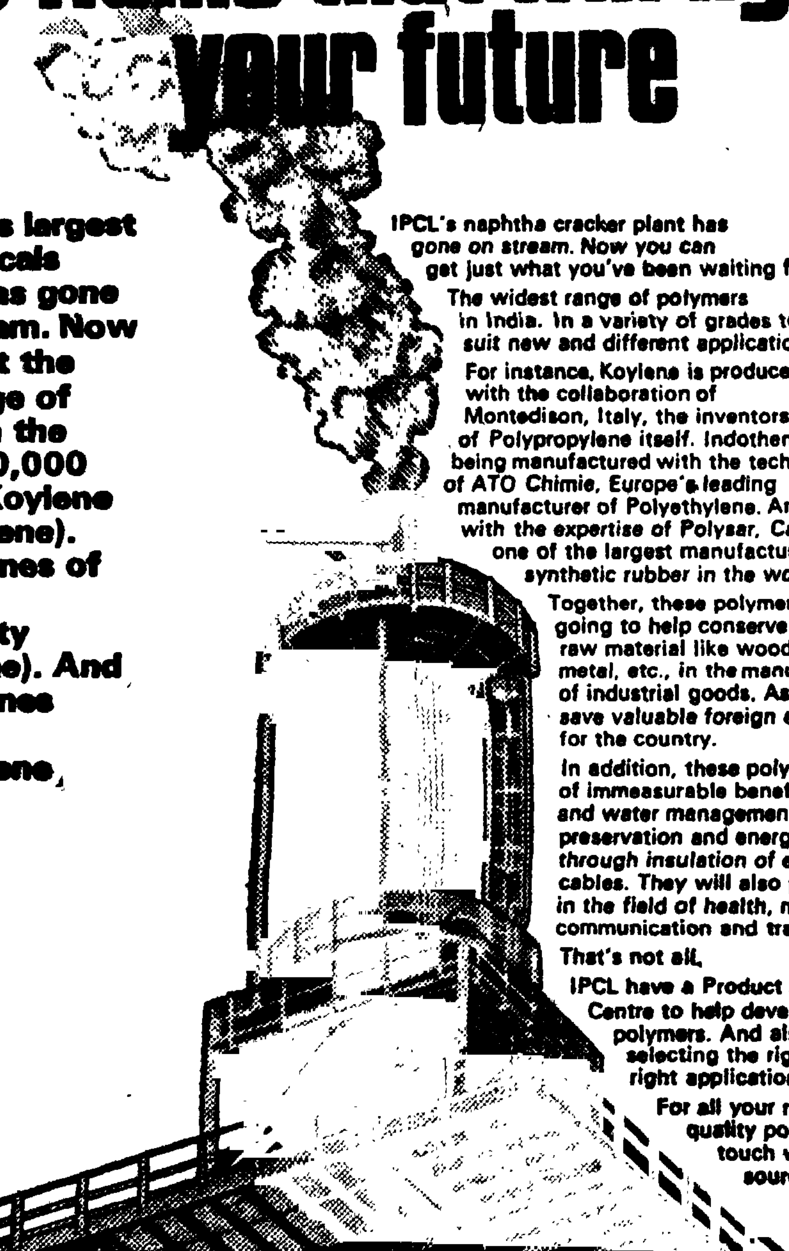


TABLE 3 : PERCENTAGE OF OPERATIONAL HOLDINGS REPORTING LEASED-IN AREA AND PERCENTAGE OF OPERATED AREA LEASED-IN

State	Percentage of Holdings	Percentage of Area
Punjab	52.99	28.01
Haryana	37.35	23.26
West Bengal	30.63	21.52
Assam	24.73	19.59
Karnataka	28.81	15.90
Bihar	39.79	14.50
Orissa	32.24	13.46
Tamil Nadu	31.67	13.07
Uttar Pradesh	27.84	13.01
Andhra Pradesh	21.66	9.01
Kerala	17.32	8.59
Madhya Pradesh	21.05	7.46
Maharashtra	11.93	6.15
Rajasthan	9.32	3.91
Gujarat	9.32	3.91
All-India	25.68	10.57

Source: National Sample Survey, 26th Round, 1971-72.

of industrialisation.

Further, treating the decline in the importance of agriculture as an index of modern economic growth confuses the effect of modern economic growth with its cause. Lewis has aptly remarked that "the transfer from agriculture to other occupations, which occurs with economic growth, is the *result* and not *cause* of growth" (W A Lewis 1963: 340). Moreover, as we discuss in the next section, the relative decline of the work-force dependent on agriculture occurred in developed countries at a very advanced stage. This stage was the culmination of a process which created alternatives on a significant scale outside agriculture and which forced a break from labour-intensive methods in favour of capital-intensive methods leading to 'high-farming'. The shift in consumer demand, away from *bread* and towards *meant* and *dairy products*, was one of the major factors contributing to the drive towards 'high farming' (Chambers and Mingay: 185; 1970). For the much longer period preceding this advanced stage, even the dependence of a substantial proportion of the labour force on agriculture remained unaffected by industrialisation.

III

Shift Away from Agriculture as an Indicator of Modern Economic Growth

The contrast between the labour-scarce economy of the developed countries and the labour-surplus economy of developing countries in the contemporary world appears also as a contrast between the predominantly industrial economy of the former and the predominantly agricultural economy of the latter. This contrast looms so large in the minds of contemporary observers that it is often forgotten that *the developing countries of today show to the developed countries the image of their own past.*

The problem of agrarian overpopulation was a chronic feature of the economies of European countries for a large part of the transition from under-development to development. It must be noted that, in modern times, changes in the size and importance of the agricultural population in various parts of Europe were characterised by three main phases: the first phase showing an *increase* in population dependent on agriculture, the second showing relative *stability* of numbers in agriculture, and the third of *decline* in the agricultural population. Agrarian overpopulation in the first two phases determined the main form and direction of technological change which continued to be labour-intensive during these phases (Folke Dovring 1965: 613).

In the background of what has been stated above, it can be seen that any interpretation of modern economic growth in the light of the European experience in terms of a decline in the labour force during agricultural improvement does not distinguish between the *process* of economic growth and the *consequences* of economic growth. Recent studies have noted that "the *early* phase of the Industrial Revolution favoured labour-intensive mixed farming by offering expanding markets to agriculture which was from the modern viewpoint over-equipped with labour. The degree of industrialisation *now* attained in Western Europe — as in North America — creates a new situation in which the economics of other technical innovations takes precedence over those that created the crop rotations associated with mixed farming" (*Ibid:* 639).

The Japanese case further confirms the continuing importance of agriculture in the livelihood pattern during the industrialisation of Japan. According to T C Smith: "Owing to the intensive nature of farming, the agricultural population was almost perfectly stable from 1868 to 1940. As a result persons engaged in agriculture in Japan in 1930 accounted for 50.3 per cent of the total labour force as compared with 18.8 per cent in the United States, 16.3 per cent in Germany and 6.2 in England in 1938 (T C Smith 1959: 210). For developing countries such as India it is of great significance to know how both West European countries and Japan were able to combine an increase in agricultural productivity for a long period without a considerable decline in the proportion of population dependent on land. In both cases, this was achieved because the rationalisation of agriculture followed during all this period not the path of a labour-saving 'mechanical revolution' but of land-augmenting technological change.

In the case of Asian countries such as India there are powerful reinforcing factors like the population explosion which would maintain, even enhance, the importance of agriculture in the labour force for a considerable period of time. To quote Myrdal; "Given the two facts, of an increase in labour force which we can safely predict will continue to the end of this century and of an unchanging if not actually decreasing demand for labour caused by industrialisation, we cannot avoid coming to an important policy conclusion. This is that any realistic *agricultural policy must reckon on a tremendous increase in the agricultural labour force*" (Myrdal 1971: 416).

It is also important to take into account the paradox "of high man-land ratio co-existing with *extensive* land use and with labour-extensive rather than labour-intensive work practices in agriculture in South Asia" (Myrdal 1970: 91; 97). The proportion of economically active population is low in agriculture due to lower participation ratios. Agricultural growth, under such conditions, must first exhaust unexploited labour reserve through intensification of the labour input. This would increase the size and population of the active labour force in agriculture in the initial phase.

It is also noteworthy that, with the improvements of infrastructure and profitability of agriculture along with the urbanisation of the countryside, the traditional 'push factor' so far resulting in migration from rural areas may cease to operate and may even be transformed into a 'pull factor', leading to a restoration of the link with land and agriculture of a sizeable part of the rural population earning its livelihood in the urban areas. In fact, in the transitional period, a substantial class of part-workers-part-peasants, part-village-part-town-dwellers, may grow as a significant force

in the agriculture of countries like India in the coming years. This is a significant lesson from the history of agricultural growth of countries like Japan.

In this context technological innovations and choices require to be consciously oriented to the exploitation of this possibility of making land and agriculture bear the load of a population which continues to stay around 70 per cent of the total population as in India and which is also clamouring for shift from lower to higher incomes.

India, however, is torn between the conflicting pulls of an emerging large-farm sector which is exerting a powerful pressure in the direction of capital-intensive technological change and a vast peasant sector which is caught in the vicious circle of poverty and under-employment. The technological choices made by the dominant large-farm sector have far-reaching implications for the whole future of the peasant sector. Against this background, the importance of understanding the experience of European countries and of Japan for drawing the correct lessons from their history of technological change cannot be overemphasised.

IV

Technological Change and of Technological Choices

In recent years, numerous studies have provided a corrective to the earlier sweeping characterisation of the Agricultural Revolution in Western Europe as a single and great leap forward in the nineteenth century. They have shed new light on the character of change in agricultural technology which supports both Marshall's evolutionary conception (*"natura non facit saltum"*) as well as Marx's revolutionary interpretation ("quantity changes into quality"). The process of rationalisation of European agriculture comprises three broad but distinctly identifiable stages of technological change.

The first stage involves a rationalisation of land use — whether through *shift from communal to individualistic* land holding; through enclosures, land clearance, and afforestation; through development of covertible agriculture in place of fallow farming; through introduction of new crop systems and of crop rotations; and, in short, through the enterprise and initiative of farmers as a result of their release from the rigidities of the manorial system (Chambers and Mingay 1966; Folke Dovring 1965). Most of these changes were of a labour-intensive character and, therefore, drew upon the labour-surplus existing in the rural economy. The changes were prompted by the motive to achieve three goals: (a) greater output, (b) better qualities, (c) rescuing the crops from natural hazards such as bad weather. In the first stage of technological change the achievement of these goals called less for a mechanical revolution and more for reorganisation of the agrarian system, shifts in agricultural practices, and refinement, rather than replacement of existing tools. Another feature of this phase was that the agricultural improvements were improvised and invented largely by the dynamic landowners and farmers themselves (W A Lewis 1963: 169); Ruttan and Hayami 1971: 297; F Dovring 1965: 271). At this stage, the agricultural system was a relatively 'self-contained', not having the advantages of the breakthrough in technology achieved outside this system.

The second stage was distinguished by the linkage of industry to agriculture through the supply of industrially produced implements and inputs to agriculture. The stimulus for this was provided by the growing labour scarcity and the *need for substitution of* capital for labour and land. This resulted in the introduction of labour-saving devices, including mechanisation for coping with labour scarcity. The agricultural system became the beneficiary of the 'Engineer's Revolution' (Doreen Warriner 1969: 64) resulting in "the introduction of new implements to be drawn or driven by power" and "of motor power for drawing and driving the various heavy implements of work" (F Dovring 1965: 641). This is the stage of "high farming" meaning "intensive farming, producing the highest output per acre through the application of the recent techniques of drainage, fertilising, feeding, rotating and mechanising" (Chambers and Mingay 1966: 184). It also denoted 'high feeding' or intensive development of the four-course mixed farming system (*Ibid*: 184). A *marked characteristic of this stage was* the subordination, and in many areas erosion, of peasant agriculture by commercialised, large-scale agriculture.

The third stage of technological change is marked by major reliance on scientific research as the source of technological breakthrough in the form of 'biological chemical technology' of the third stage as contrasted with 'mechanical technology' of the second stage. It is also marked by emergence of an institutional framework of supply of inputs and credit, of marketing and irrigation management, of price regulation for support of agriculture by the state. Thus as distinguished from the 19th century agricultural expansion which occurred under *laissez faire* capitalism, the expansion in the third stage is brought about by the interventionist, welfare state. It conforms, therefore, to the model of "induced technical and institutional change (Ruttan and Hayami 1971: Doreen Warriner 1969: 34). This model is based on the shift from the sectional and localised support as in the first two phases to nation-wide and state-aided institutional support to agriculture in the third phase. In this stage, there occurs a fourfold differentiation in the institutional framework of agriculture. This framework now comprises: (a) the scientific research stations generating new technical knowledge; (b) the industrial system transforming this knowledge into new technical inputs and innovations; (c) the public or private institutions making these inputs, innovations and price support available to the agricultural producers; and (d) the associations of agricultural producers themselves *internalising* and putting them to productive use. The creation, supply and utilisation of the new technology are performed now by different sets of institutions (Ruttan and Hayami 1971).

It is important to note that this exogenous system provided powerful correctives to the tendency of earlier *laissez faire* capitalism to eject the small farmer from the economic system and to reduce him to a proletarian and a mere seller of labour power. It has also enabled agriculture to extend the possibilities and nullify the limits of technological change by transferring the cost of absorbing new techniques from the agricultural system to the institutional framework supporting agriculture from outside.

The third stage thus marks the transition of agriculture fully into the scientific age when the form, pace, and direction of technological progress in agriculture can be consciously planned and directed from above by man-made agencies as never before in human history.

It is not only the developed countries which are the beneficiaries of the scientific age. Of historical significance is the fact that the less developed countries too can benefit from this potential of science and technology. The range of choices before the less developed countries is, therefore, much

wider than it was for the European countries. They can skip a number of stages in technological evolution in order to accelerate the technological transformation of agriculture. But the important problem is of correctly *identifying the choices and the main* stages of the transition to technologically developed agriculture favourable for these countries. The new era offers possibilities not only of doing good but also of causing incalculable harm if decisions taken at the top are not based on a grasp of social realities and on the needs and interests of the majority of the tillers of the soil at the ground level. The source of danger is, as Doreen Warriner aptly remarks, "the tendency to transplant institutions (and technologies) which have been evolved in a country at an advanced stage of development to countries at much more backward stages in the belief that these have been the cause of growth and not as in fact they are the outcome of that growth; fruits rather than seeds" (Doreen Warriner 1969: 62). Institutional and technological leaps are both beneficial as well as harmful.

The contemporary European (and American) models of institutional and technological change may not be beneficial for underdeveloped countries for two basic reasons. First, countries where the surpluses from the industrial sector can finance the institutional and technological changes in agriculture are far remote in their level of development from countries where both agriculture and industry are competing for scarce investible resources. For the latter type of countries, the recipes of agricultural growth derived from the first type of countries are not very relevant because they make excessive demands on scarce capital and managerial skills which are needed for industry. Secondly, these models from Europe and America represent adaptations to very different conditions of climate, soil, crop pattern, man-land ratio etc. Having their roots in temperate climates and land-surplus economies, they are not much relevant for tropical and sub-tropical climatic zones and for land-scarce agrarian economies. Thirdly, these models reflect the interests of highly sophisticated, educated, profit-maximising and market-sensitive, large farmers rather than the survival needs of small, low-income, farmers which constitute the predominant element in Asian agriculture.

If one takes full account of the peculiarities of industrially underdeveloped and peasant-dominated Asian countries, one finds the Japanese model of agricultural growth to have much greater relevance for them with appropriate modifications than do the models of Europe and America.

There are five features of Japanese experience which are particularly relevant for many Asian countries. First, Japan made a distinction between transfer of principles of scientific agriculture, on the one hand, and the transfer of advanced agricultural technology suited to a particular country on the other. It showed greater interest in training of native talent at all levels especially local levels in these principles rather than in inviting Western experts for advice on Japanese agricultural policy. This investment in training and research enabled the Japanese to throw up Japanese scientists trained in scientific agronomy and engaged in technological innovations suited to Japanese conditions. Among Asian countries, Japan was the first to recognise the location-specific character of agricultural technology and therefore of the need for fresh scientific research in improved seed varieties, tools and techniques, irrigation methods, etc, suited to Asian countries (Hayami 1974).

The second important feature of the Japanese model was that the scientists working in laboratories and experimental plants were closely linked with dynamic landlord and peasant farmers at the village level, both interacting with each other and collaborating in adaptation and innovation of agricultural improvements. Both these enabled Japan to interpret the concept of technological leap as that of a judicious technological mix between *modern* and *indigenous* technology and between *land-augmenting* and *capital-saving* technology (Hayami 1974).

The third important feature of the Japanese model was its concept of the 'leading input' in technological change at each stage and its attempt to work out a technological path suited to the needs of small farmers. This concept of the 'leading input' kept the cost of introducing an input within manageable limits and the package of inputs was enlarged in proportion to the growth in the capacity to absorb it resulting from a higher level of development at each stage. The key to the success of Japan was in selecting irrigation as the leading input in the earlier stages. Irrigation set in motion a chain reaction making it possible to choose improved varieties of seeds and fertiliser each as leading input in successive stages and, finally, culminating in the adoption of the 'input package' at the final stage. The investment made by Japan in development of water resources and in water control and management methods provided a major thrust to technological change (Ishikawa 1967).

In the fourth place, the Japanese model combined local resource mobilisation with assistance from central funds for raising thhe investible resources for technological development. The Japanese model also combined the motivation of private gain with that of community welfare. It mobilised the collaborative effort of landlords and tenants, individual households, and community institutions, for intensifying technological change (Ishikawa 1967: 1970). Last, but not the least, another Japanese innovation was to give priority to spread of literacy and primary education among peasants rather than to higher education among the elite, which made a great contribution towards releasing the entrepreneurial spirit of the peasantry. Peasant education contributed decisively towards transferring the leadership of agricultural transformation from landlords to peasants (R P Dore 1959: 60).

The major distinction between Europe and Japan was that, while the technological advances in Europe were suited to the needs of 'high-farming', the technological choices in Japan were suited to the predominance of small holdings (T C Smith 1959: 208-209).

V

Agents of Technological Change : Large Farmers vs Small Farmers

It is important to note that recent models of agricultural development of many Asian countries, including India, draw not so much upon the relevant components of the Japanese experience as described above but upon the not-so-relevant components of the Euro-American experience. These models reproduce the high-cost 'modern science-technology' super-structure specialising much more in technology transfer from developed to backward countries than on technology innovation suited to Indian conditions. Instead of reproducing the relevant features of the first phase of the European experience (e g, land reclamation, changes in land system, improvement of crops, improvement of land utilisation practices, and labour-intensive types of agricultural improvements), they reproduce a combination of capital-intensive 'high farming' of the second phase and HYV-Fertiliser-Water technology of the third phase of the European Revolution. Indeed, this type of skipping

of stages and of advanced technology transfer suits the interests of 'the large-farmer sector' as distinguished from those of 'the small farms sector'.

The key to this tendency is provided by the fact that, while the rural economy as a whole is characterised by scarcity of land and surplus of labour, the large-farm sector considered in isolation is characterised by land surplus and labour scarcity. If from the point of view of the rural economy as a whole, land-augmenting and capital saving technologies have to be accorded the primary emphasis, the large-farm sector intensifies pressure for giving priority to labour-extensive rather than to labour-intensive methods of increasing productivity.

The question is: Why is the large farmer of today disinclined to follow the path of intensification of labour input by drawing on the labour surplus as was done by agricultural entrepreneurs in Western Europe and by 'enlightened landlords' of Japan? Several reasons explain this paradox.

In the first place, the easy availability of 'mechanical technology' with State support and subsidy is seized upon by large farmers both for status reasons and for economic reasons. Driving a tractor is status-enhancing but working with plough and bullocks is status-degrading. Secondly, there is the pressure of rising wage rates brought about by growing unionisation and legislative enactment of the minimum agricultural wages. Further, the change in social attitudes preceding a higher level of economic development in rural areas pushes rural labour townwards. Thus artificial labour-scarcity may arise in the midst of potential labour surplus as a result of conversion of rural labour surplus into urban unemployment/underemployment due to migration. This also may exert an upwards pressure on wages of agricultural labour. In the third place, as C H Hanumantha Rao points out, "the incentive for farm mechanisation is provided by the rise in prices of agricultural commodities as a result of rapid growth of population and failure of public investment in inputs like irrigation to match the growing demand for agricultural commodities. The cost of biological sources of energy in such a situation owing to the rise in the prices of foodgrains as well as to the demand for labour outstripping the supply in pockets of high agricultural growth" (C H Hanumantha Rao 1975: 35-36).

It is clear that there is a sharp divergence between the technological choices actually made under pressure from the large-farm sector and those which ought to be made with a view to promoting the interests of the small farms sector. Indeed, in the coming years, the choice between the large farmers and the small farmers as two alternative agents of technological change is bound to exercise a determining influence on both the economics and politics of agricultural transformation. The new force which has sharpened the prospect of a major confrontation between the large-farmer oriented and the small-farmer oriented perspectives of technological change is the explosion of the scientific and technological potential itself. This explosion, which has emerged as the most important feature of the contemporary world, is a major source of tension in all societies. In fact, this has altered the very definition of underdevelopment insofar as, in terms of the fast-growing technological potential as a result of scientific progress, even the developed countries begin to appear as underdeveloped in terms of the potential-actual lag (Simon Kuznets 1965: 2).

The vastly greater potential-actual lag of developing countries like India, however, is also an asset insofar as these countries can consciously use the potential of scientific knowledge for reducing the human cost of development. Unlike the Western countries who paid 'the penalty of being the *first' in the race of material progress*, the late-comers can avoid paying this penalty if they exercise their choices of technologies, institutions and ideologies more judiciously and discriminatingly (Simon Kuznets 1973: 247-258).

The explosion of scientific knowledge has vastly accentuated the contradiction between the possibility of a small farmer-oriented technological progress, on the one hand, and the impediments in exploiting this possibility created by obsolete social structures and mental habits, on the other. In this context, the question of technological choices becomes closely linked with the question of choice of motivations (profit motive *vs* collective welfare), of property arrangements (private *vs* social control over means of production), of political systems (landlord *vs* peasant power, and centralisation *vs* decentralisation of authority), and of crop patterns (food *vs* non-food and rich man's *vs* poor man's crops). But the question of technological choices poses the most formidable dilemmas in connection with the choice of human agents of technological change.

The penalty paid by the West for being the first was the heaviest in terms of the human cost involved in the misery inflicted by modernisation on the traditional peasantry (R H Tawney 1912: 230-280). Whether the Asian peasant meets the same fate in the course of modern economic growth or becomes the agent and beneficiary rather than the victim of technological change, depends on whether or not a new technological path is explored on the basis of the present explosion of scientific knowledge. In European history, the price paid for technological progress (i e, for an unprecedented growth of productive forces) was the 'immiserisation' if not 'annihilation' of the peasant, the bulwark of the pre-industrial socio-economic order (Karl Marx, Volume I: 505). In the Asian context, the challenge is not only to escape this proletarianisation/immiserisation of the peasant but to make the peasant the principal agent of reconstruction of a new economic order. In the European context, the release of the productive powers of land involved dehumanising exploitation of labour or the ruthless substitution of machines for labour. In the Asian context, the release of the creative energies of the peasant must become an essential part of the process of increase in land productivity. But, between challenge and response, between this possibility and its actual realisation, there is first the problem of *perception of the complex 'material life'* of the peasant preceding social action for its transformation into a higher order of *'economic life'* (F Braudel 1973).

If this challenge is to be met, technological change should not be dogmatically interpreted as the replacement of the old by the new, or the imposition of the new over the old, in a mechanical manner. It should be interpreted as an intermingling and interaction of the old and new technologies leading to higher levels of adjustment of man with his environment. The understanding of the patterns inherited from the past is a necessary condition for consciously deciding what requires to be rejected and what to be preserved in the old patterns. The *new* is something fixed and predetermined. The discovery of the new is a search, a creative undertaking in which the peasantry has to be mobilised as a major participant.

VI

Conclusion

The new epoch in which Asian countries have taken up the economic chal-

lenge thus puts into the centre of the stage the question of the peasantry. Within a general framework of under-development, however, the problem of the peasantry assumes diverse forms — each Asian country* exhibiting some specific feature of the problem. The specificity is related to the extent of differentiation within the peasantry brought about by the forces of commercialisation, urbanisation, cultural development, expansion of means of transport and communications, and political unification. From the point of view of the yardstick of differentiation of the peasantry, Asian countries can be classified into three major types:

(i) Under Type I, are included countries (or areas within a country) having a relatively undifferentiated or a less differentiated peasantry pitched against a class of semi-feudal landlords, moneylenders and traders.

(ii) Under Type II, are included countries (or areas within a country) having a relatively undifferentiated or a less differentiated peasantry (a) either fully emancipated from feudal and semi-feudal burdens development or (b) still passing through the stage of disintegration of semi-feudal relations of production. In other words, in Type II regions, the market-oriented large-farm sector is not yet very developed and the small and middle peasant economy is the dominant mode of production.

(iii) Under Type III, are included countries (or areas within a country) characterised by a high degree of differentiation within the peasantry, and consequently, by a relatively higher level of development of a market-oriented large-farm sector exposing the small farms sector to an unequal competition for economic resources and power.

It may be noted that, among Asian countries, mainland China and Viet Nam by and large approximated to Type I on the eve of their national liberation from colonialism and later approximated to Type II (a) after their liberation from the yoke of feudalism and before co-operativisation. It should also be noted that the agrarian systems approximating Type I and Type II and characterised by an undifferentiated or a less differentiated peasantry are generally more favourable for the collectivistic or communitarian patterns of agricultural transformation rather than agrarian systems approximating to Type III. The greater the differentiation of the peasantry, the greater the resistance to the principle of collectivism spearheaded by the commercialised peasantry. The greater the strength of the commercial motivation of the peasantry, the greater its responsiveness to the Euro-American models of agricultural transformation.

Taking a broad view of the basic characteristics of the Indian peasantry, it seems appropriate to place India neither in category I nor in category II but in category III. It should be noted that, among Asian countries, India was exposed to direct colonial rule for the longest period resulting in the disintegration of the traditional rural economy to a much greater extent than that in any other Asian country. The upshot of almost two centuries of colonial rule and three decades of freedom was the many-sided exogenous intervention in the rural economy, resulting in the loss of the traditional forms of homogeneity and the sharpening of new forms of differentiation among the peasantry. Even a cursory look at the Tables 1 and 2 reveals the importance of the large farms sector in almost all the states of India, even though there are significant variations in the *size* of the large farms sector from one group of states to another group of states. This crucial fact is often overlooked by those who offer for India in totality the Chinese or the Viet Nam variety of solutions evolved by these countries in the background of a less differentiated peasantry.

While, in the overall Asian context, India approximates Type III, one should at the same time take into account the regional variations which are very prominent in a country of subcontinental dimensions, such as India. It should not be overlooked that India's socio-economic evolution is characterised by regional unevenness to such a marked extent that, within India, one can find all the three Types at a point of time. Even Type I can be identified in selected pockets of the country and especially in the Group A states. But, as Rudra's empirical study for Eastern India reveals, Type I agrarian relationships have been sharply declining in recent years. Summarising his findings Ashok Rudra observes that "tenancy is on the decline and self-cultivation with the help of casual labourers and also sometimes farm servants is increasing". Further, "the evidence in Eastern India strongly suggests that incidence of usury as the main mode of exploitation or of bonded labour is very rare" (A Rudra 1978: 10). Rudra's findings are in sharp conflict with the findings and analyses of other scholars like Amit Bhaduri, Pradhan H Prasad, and Utsa Patnaik. On balance, however, it would be safe to identify Group A states as regions where the weight of the small peasant sector in the rural economy is still the dominant element even though the size of the large farms sector is rapidly increasing.

In sharp contrast to Group A states, the Group B states by and large approximate to Type III insofar as, in these states, the large farms sector is the leading force in technological change and agricultural transformation. Further, as Table 3 reveals, even the subsistence-oriented character of tenancy is undergoing a qualitative change in these states; tenancy is becoming commercialised. Thus, a relatively higher proportion of the tenanted area in Punjab and Haryana is leased-in not by small producers but by commercially motivated rich peasants. In contrast, the character of tenancy in eastern states like West Bengal is predominantly subsistence-oriented (P C Joshi 1974: 338-339). It is no wonder that the relative predominance of the big landholder and the big tenant has facilitated states like Punjab, Haryana, and West UP in Group A to emerge as the centres of the Green Revolution. At the same time, the scholars who see in the success of this revolution the success of the Euro-American model of technological change and agricultural transformation seem to overlook the social contradictions arising from the implementation of this model.

It is important to note that the small farms sector is still an important force in the economy of Group B states. Even though a sharp antagonism has not yet developed between the large farms sector and the small farms sector in Punjab and Haryana (Talib and Majid 1976: A-44) or in Gujarat (V S Vyas 1976: 25), the dynamics operating in the countryside of Group B states does not hold any prospect of smooth co-existence between these two sectors. For instance, it points towards the phenomenon of 'immiserisation' of the small farms sector as a consequence of the forward movement of the large farms sector (V S Vyas 1976: 30) in Gujarat. If such immiserisation has not occurred in Punjab, it is because Punjab has had some exceptional features in its evolution which are not operative in other states. In this context, technological and institutional innovations are required to protect and develop "the hard core of the small farms

sector", which as Vyas emphasises, "has come to stay" in the agriculture of Group B states (*Ibid*). The protection and development of the small farms sector in Group B states call for "the creation of an agrarian system in which both profitability and collective welfare work as complementary motivating forces for agricultural progress, and both the modern and the traditional inputs, are used effectively and in a scientific manner" (S Ishikawa 1970: 116).

The problem of technological change, however, poses the most formidable problems of technological innovation, institutional change, and shifts of political power from unproductive to productive classes in Group A states. The advocates of the Euro-American model of technological change and agricultural transformation do not seem to take full cognisance of the complexity of the agricultural situation in densely-populated Group A states where the conditions for the success of such a model are by and large non-existent. These Group A states also happen to be erstwhile permanently settled areas, which experienced the most concentrated and devastating impact of colonial policies of extraction of revenues from this region without public investments in the development of the infrastructure for growth of productive forces.

In contrast, many Group B states experienced such direct colonial impact to a lesser extent; they also benefited from such public investments in irrigation and in co-operation as were undertaken by the British under pressure from nationalist forces and as created the background for economic growth in the subsequent period. In Group A states, therefore, massive public investments in irrigation, technological innovation, and other types of infrastructure, as well as large-scale organisational effort are indispensable to break the vicious circle of stagnation and poverty. This type of mobilisation can neither be initiated nor be sustained by private initiative. It calls for a model of transformation which would have to draw heavily upon the forms of co-operation and State intervention in the field of land to the tiller, development and management of water, inputs, credit and agricultural education that have been evolved in the rice-growing rural economies of Japan, Taiwan, South Korea, mainland China and Viet Nam (Baudhayan Chattopadhyaya 1977).

The modernisation of agriculture in densely populated regions no doubt calls for technological leaps and radical institutional changes. But those advocating changes in the inherited agricultural patterns of Group A states must also recognise the very deep roots of these patterns. This is not to deny the compulsion to draw the peasant in these states into the mainstream of change and growth. But peasant's responsiveness can be won only if he is sure of a change for the better and not for a change for the worse. We began this paper with a quotation from Fernand Braudel. We conclude it with another of his observations which gives an insight into the human behaviour in the densely-populated areas!

> It is a fact that each densely-populated world has worked out a group of elementary answers and has an unfortunate tendency to stick to them because of an omnipresent *vis inertiae* which is one of the great artisans of history. So what is a civilisation if it is not an ancient settlement of a certain section of mankind in a certain place? It is a category of history, consequently a necessary classification. Mankind only shows a tendency to become one (and it has not yet succeeded) from the end of the fifteenth century. Until then, and more and more as we further go back in time, it was divided between different planets each sheltering an individual civilisation or culture, with its original features and ancient choices. However, close to each other, their solutions were never able to intermingle (F Braudel 1967: 443).

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Real Wage Rates of Agricultural Labourers in Punjab, 1961-77

A Preliminary Analysis

Sheila Bhalla

This paper has two main purposes: First, to present the facts about real wage changes in Punjab, for the state as a whole, and for each district, for the period 1961 to 1977. Secondly, to measure the strength of two factors which may account for the trend: (1) the success of the Green Revolution technology in raising farm productivity, and (2) the remarkable influx of workers into the agricultural labour force.

Part I deals with real wage rates in Punjab as a whole from 1961 to 1977. Part II covers the same ground for each district separately. In Part III, the impact of rising farm productivity, and of rising prices, on real wage rates, is measured separately, for the period 1961 to 1977, for Punjab as a whole. Finally, in Part IV, the labour supply factor is brought in. The joint impact on real wages of farm productivity and number of agricultural workers, as measured by labour productivity, is examined for two trienniums — 1962 to 1965 and 1970 to 1973 — using cross-section data for each of the two periods. The paper ends with a list of questions which need to be answered in the interests of a fuller explanation of variations in real wage rates in Punjab.

I

Real Wage Rates in Punjab: 1961 to 1977

IN Punjab, between 1961 and 1977, there was a race on, between rising farm productivity, on the one hand, and an increasing labour force and inflation, on the other. The rapid growth of farm output tended to push up real wages; the growth of the labour force at rates far above the rate of growth of population[1] tended to pull real wages down The outcome, it appears, was often decided by inflation, which periodically eroded real wages to levels below even those attained in 1961

As of 1977, for Punjab as a whole, the forces of rising productivity had won. But it was a narrow victory. Over the entire period, real wages for male agricultural labourers, went up by between six per cent (for weeding), and 20 per cent (for harvesting).

The real wage data in Table 1, make it clear that in many years, the rise in money wages lagged behind price changes, leading to reduced real wage rates for most operations between 1965 and 1968, and again in 1974, 1975 and 1977. The year-to-year behaviour of real wages thus appears erratic, The forces which pushed real wage rates down during the 1960s, below 1961 levels, were finally counterbalanced by rising productivity only in 1969.

The peak real wage rates for the entire period appear in the years 1969 to 1973, inclusive. Subsequently, they fell in 1974 and 1975 to levels below those reached during the early 1960s, and well below those of the all-time peak. In 1976 and 1977, real wages recovered somewhat, but they were still below those recorded from 1969 to 1973 inclusive.

Real wage rates for ploughing, sowing, weeding, and 'other agricultural operations', all followed a similar pattern. But harvesting wages were generally more buoyant. In most years, when other wages fell, harvest wages either did not fall at all, or fell by a smaller amount. The exceptions are 1967 and 1977.

Cotton picking wages paid to women, constitute the only case where real wages are lower in 1977 than they were in the early sixties. Women's cotton picking wages started to lose ground relative to men's wages in other operations from 1964 onwards. Although their real wages rose for the three years 1967 to 1969 inclusive, they never reached the peaks of 1962 and 1963. Subsequently, they collapsed so far that, even given the upturn of the last three years, real wages for women cotton-pickers today are below those of 15 years ago.

Although male labourers have gained over the period 1961 to 1977, the

TABLE 1 : REAL WAGE RATES IN PUNJAB, BY OPERATION : 1961 TO 1977

(Rs at constant 1960-61 prices)*

Year	Ploughing	Sowing	Weeding	Harvesting	Other Agricultural Operations	Cotton Picking (Female)**
1961	2.50	2.49	2.65	2.59	2.49	2.00
1962	2.41	2.41	2.72	2.61	2.63	3.07
1963	2.67	2.91	2.61	2.69	2.40	2.15
1964	2.64	2.36	2.46	3.18	2.31	1.95
1965	2.48	2.45	2.38	2.88	2.17	1.94
1966	2.58	2.52	2.47	2.66	2.37	—
1967	2.20	2.15	2.03	2.54	2.13	2.06
1968	2.46	2.48	2.40	3.21	2.47	2.09
1969	3.19	3.17	3.02	3.85	3.09	2.06
1970	3.30	3.30	3.22	3.93	3.27	1.65
1971	3.25	3.25	3.21	3.89	3.17	1.71
1972	3.05	3.09	3.08	3.78	3.10	1.51
1973	2.94	2.98	2.93	3.70	3.14	—
1974	2.42	2.43	2.36	2.69	2.48	1.46
1975	2.56	2.61	2.58	3.14	2.61	1.65
1976	2.91	2.92	2.88	3.72	3.01	1.59
1977	2.87	2.87	2.81	3.11	2.86	1.72

Notes : *Consumer Price Index for Agricultural Labourers (Interim series) Punjab State.
**Wage rates are for male labourers for all operations except cotton picking.

Source : Computed from money wage rate data in Punjab Statistical Abstracts.

TABLE 2 : INDEX OF AGRICULTURAL PRODUCTION AND INDEX OF REAL WAGES BY OPERATION : PUNJAB 1961 TO 1977

Year	Index of Agricultural Production	Index of Real Wages					
		Ploughing	Sowing	Weeding	Harvesting	Other Agricultural operations	Cotton Picking (Female)
1961	100 00	100.0	100.0	100.0	100.0	100 0	100.0
1962	103.31	96.0	96.8	102.6	100.8	105.6	153.5
1963	99.24	106.8	116.9	98.5	103.9	96.4	107.5
1964	104.67	105.6	94.8	92.8	122.8	92.8	97.5
1965	127.71	99.2	98.4	89.8	111.2	87.1	97.0
1966	114.44	103.2	101.2	93.2	102.7	95.2	—
1967	129.66	88.0	86.3	76.6	98.1	85 5	103.0
1968	163.21	98.4	99.6	90.6	123.4	99.2	104.5
1969	180.34	127.6	127.3	114.0	148.6	124.1	103.0
1970	200.11	132.0	132.5	121.5	151.7	131.3	82.5
1971	208.97	130.0	130.5	121.1	150.2	127.3	85.5
1972	224.89	122.0	124.1	116.2	145.9	124.5	75.5
1973	222.13	117.6	119.7	110.6	142.9	126.1	—
1974	229 45	96.8	97.6	89.1	103.9	99.6	73.0
1975	236 89	102.4	104.8	97.4	121.2	104.8	82.5
1976	258.39	116.4	117.3	108.7	143.6	120.9	79.5
1977	272 33	114.8	115.3	106.0	120.1	114.6	86.0

TABLE 3 : INDEX OF REAL WAGE RATES 1977, BY DISTRICT AND OPERATION

(1961=100)

District	Ploughing	Sowing	Weeding	Harvesting	Other Agricultural Operations
Amritsar	208	208	156	238[3]	126
Bhatinda	103	98	92	93[4]	93
Ferozepur	185	182	128	211	196
Gurdaspur	116	98[1]	116[2]	104	155[1]
Hoshiarpur	109	123	112[4]	122	116[3]
Jullunder	97	120	117	101	102
Kapurthala	94	81[3]	99[1]	67[3]	140[5]
Ludhiana	138	131	128	244	134
Patiala	104	105	95	93	131
Sangrur	113	114	124	116	148

1. 1962 -100
2. Average of 1963, 1964=100
3. 1965=100
4. 1963=100
5. 1966=100

increase in the real value of their wages is much smaller than the growth rate of output,[2] alone, would suggest. Output has gone up to more than two and a half times its level in 1961, but real wages have, at best, registered a rise of approximately 15 per cent.

In Table 2, the indices of agricultural production can be compared with real wage indices for each of six different operations. It can be seen that output dropped below 1961 levels in only one year — 1963. But real wages fell short of 1961 standards in several years, in the case of all operations other than harvesting.

II

Real Wage Rates in Punjab, by Districts: 1961 to 1977

Although real wage rates for every operation rose for males in Punjab as a whole, this is not the case for each district taken separately. The real wage rate indices of Table 3 show that real wage rates went up for all operations in only five districts: Amritsar, Ferozepur, Hoshiarpur, Ludhiana, and Sangrur. At the other extreme, Bhatinda and Kapurthala recorded a decline in real wage rates between 1961 and 1977 for four out of five operations.

The detailed figures for real wages by district, given in the Appendix Table 1-A, however, reveal that despite the erosion of their real wages over time, the agricultural labourers of Bhatinda remain among the best paid in the state, along with labourers in Ferozepur and Faridkot. Furthermore, despite impressive improvements over the period in Gurdaspur, Hoshiarpur, and Jullunder, real wage rates in 1977 were the lowest in Punjab state in these three districts.

The stagnation or decline of real wage rates in some districts which started out in 1961 as 'high-wage' areas, and the sharp increase in real wage rates in several districts which were among the 'low wage' areas of 1961, suggests that there may have been a convergence of real wage rates during the period. Table 4 shows that this is, indeed, the case. Inter-district wage differentials have narrowed for all operations except harvesting.

The question we now turn to is: What facts provide the best explanation for these movements in real wage rates?

TABLE 4 : CONVERGENCE OR DIVERGENCE OF REAL WAGE RATES, BY OPERATION ; INTER-DISTRICT STANDARD DEVIATIONS 1961 AND 1977

Operation	SD 1961	SD 1977	Implications
Ploughing	0.523	0.509	Convergence
Sowing	0.603	0.535	Convergence
Weeding	0.553	0.461	Convergence
Harvesting	0.479	0.850	Divergence
Other Operations	0.577	0.513	Convergence

TABLE 5 : REGRESSION RESULTS : ALL PUNJAB, 1961 TO 1971

Part A : Independent Variable : Index of Agricultural Production Dependent Variable : Real Wage Rates for Each Operation

Operation	Statistics R^2	Statistics t	Level of Significance*
Ploughing	0.25	2.23	95
Sowing	0.27	2.35	95
Weeding	0.22	1.70	Not significant
Harvesting	0 36	2.67	98
Other Operations	0.43	2.97	99

Note : * Significant at the 95 per cent level for values of t>2.131

Part B : Independent Variable : Consumer Price Index for Agricultural Labourers Dependent Variables : Real Wages for Each Operation

Operation	R^2	t	Level of Significance**
Ploughing	0.04	0.74	Not significant
Sowing	0.05	0.87	Not significant
Weeding	0.02	0.54	Not significant
Harvesting	0.12	1.39	Not significant
Other operations	0.14	1.61	Not significant

Note : ** Significant at the 95 per cent level for values of t>2 131

TABLE 6 : ESTIMATES OF LABOUR PRODUCTIVITY, BY DISTRICT 1962 TO 1965 AND 1970 TO 1973

District	1962 to 1965 (Mean) Output Per Male Worker* (Rs)	1962 to 1965 (Mean) Output Per Male Agricultural Labourer (Rs)	1970 to 1973 (Mean) Output Per Male Worker* (Rs)	1970 to 1973 (Mean) Output Per Male Agricultural Labourer (Rs)
Amritsar	2.93	14 38	3.83	10.55
Bhatinda	3 71	19 91	4 57	15.46
Ferozepur	3 65	17.26	4.88	14.92
Gurdaspur	2.38	14.69	3.36	10.34
Hoshiarpur	2.00	21 97	2 80	9.66
Jullunder	2.12	17.05	3.84	10.87
Kapurthala	3.50	170.63**	4.06	16.28
Ludhiana	5.35	111.82**	5.07	14.40
Patiala	3.21	16.78	4.27	13.23
Ropar	2.02	18.41	2.68	10.68
Sangrur	2.60	17.22	4.43	15.47

Notes : * 'Male workers' include both cultivators and agricultural labourers.
** These figures are *not* the result of misplaced decimal points, but the figure for Kapurthala is thought to be somewhat high as a result of an underestimate of male agricultural labourers. The figure for Ludhiana is correct.

III

Impact of Rising Productivity on Real Wage Rates in Punjab : 1961 to 1977

Rising farm productivity dominated all other influences on the real wage rates during the period 1961 to 1977. Between 25 per cent and 43 per cent of the year to year variations in real wages for ploughing, sowing, harvesting, and 'other operations', are explained by farm output growth alone. Thus the enhanced demand for farm labourers was the most important single influence on real wage rates during the period. The R^2 values in Table 5, Part A, indicate the degree to which this explanatory variable influenced the real wage rates for each operation.

The very low R^2 values in Part B of the same Table, together with the insignificant 't-values', show that the depressing impact of inflation on real wages, was swamped by other, more powerful forces.

The combined influence of agricultural productivity, and the labour supply factor can be measured by output per worker, or labour productivity.

Estimates of labour productivity for male cultivators and male agricultural labourers combined, and for agricultural labourers separately, are given in Table 6, by district, for the early 1960s and the early 1970s. The Table shows, first, that output per male worker (cultivators plus agricultural labourers) has risen in all districts, except Ludhiana where because the rate of growth, in agricultural workers exceeded the rate of growth of output labour productivity went down. Productivity per male agricultural labourer declined in all districts, because of the rapid influx of new entrants into the wage paid agricultural labour force, during this period.

The results of regression analysis of the cross-section data are given in Table 7. They suggest several important conclusions.

First, the variable that explains variations in real wages best, in the more recent period, is productivity per male agricultural labourer. This variable captures the impact of the two factors which have been working in opposite directions during the past decade — rising agricultural productivity, on the one hand, and the enhanced supply of wage paid labour on the other.[8] Together, these forces account for 50 per cent of the inter-district variations in real wages during the early 1970s. The 't-value' is highly significant.

Productivity per male worker for the combined set of cultivators plus agricultural labourers, in the early 1970s, accounts for a smaller proportion of the variations — only 38 per cent — and the 't-value' is significant only at the 95 per cent level.

Secondly, labour productivity explains very little of the inter-district variations

APPENDIX TABLE 1-A : REAL WAGE RATES IN PUNJAB, BY OPERATION AND DISTRICT, 1961 TO 1977

(Constant 1960-61 prices)

I Ploughing District	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Amritsar	1.50	1.41	2.92	2.73	2.43	2.53	2.09	2.55	2.93	3.04	3.16	2.85	3.17	2.56	2.17	3.78	3.12
Bhatinda	3.27	3.30	3.63	2.73	3.05	3.37	2.96	2.98	3.45	3.57	3.71	3.42	3.44	2.99	3.26	3.32	3.38
Faridkot	—	—	—	—	—	—	—	—	—	—	—	—	2.92	2.44	3.38	3.65	3.71
Ferozepur	2.14	1.88	1.88	2.14	2.51	2.56	1.80	2.66	2.92	3.15	3.51	3.05	3.08	3.16	3.46	3.82	3.96
Gurdaspur	1.88	2.03	2.26	2.53	1.69	2.70	1.95	1.71	2.97	2.81	2.69	2.52	2.05	1.60	1.51	2.36	2.18
Hoshiarpur	2.25	1.88	2.20	1.95	2.07	2.02	1.59	1.95	3.41	3.44	2.94	2.63	2.78	2.08	2.44	2.61	2.46
Jullunder	2.62	2.70	2.87	2.24	2.15	—	1.68	2.26	2.84	2.87	3.26	3.21	2.30	1.63	2.05	2.47	2.55
Kapurthala	3.00	—	3.77	3.12	3.46	2.36	2.73	3.10	3.73	3.47	3.65	3.06	3.08	2.52	2.30	2.83	2.83
Ludhiana	2.30	2.43	2.35	2.04	2.73	—	2.51	2.92	2.72	3.44	3.59	3.39	3.61	2.75	2.88	3.34	3.17
Patiala	2.70	2.66	2.18	1.95	1.79	2.02	1.73	1.96	3.75	3.57	2.81	2.98	2.67	2.08	2.06	2.39	2.81
Ropar	—	—	—	—	—	—	—	2.09	2.54	2.30	3.51	3.21	2.86	2.43	2.43	3.06	2.95
Sangrur	2.59	3.60	3.64	3.21	2.91	3.04	2.90	3.48	3.70	4.06	2.81	3.15	3.23	2.64	2.81	3.20	2.92

APPENDIX TABLE 1-A CONTINUED

II Sowing District	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Amritsar	1.50	1.41	2.92	2.14	2.46	2.39	2.09	2.54	4.11	3.09	3.12	3.10	3.70	2.50	2.33	3.82	3.12
Bhatinda	3.50	3.30	3.63	2.92	2.98	3.49	2.76	2.98	3.62	3.57	3.98	3.41	3.62	2.99	3.28	3.54	3.43
Faridkot	—	—	—	—	—	—	—	—	—	—	—	—	2.88	2.49	3.38	3.71	3.84
Ferozepur	2.14	2.04	2.75	2.61	2.51	2.36	1.80	2.61	2.97	3.18	3.43	3.02	2.88	3.32	3.46	3.71	3.90
Gurdaspur	—	2.23	—	1.95	1.48	2.02	1.59	1.36	2.80	2.81	2.69	2.45	2.05	1.60	1.51	2.36	2.18
Hoshiarpur	2.00	1.88	2.15	1.95	2.07	2.02	1.59	1.95	2.43	3.38	2.94	2.67	2.28	2.05	2.50	2.61	2.46
Jullunder	2.12	2.33	2.66	2.34	2.15	2.06	1.68	2.26	2.84	2.84	2.89	3.21	2.62	1.63	2.07	2.46	2.55
Kapurthala	—	—	3.77	3.12	3.35	2.98	2.68	3.10	3.42	3.46	3.65	3.29	3.08	2.52	2.30	2.82	2.79
Ludhiana	2.50	2.43	2.35	2.24	2.72	2.75	2.57	3.03	2.63	3.46	3.62	3.46	3.79	2.83	2.90	3.33	3.28
Patiala	2.83	2.73	2.26	1.56	1.79	2.02	1.75	1.96	3.74	3.62	2.81	2.98	2.67	2.08	2.06	2.26	2.63
Ropar	—	—	—	—	—	—	—	2.09	2.53	2.80	3.62	3.21	2.86	2.43	2.64	3.07	2.96
Sangrur	2.56	2.69	3.61	3.12	2.91	3.06	2.96	3.37	3.70	4.06	2.94	3.13	3.25	3.69	2.81	3.20	3.91

APPENDIX TABLE 1-A CONTINUED

(Constant 1960-61 Prices)

III Weeding District	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Amritsar	2 00	1 88	1 61	1.95	2 31	2 34	2 10	2 54	3.62	3.06	3.15	3 13	3 19	2.56	2 12	3.74	3.12
Bhatinda	3 60	3 23	3 20	2 92	3 07	3 20	2.65	2.98	3.36	3.57	3 79	3 40	3 31	2.99	3.28	3 08	3.31
Faridkot	—	—	—	—	—	—	—	—	—	—	—	—	2.96	2 49	3.24	3 63	3.43
Ferozepur	3 00	2 88	2 83	2 67	2 32	2 36	1 89	2 19	3 02	3 15	3 43	3 01	3.08	2.58	3 46	3 66	3.84
Gurdaspur	—	—	—	—	1.88	—	1.52	1.40	2.64	2.81	2.69	2 43	2.05	1.60	1.51	2 36	2.18
Hoshiarpur	—	—	2.19	1.95	1.97	2.02	1.54	1.57	2.29	3.22	3.43	2 67	2.26	2.08	2.46	2.62	2.46
Jullunder	2 16	2.53	2.80	2.34	2 15	2.02	1.68	2.28	2.84	2.83	2.94	3.21	2.81	1.63	2.04	2.48	2.53
Kapurthala	—	2 83	—	3.12	2.74	2.51	2.22	2 95	2.74	3.33	3.18	3.29	3.08	2.52	2.32	2.83	2.79
Ludhiana	2 43	2.38	2 52	2.47	2.61	2.70	2.31	2.80	2.84	3.36	3.62	3.36	3.61	2.58	2.85	3.32	3.12
Patiala	2.80	2 73	2.21	1.95	1.79	2.02	1.77	1.96	3.31	3.40	2.81	2.98	2.67	2.08	2.27	2.42	2.65
Ropar	—	—	—	—	—	—	—	2.61	2.85	2.80	3.43	3.21	2.85	2.43	2.49	3.08	2.94
Sangrur	2.37	3.49	3.53	3.12	2 92	3.04	2.57	3.11	3.70	3.85	2.81	3.15	3.22	2.70	2.82	3.20	2.93

APPENDIX TABLE 1-A (CONTINUED)

IV Harvesting District	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Amritsar	—	—	—	—	2.15	2.36	2.83	3.62	5.05	3.09	3.22	2.99	3.70	2.44	2.79	5.84	5.12
Bhatinda	-	4.71	3.77	4.29	3.95	3.37	2.74	3.57	6.21	4.29	3.43	4.58	3.74	2.95	3.26	4.05	3.50
Faridkot	—	—	—	—	—	—	—	—	—	—	—	—	3.70	2.78	3.64	3.54	4.53
Ferozepur	2 00	1.88	1.88	2.92	4.31	2.53	3.86	5.23	4.40	3.91	4.90	4.16	4.80	2.72	3.73	4.01	4.21
Gurdaspur	2.78	—	—	—	—	2.70	1.60	1.56	2.50	2.86	2.87	2.78	2.05	1.60	1.51	3.09	2.89
Hoshiarpur	2.00	1.88	2.16	1.77	2.46	2.02	1.54	2.42	3.41	3.48	3.67	3.66	5.34	2.45	3.22	3.37	2.44
Jullunder	2.62	2.59	2.47	2.73	2.15	—	—	—	2.84	3.44	3.43	3.76	3.29	2.40	2.36	3.41	2.64
Kapurthala	—	—	—	4.68	3.41	3.20	—	—	2.84	5.35	—	4.12	3.51	2.66	2.78	4.22	2.73
Ludhiana	3.33	2.73	2.69	2.34	2.76	—	2.57	3.27	3.53	4.01	5.88	3.97	3.86	3.58	3.85	6.08	3.12
Patiala	2.90	2.73	2.21	3.12	1.79	2.02	1 80	1.92	4.66	4.71	4.65	4.12	3.34	2.53	4.55	2.47	2.70
Ropar	—	—	—	—	—	—	—	4.18	3.19	3.50	3.43	3.44	2.97	2.54	2.41	3.15	3.01
Sangrur	2.56	3.58	3.61	3.12	2.93	3.04	3.35	3.14	3.62	4.59	3.43	3.94	3.97	3.52	4.05	4.39	2.96

APPENDIX TABLE 1-A CONTINUED

(Constant 1960-61 Prices)

V Other Agricultural Operations

District	1961	196_	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Amritsar	2 47	2 29	1 68	2 03	2.38	2 39	2.11	2.57	4.39	2.96	3.16	3.03	3.11	2.56	2.17	3.96	3.12
Bhatinda	3.62	3 23	3 38	2 73	3 23	3.17	2 63	2.98	3.40	3.57	3.71	3.50	3.41	2.95	3.26	3.37	3.38
Faridkot	—	—	—	—	—	—	—	—	—	—	—	—	3.01	2.65	3.40	3.67	3.75
Ferozepur	2 00	2 66	1 88	—	2 25	2 36	1.80	2 09	2.98	3.18	3.51	3.08	3.07	3.18	3.46	3.85	3.92
Gurdaspur	—	1 41	—	—	1 18	—	1.50	1.41	2 44	2.81	2 69	2.46	2.05	1.60	1.51	2.42	2.18
Hoshiarpur	—	—	—	—	2.15	2.02	—	—	2.07	3.42	2.94	2.63	2.20	2.07	2.48	3.10	2.50
Jullunder	2.49	2.75	2.81	2.53	2.15	2.02	1.71	2.29	2.84	2.87	2.87	3.21	2.81	1.63	2.05	2.59	2.55
Kapurthala	—	—	—	—	—	2.02	—	—	2.93	3.44	3.30	3.44	5.60	2.52	2.33	2.80	2.83
Ludhiana	2.37	2.26	2.40	1.95	1.85	2.36	2.38	3.01	3.04	3.42	3.56	3.34	3.61	3.01	2.90	3.65	3.17
Patiala	2.00	2.66	2.35	—	1.79	—	2.31	2.61	3.62	3.36	2.81	2.98	2.63	2.45	2.15	2.43	2.62
Ropar	—	—	—	—	—	—	—	—	2.62	2.80	3.43	3.24	2.86	2.44	2.48	3.05	2.98
Sangrur	1.98	2.12	2.23	2.26	2.46	2.56	2.61	2.72	3.62	4.06	2.94	3.15	3.22	2.65	3.10	3.20	2.94

APPENDIX TABLE 1-A CONTINUED

VI Cotton Picking (Females)

District	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Amritsar	—	—	1.88	—	—	—	—	—	3.62	2.55	1.47	—	—	1.28	—	—	—
Bhatinda	—	—	2.12	—	3.05	—	—	—	2.59	—	—	1.49	—	1.28	1.74	—	2.18
Faridkot	—	—	—	—	—	—	—	—	—	—	—	—	—	1.38	1.65	1.96	2.06
Ferozepur	—	—	1.88	—	—	—	1.80	—	1.33	1.02	—	—	—	1.62	—	—	—
Gurdaspur	—	—	—	—	—	—	—	—	1.29	—	2.69	—	—	1.28	1.51	1.01	—
Hoshiarpur	—	—	—	—	—	—	—	—	—	1.27	1.96	—	—	1.17	1.41	—	2.34
Jullunder	—	—	1.88	—	1.43	—	—	—	2.07	1.44	—	1.37	—	—	2.12	1.68	1.65
Kapurthala	—	3 77	3.77	—	3.23	—	2.06	2.61	2.07	1.53	3.98	1.55	—	1.04	—	1.77	—
Ludhiana	—	—	—	1.95	—	—	2.31	—	1.42	1.27	1.38	1.31	—	1.40	1.21	1.52	1.56
Patiala	2.00	2.35	1.41	—	—	—	—	—	—	2.04	—	1.37	—	—	—	—	1.25
Ropar	—	—	—	—	—	—	—	1.57	—	2.09	1.96	2.06	—	2.08	1.62	1.43	1.35
Sangrur	—	—	—	2.10	—	—	—	—	—	—	1.47	1.37	—	2.08	1.89	1.71	1.40

Notes : (1) Computed from money wage rate data in Punjab Statistical Abstracts
(2) The consumer price index numbers for Agricultural Labourers (Interim Series) in Punjab state, including Haryana and Himachal Pradesh, were used to deflate money wage rates.

TABLE 2-A ANNUAL COMPOUND GROWTH RATES 1962-65 TO 1970-73, BY DISTRICT OF REAL WAGE RATES, BY OPERATION; OF AGRICULTURAL PRODUCTION; AND OF MALE CULTIVATORY, MALE AGRICULTURAL LABOURERS, AND ALL MALE AGRICULTURAL WORKERS 1961 TO 1971

District	Real Wage Rates by Operation					Agricultural Production	Male Agricultural Labourers	Male Cultivators	Male Agricultural Workers
	Ploughing	Sowing	Weeding	Harvesting	Other Agricultural Operations				
Amritsar	3.14	4.68	2.00	2.73	5.46	8.11	9.8	1.4	4.6
Bhatinda	1.26	1.54	1.77	−0.45	1.92	7.03	8.3	2.0	4.3
Ferozepur	6.51	3.28	1.69	8.68	4.59	7.54	7.6	1.3	3.7
Gurdaspur	2.05	3.01	4.33	4.05	8.21	8.65	10.7	1.1	4.1
Hoshiarpur	5.13	5.22	5.18	8.10	2.26	7.46	15.2	0.1	3.2
Jullunder	2.26	2.53	2.01	3.98	1.29	6.88	10.3	0.9	4.1
Kapurthala	−0.18	0.01	1.25	0.01	3.88	7.15	33.7	1.4	4.2
Ludhiana	5.45	5.20	4.33	7.82	5.75	6.80	29.4	2.0	7.5
Patiala	4.11	4.63	3.69	1.07	2.52	7.64	8.6	1.3	3.9
Ropar			Not available			6.11	10.8	0.2	2.4
Sangrur	−0.51	0.89	−0.41	1.88	5.56	6.91	6.6	1.2	3.0

Notes. In computing the three-year averages for 1962 to 1965, the following procedure was followed in cases where the data for the period on money wages was not complete

(1) Where data was available for only one, or two years, the data for that year, or the mean of the two years was used.

(2) Where wage rate data was not available for any of the three years, estimates are given based on:

(a) 1961 and/or 1965 figures, inflated or deflated by the relevant price index, or their average taken in case both were available, and

(b) the results adjusted by the relationship between the wage rate for the operation in question, and wage rates for other operations available for the missing years.

Sources: (1) *Real Wage Rates by Operation* Computed from money wage rate data in Punjab Statistical Abstracts, using the Consumer Price Index Number for Agricultural Labourers (Interim Series) in Punjab state, including Haryana and Himachal Pradesh.

(2) *Agricultural Production* G S Bhalla 'The Green Revolution in Punjab (India): Rural Structural Changes in Nonmetropolitan Regions', Table 13, page 42. (*mimeo*).

(3) *Male Agricultural Labourers, Cultivators*. Population Censuses 1961 and 1971.

TABLE 7 : RESULTS OF REGRESSION ANALYSIS OF INTER-DISTRICT VARIATIONS IN REAL WAGES FOR THE TRIENNIUMS 1963 TO 1965 AND 1970 TO 1973.

Period and Explanatory Variable	Slope β	Intercept α	R^2	t	Level of Significance
1963 to 1965					
Output per male worker**	.163	1.946	0.106	0.977	Not significant
1970 to 1973					
Output per male worker*	.286	2.089	0.383	2.362	95 per cent
Output per male agricultural labourer	.103	1.902	0.502	3.010	98 per cent

Notes :- * 'Male workers' include both cultivators and agricultural labourers.
** Regression with 'output per male agricultural labourer' as the explanatory variable were not done because of the extreme values for labour productivity in Kapurthala and Ludhiana (see Table 6).

APPENDIX TABLE 3-A : CONSUMER PRICE INDEX NUMBERS FOR AGRICULTURALL LABOURERS (INTERIM SERIES) IN PUNJAB STATE*

Year	Price Index
1960-61	100
1961-62	106
1962-63	106
1963-64	128
1964-65	139
1965-66	148
1966-67	194
1967-68	191
1968-69	193
1969-70	196
1970-71	204
1971-72	218
1972-73	243
1973-74	312
1974-75	329
1975-76	296
1976-77	320

Note : *Including Haryana and Himachal Pradesh.

in real wages during the early 1960s, despite its relatively great explanatory power for the 1970s. This contrast suggests that in the labour market, the forces of demand and supply acquired increasingly greater importance in the determination of real wage rates during the Green Revolution decade.

But while both of the labour productivity variables carry greater explanatory power during the 1970s, still a large part of the variations in real wages remain unexplained. The slow response of money wages to changes in the consumer price index,[4] even during the 1970s, suggests that factors affecting bargaining power, other than the labour demand and supply variables used in this analysis, may be at work.

Recent discussions[5] with leaders of Punjab peasant and agricultural labourers' organisations indicate that answers to the following questions are most likely to provide the material needed to close the gap between the 'explained' and the 'observed' inter-district variations in real agricultural wage rates.

(1) *In which districts have organisations of agricultural labourers been most active in recent years?*

(2) How important is seasonal in-migration of agricultural labour? This needs to be measured both in terms of their numbers, and the duration of their stay.

(3) To what extent have new kinds of permanent labour contracts spread in each district of Punjab? Here the underlying hypothesis is that the rise in the relative importance of such contracts tends to depress local casual labour wage-rates.

(4) To what extent have members of landless *and landed households* taken up non-agricultural jobs within the village? To what extent do they commute to nearby towns to work? Both the access of the landless to non-agricultural work and the involvement of cultivating households in it may have a positive impact on agricultural wage rates, the former through its action on the labour supply side, the latter from the demand side.

(5) From what areas have the largest numbers of artisans, craftsmen, and modern skilled labourers migrated abroad during the past five or 10 years?

These questions indicate some lines on which more intensive analysis has to proceed in the search for a fuller explanation of variations in real wage rates.

Notes

[This paper was prepared for the Seminar on Agrarian Structure and Peasant Movements in Punjab, sponsored by the School of Social Sciences, Jawaharlal Nehru University, March 22 to 24, 1979, in New Delhi. For their able computational assistance, I am greatly indebted to Ramesh Sharma, Sucha Singh, and Ajaya K Rath.]

1 Population grew at an annual compound rate of 2.2 per cent.
2 Output is valued at constant 1960-61 prices.
3 Growth rates for agricultural workers are given in Table 2-A in the Appendix.
4 This can be verified by comparing the indices of real wages in Table 2, section I, with the consumer price indices in Table 3-A, in the Appendix.
5 The Seminar on Agrarian Structure and Peasant Movements in Punjab, which was largely attended by peasant and agricultural labour leaders as well as by academics provided a unique opportunity for sharing information, impressions, and theoretical formulations.

Inter Size Group and Inter State Variations in Distribution of Agricultural Assets

H Laxminarayan

Livestock continues to be the predominant form of asset, particularly of small cultivators, for a variety of reasons. It is especially important in states where landholdings are small.

Assets held are more evenly distributed in relation to land area cultivated only for medium farmers, while they are unevenly distributed in the small and large-sized holdings. There is also uneveness among the states — asset value per hectare of land being higher in those states where the proportion of irrigated area is more, and being directly related to variations in yields per hectare.

If crop yields in backward regions are to rise, institutional reforms aimed at more even distribution of land and non-land assets appear to be as important as public investment in irrigation and fertiliser production.

IN analysing inter-size-group and inter-state variations in the pattern of asset holdings, broadly two sets of data can be used. One source is data collected by the Reserve Bank of India in the All India Debt and Investment Survey of 1971-72. The other source is data collected by the National Sample Survey in the 26th round on Census of Land Holdings. It would have been useful to compare the two estimates. Such a comparison is rendered difficult, however, for the following reasons. First, the asset data presented by the Reserve Bank of India is in value of asset groups while the NSS data is in terms of size of holdings. Secondly, the asset data presented by the National Sample Survey relates to livestock, agricultural machinery, transport equipment, and non-farm business equipment only; whereas the asset data presented by the Reserve Bank of India is much more comprehensive and includes a larger number of assets, such as land, building, durable household assets, and financial assets in addition to such other assets which have been considered by the National Sample Survey. Details relating to composition of the assets covered in the above two sources of data are given in the Appendix.

Data presented in the NSS Survey, which has been drawn upon for analysis in this paper, is in the form of information of 14 size-classes of operational holdings and relate to 1971-72. For purposes of analysis in this paper these 14 size-classes have been grouped into three size-groups, viz, upto 2.02 hactares, 2.03-10.12 hectares, and 10.13 and above hectares. Broadly, these three groups constitute small, medium and large holding groups.

Structure of Asset Holding and Size of Land Holdings

First, an attempt has been made to examine the relation between the pattern of asset holding and the size of holdings. The percentage distribution of the value of different types of assets in different size groups is shown in Table A.

The figures presented in Table A clearly indicate that livestock is the most important asset for all the size-groups, in the sense that it accounts for at least 60 per cent of the total value of assets in all size groups. The importance of livestock is typical of the agriculture in developing countries where the bulk of the farmers do not have resources to buy other assets. In order of importance, the other items are agricultural machinery, transport equipment and non-farm business equipment. Livestock is more important to smaller holdings than to other holdings, and the importance of livestock decreases with increase in the size of holdings. The importance of agricultural machinery also increases with an increase in size of holdings with large holdings accounting for nearly 28 per cent of agricultural machinery.

Smaller holdings hold a considerable part of their assets as livestock partly because they try to supplement their income from cultivation with income from other sources such as milk production. There are also other plausible reasons for this pattern of asset holding. The second explanation is that small farmers try to keep their own draught animals for purposes of cultivation, though they cannot use them fully. It is also argued that small farmers try to keep part of their asset in the form of livestock — an asset which is often sold in bad years and repurchased in good years — in order to strengthen their liquidity position, counteract uncertainty in production, and provide for adverse outcomes in consumption.[1]

Concentration of 'Assets' and Concentration of 'Land'

Now let us try to relate the value of assets held by different size-groups to concentration of land in different size-groups. Small farmers who account for nearly 35 per cent of cultivated area account for only 24 per cent of assets. On the other hand, big farmers who account for 13 per cent of land area account for as much as 24 per cent of agricultural assets. Middle farmers, who account for 51 per cent of land area, account for 52 per cent of assets. Thus, the concentration pattern of assets in relation to concentration of land seems to be more evenly distributed in the case of middle holdings. One of the reasons for

TABLE A: PERCENTAGE DISTRIBUTION OF DIFFERENT TYPES OF ASSETS IN DIFFERENT SIZE GROUPS

Assets	Size Groups (Hectares) Upto 2.02	2.03 to 10.12	10.13 and Above	All Size Groups
Livestock	77.11	68.56	60.11	70.39
Agricultural machinery	12.14	20.25	28.50	18.59
Transport equipment	8.15	9.45	8.69	8.90
Non-farm equipment	2.60	1.74	2.70	2.12
	100.00	100.00	100.00	100.00

TABLE 1 : PERCENTAGE DISTRIBUTION OF VALUE OF ASSETS (SIZE-GROUPWISE) 1971-72

States	Size-Groups (in Hectares) 0.02-2.02					2.03-10.12				
	Live-stock	Agricultural Machinery	Transport Equipment	Non-Farm Equipment	Grand Total	Live-stock	Agricultural Machinery	Transport Equipment	Non-Farm Equipment	Grand Total
AP	78.60	12.32	6.69	2.39	100.00	70.40	14.00	12.71	2.89	100.00
Assam	89.05	3.74	4.64	2.57	100.00	76.88	7.55	12.93	2.64	100.00
Bihar	87.03	7.30	3.58	2.09	100.00	79.15	14.60	4.86	1.39	100.00
Gujarat	81.90	14.20	3.13	0.77	100.00	57.04	30.67	11.74	0.55	100.00
Haryana	77.64	13.93	6.18	2.25	100.00	70.11	24.37	5.19	0.33	100.00
HP	89.62	6.66	0.20	3.52	100.00	90.01	6.94	0.91	2.14	100.00
J&K	92.12	4.15	1.91	1.82	100.00	92.04	5.41	1.25	1.30	100.00
Karnataka	73.15	17.55	6.84	2.46	100.00	73.25	16.70	9.67	0.38	100.00
Kerala	47.22	15.56	21.44	15.78	100.00	29.13	23.70	29.05	18.12	100.00
MP	84.24	7.42	6.77	1.77	100.00	82.50	9.24	7.91	0.35	100.00
Maharashtra	66.88	9.55	22.04	1.53	100.00	68.76	18.78	10.97	1.49	100.00
Orissa	81.47	7.43	8.37	2.73	100.00	79.98	6.17	9.25	4.60	100.00
Punjab	74.08	16.38	5.97	3.57	100.00	56.55	34.62	7.76	1.07	100.00
Rajasthan	82.12	11.22	5.09	1.57	100.00	80.22	12.00	5.45	2.33	100.00
Tamil Nadu	72.69	19.05	6.25	2.01	100.00	40.95	40.75	11.60	6.70	100.00
UP	80.36	11.91	6.37	1.36	100.00	63.63	24.28	10.82	1.27	100.00
West Bengal	73.17	11.95	12.05	2.83	100.00	66.28	16.66	11.47	5.59	100.00
All India	77.11	12.14	8.15	2.60	100.00	68.56	20.25	9.45	1.74	100.00

TABLE 1 : (CONTD)

States	Size-Groups (in hectares) 10.13 and above						All Sizes					
	Live-stock	Agricultural Machinery	Transport Equipment	Sub Total	Non-Farm Equipment	Total	Live-stock	Agricultural Machinery	Transport Equipment	Sub-Total	Non-Farm Equipment	Total
A P	65.29	26.61	6.95	98.85	1.15	100.00	71.98	15.82	9.77	97.57	2.43	100.00
Assam	91.57	2.50	5.93	100.00	—	100.00	86.07	4.27	7.14	97.48	2.52	100.00
Bihar	53.54	39.19	5.82	98.55	1.45	100.00	82.06	11.89	4.29	98.24	1.76	100.00
Gujarat	52.30	37.06	10.00	99.36	0.64	100.00	60.03	29.49	9.79	99.31	0.69	100.00
Haryana	39.30	55.10	4.26	98.67	1.33	100.00	64.94	29.15	5.19	99.28	0.72	100.00
H P	85.94	5.00	8.57	99.51	0.49	100.00	89.32	6.50	0.67	96.49	3.51	100.00
J&K	—	—	—	—	—	—	91.99	4.39	1.86	98.24	1.76	100.00
Karnataka	68.99	22.31	7.74	99.04	0.96	100.00	72.33	18.05	8.62	99.00	1.00	100.00
Kerala	6.03	18.87	22.65	47.55	52.45	100.00	35.80	15.81	24.34	75.98	24.02	100.00
M P	80.28	11.95	6.99	99.22	0.78	100.00	82.30	9.62	7.43	99.35	0.65	100.00
Maharashtra	56.61	26.92	8.54	92.07	7.93	100.00	65.05	18.82	12.88	96.75	3.25	100.00
Orissa	68.36	16.03	14.98	99.37	0.63	100.00	80.54	7.20	8.98	96.72	3.28	100.00
Punjab	33.05	56.18	10.77	100.00	—	100.00	54.07	36.96	7.95	98.98	1.02	100.00
Rajasthan	72.75	17.19	9.81	99.75	0.25	100.00	79.08	13.11	6.31	98.50	1.50	100.00
Tamil Nadu	33.15	44.00	18.60	95.75	4.25	100.00	55.15	30.74	10.00	95.89	4.11	100.00
U P	50.26	44.70	4.73	99.69	0.31	100.00	71.45	18.93	8.44	98.82	1.18	100.00
West Bengal	82.97	1.62	15.41	100.00	—	100.00	70.94	13.90	11.56	96.40	3.60	100.00
All India	60.11	28.50	8.69	97.30	2.70	100.00	70.39	18.59	8.90	97.88	2.12	100.00

the type of imbalance mentioned here is the inability of smaller holdings to hold such assets as agricultural machinery and transport equipment. The size of their holdings does not make it viable for small holders to hold these assets. These assets are more economic to farmers who have larger holdings. The ability of small holdings to hold assets is also impaired, as they do not have easy access to cheap credit.

INTER-STATE VARIATION IN PATTERN OF ASSET HOLDINGS

At this stage, let us have a look at inter-state variations in the pattern of asset holdings. Details relating to inter-state variations in the pattern of assets held by different size-groups are given in Table 1. Table 1 clearly indicates that, as an asset, livestock is particularly important to states other than Gujarat, Haryana, Maharashtra, Punjab, Tamil Nadu and Kerala. Excepting Kerala, where livestock accounts for only 36 per cent of the value of assets, in all other states livestock accounts for at least 60 per cent of the value of assets. Low proportion of livestock in Kerala may be explained mainly by the cropping pattern. Plantation crops account for a considerable part (condiments and spices occupying 10 per cent of gross cropped area) of the cropped area. In plantation areas, the demand for

TABLE 2 : PERCENTAGE DISTRIBUTION OF TOTAL VALUE OF ASSETS OVER DIFFERENT STATES (STATE-WISE BASIS)

Size-Groups/States	0 02-2.02		2.03-10.13		10.13 and Above		All Sizes	
	All Assets	Agricultural Implements	All Assets	Agricultural Implements	All Assets	Agricultural Implements	All Assets	Agricultural Implements
AP	5.54	5.55	6.49	4.48	8.87	8.28	6.47	5.50
Assam	3.28	0 97	1.13	0.31	0.06	0.01	1.75	0.40
Bihar	8.56	5.11	5 47	3.72	2.28	3.13	6.15	3.93
Gujarat	5.14	6 38	9.27	14.77	11.58	15.06	8.10	12.86
Haryana	1.45	1.86	3.73	4 74	3.80	7.35	2.93	4.59
HP	1.78	0.93	0.69	0.23	0.14	0.02	1.00	0.35
J&K	2 83	0.95	0.60	0.15	—	—	1.31	0.31
Karnataka	3.43	4 91	5.38	4.42	7.26	5.68	4.93	4.79
Kerala	2.89	3.19	0.86	0.87	0.48	0.32	1.53	1.30
MP	5.67	3 44	12.42	5.79	16.48	6.91	10.56	5.46
Maharashtra	6 88	5.45	9 29	8.56	20.94	19.78	9.97	10.10
Orissa	2 96	1.78	1 67	0.50	0.58	0.32	1.98	0.77
Punjab	2 03	3 11	6.72	11.88	6.31	12.43	4.99	9.93
Rajasthan	5 67	5 41	9 37	5 63	12.80	7.72	8.51	6.00
Tamil Nadu	4.46	9 97	3.89	7.68	4.56	7.05	4.89	8.09
UP	28.21	27.91	19 90	23.15	5.57	8.73	20.96	21.35
West Bengal	5 91	5.73	2 79	2.31	0.10	0.01	3.55	2.65
Other States	1 31	7 35	0 33	0 81	—	—	0.42	1.62
Total	100 00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

TABLE 3 : PERCENTAGE DISTRIBUTION OF CULTIVATED AREA AND ASSETS OVER DIFFERENT STATES (SIZE-GROUPWISE BASIS)

Size-Groups/States	Size-Groups (in Hectares)											
	0 02-2 02			2 03-10 12			10.13 and Above			All Size-Groups/Grand Total		
	Cultivated Area	Total Value of Assets*	Value of Agricultural Implements	Cultivated Area	Total Value of Assets*	Value of Agricultural Implements	Cultivated Area	Total Value of Assets*	Value of Agricultural Implements	Cultivated Area	Total Value of Assets*	Value of Agricultural Implements
AP	7 2	5 54	5 55	8 1	6 49	4.48	9.4	8.87	8.28	8 21	6.47	5.50
Assam	3 7	3 28	0 97	1 2	1 13	0.31	0.5	0.06	0.01	1.05	1.75	0.40
Bihar	11 8	8 56	5 11	6 0	5 47	3.72	1.5	2 28	3.13	6.03	6 15	3.93
Gujarat	3 5	5 14	6 38	6.9	9 27	4.77	9.8	11.58	15.06	6 08	8.10	12.86
Haryana	0 7	1 45	1 86	2 4	3 73	4.74	1.8	3.80	7.35	1.08	2.93	4.59
HP	0 9	1 78	0 93	0 4	0 69	0.23	0.1	0.14	0.02	0.04	1.00	0.35
J&K	1 3	2 83	0 95	0 4	0 60	0.15	—	—	—	0 05	1.31	0.31
Karnataka	5 1	3 43	4 91	8 4	5 38	4.42	9.4	7.26	5.68	7.09	4.93	4.79
Kerala	2 6	2 89	3 19	0 6	0 86	0 87	0 1	0.48	0 32	1 01	1.53	1.30
MP	7 1	5 67	3 44	15 4	12 42	5.79	17.3	16 48	6.91	13.09	10.56	5.46
Maharashtra	6 9	6 88	5 45	14 5	9 29	8.56	22.4	20.94	19.78	14.05	9.97	10.10
Orissa	6.3	2 96	1 78	3.0	1 67	0.50	0.8	0 58	0.32	3.03	1.98	0.77
Punjab	0 8	2 03	3.11	2 8	6 72	11.88	2 0	6 31	12.43	2.2	4.99	9.93
Rajasthan	3 6	5 67	5 41	9 6	9 37	5.63	20 4	12 80	7.72	10.7	8.51	6.00
Tamil Nadu	6 9	6 46	9 97	3 4	3 89	7.68	1 4	4.56	7.05	3.8	4.89	8.09
UP	23 0	28 21	27 91	13 5	19 90	23.15	3.4	5 57	8.73	13.4	20 96	21.35
West Bengal	7 5	5 91	5 73	2 9	2 79	2.31	0.9	0.10	0.01	3.3	3.55	2.65
Other States	1 1	1 31	7 35	0 3	0 33	0.81	0.5	—	—	0.4	0.42	1.62
Total	100 00	100 00	100 00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note : *Livestock, Agricultural Machinery, Transport Equipment, Non-Farm Equipment etc.

draught animals is small as very little ploughing is undertaken. Livestock is important in all states excepting Kerala for small holdings. In Assam, HP, MP and Rajasthan livestock is important even for larger holdings, thereby indicating the poor state of agriculture in these states.

For Gujarat, Haryana, Maharashtra, Punjab, Tamil Nadu and Kerala agricultural machinery is relatively more important as compared to other states, thereby indicating the relatively better-off condition of farmers in these states. The importance of machinery in the pattern of asset holding in Punjab, Haryana, Tamil Nadu, Maharashtra and Gujarat is partly due to mechanisation of agriculture and partly due to investment on irrigation equipment. However, Maharashtra and Kerala stand on a different footing because of the importance of transport equipment. Predominance of cash crops, such as plantation crops in Kerala, generates additional demand for transport equipment. Only in the case of Kerala is the non-farm business equipment important, in as much as it accounts for 24 per cent of total assets held by the cultivating households. Importance of non-farm equipment in Kerala may be explained by the supplementary occupations adopted — such as fishing — and also by

Table 4 : Per Hectare Value of Different Agricultural Assets

States	0.02-2.02					2.03-10.12					10.13 and Above					All Sizes (Grand Total)				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
AP	657	516	81	44	16	443	312	62	56	13	305	199	81	21	4	450	324	71	44	11
Assam	764	680	28	37	19	503	403	28	59	13	433	396	11	26	—	650	560	28	46	16
Bihar	620	540	46	22	12	506	403	70	25	8	482	258	189	28	7	555	456	66	24	9
Gujarat	1260	1017	192	39	12	740	404	241	91	4	384	201	142	38	3	685	411	202	67	5
Haryana	1773	1357	280	109	27	876	601	227	45	3	677	266	373	29	9	912	592	266	47	7
HP	1790	1596	115	4	75	905	812	61	10	22	427	367	21	37	2	1277	1140	83	9	45
J&K	1850	1704	76	36	34	937	859	49	15	14	—	—	—	—	—	1507	1386	66	28	27
Karnataka	571	417	100	40	14	353	259	59	34	1	249	172	56	19	2	358	259	65	31	3
Kerala	952	393	129	208	222	820	224	168	250	178	1430	86	270	324	750	922	330	146	225	221
MP	679	573	51	45	10	446	367	42	35	2	309	248	37	22	2	435	358	42	32	3
Maharashtra	851	571	83	186	11	354	244	67	38	5	302	171	81	26	24	392	255	74	50	13
Orissa	402	328	30	33	11	304	244	19	28	13	247	169	40	37	1	346	279	25	31	11
Punjab	2157	1568	407	135	47	1317	728	475	100	14	1010	334	567	109	—	1324	716	489	105	14
Rajasthan	1341	1096	157	68	20	539	432	66	30	11	203	148	35	20	—	445	359	60	29	7
Tamil Nadu	797	580	151	50	16	629	261	253	74	41	1068	354	470	199	45	740	408	228	74	30
UP	1045	837	127	68	13	818	528	194	87	9	533	268	238	25	2	894	639	169	75	11
West Bengal	670	492	80	79	19	537	361	91	60	25	344	285	6	53	—	607	431	84	70	22
All India	853	657	105	70	21	554	379	113	52	10	342	205	98	30	9	592	417	110	52	13

(Size-Groups (in Hectares))

Notes : Columns (1) Total value of six assets, (2) Livestock, (3) Agricultural machinery, (4) Transport equipment, (5) Non-farm equipment.

Table 5 : State Ranked on the Basis of Per Hectare Value of Assets Ranking

States	2.02-2.02				2.03-10.12				10.13 and Above				Total			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
AP	14	13	13	11	14	11	8	11	12	11	9	8	13	14	9	10
Assam	11	8	15	17	12	8	12	16	7	1	16	14	9	6	13	15
Bihar	15	12	16	15	11	8	11	8	6	8	6	6	11	7	11	11
Gujarat	6	6	6	3	7	7	4	3	9	10	7	7	8	9	5	4
Haryana	4	4	3	2	4	4	6	4	4	7	4	3	5	5	4	2
Himachal Pradesh	3	2	9	8	3	2	14	12	8	2	13	13	3	2	8	8
J & K	2	1	12	13	2	1	16	14	—	—	—	—	1	1	10	11
Karnataka	16	15	11	9	16	13	13	13	14	12	11	9	16	16	11	12
Kerala	8	16	2	6	5	15	1	6	1	16	1	4	4	13	2	6
MP	12	10	14	14	13	9	15	15	11	9	12	11	14	12	14	14
Maharashtra	9	11	4	10	15	14	9	9	13	13	8	8	15	17	8	9
Orissa	17	17	17	16	17	14	17	17	15	14	10	10	17	15	15	16
Punjab	1	3	1	1	1	3	2	1	3	4	3	1	2	3	1	1
Rajasthan	5	5	5	4	9	6	10	10	16	15	15	12	12	11	12	13
Tamil Nadu	10	9	7	5	8	12	3	2	2	3	2	2	7	10	3	3
UP	7	7	8	7	6	5	5	5	5	6	5	5	6	4	6	5
West Bengal	13	14	10	12	10	10	7	7	10	5	14	15	10	8	7	7

(Size-Groups (in Hectares))

Notes :- Columns (1) Total value of six assets, (2) Livestock, (3) Other than livestock, (4) Agricultural implements.

the importance of processing equipment in farms.

Bulk of the assets are concentrated in UP (20.96 per cent), Maharashtra (9.97 per cent), MP (10.56 per cent), Rajasthan (8.51 per cent) and Gujarat (8.10 per cent). This can be seen from Table 2. These five states together account for nearly 58 per cent of the value of assets. This is not surprising as these states also account for nearly 59 per cent of cultivated area. This indicates that, by and large, concentration of assets moves in the same direction as concentration of land.

Next, let us relate inter-state variation in the pattern of asset holdings to concentration of land in different states. It appears that Punjab, Haryana, Tamil Nadu, UP and Gujarat fall in one category while Rajasthan, Madhya Pradesh and Maharashtra, fall in another category. These trends can be seen from Table 3. The latter three states, *viz*, Rajasthan, Madhya Pradesh and Maharashtra, happen to be relatively bigger states accounting for 39.1 per cent of cultivated area and 29.04 per cent of assets also. On the other hand, the former five states — Punjab, Haryana, Tamil Nadu, UP and Gujarat — which account for 28 per cent of cultivated area account for 42 per cent of the assets. Thus, in relation to land area cultivated by them, the value of assets held by them indicates these five states to be more favourably situated. The disparity between these two groups of states, increases when one looks at the pattern of holding of agricultural machinery. The four smaller states, *viz*, Punjab, Haryana, Tamil Nadu and Gujarat, which account for only 14 per cent of cultivated area account for 36 per cent of the value of agricultural machinery. On the other hand, the other three states — Maharashtra, Rajasthan and MP — which account for only 29 per cent of the agricultural machinery account for 29.04 per cent of the cultivated area. This indicates relative differences in the mechanisation of agriculture.

So far we have discussed the pattern of asset holding without taking into account the per-hectare picture. Table 4 gives information on per-hectare value of different agricultural assets

Bank Correlation Co-efficients between Per Hectare Assets and Yield

Cereals			Wheat			Rice		
Case I	Case II	Case III	Case I	Case II	Case III	Case I	Case II	Case III
0.718 Significant at 1 per cent level	-0.1483 Non-Significant	0.6348 Significant at 5 per cent level	0.8500 Significant at 1 per cent level	0.0667 Non-significant	0.8233 Significant at 1 per cent level	0.058 Non-significant	0.0344 Non-significant	0.4255 Non-significant

Table 6 : Average Value of Assets

States	Figures (in Rupees)		Ranks	
	Value Per Hectare (NSS)	Value Per Household (RBI)	NSS	RBI
Andhra Pradesh	450	8080	13	13
Assam	650	7832	9	14
Bihar	555	12827	11	7
Gujarat	685	12824	8	6
Haryana	912	27138	5	2
HP	1277	22672	3	5
J & K	1507	15259	1	3
Karnataka	358	10031	16	12
Kerala	922	11615	4	10
MP	435	10520	14	11
Maharashtra	392	11682	15	9
Orissa	346	6023	17	17
Punjab	1324	31833	2	1
Rajasthan	455	12753	12	8
Tamil Nadu	740	6826	7	16
UP	894	13531	6	4
West Bengal	607	7330	10	15
All India	592	11310		

Table 7 : Yield Per Hectare of Some Important Crops (1975-76) (Yield in Kg)

States	Cereals	Wheat	Rice
Andhra Pradesh	1076	–	1657
Assam	1020	–	1022
Bihar	964	1265	922
Gujarat	939	1677	1246
Haryana	1351	1979	2059
HP	1361	–	–
J & K	1312	–	–
Karnataka	1102	–	1944
Kerala	1535	–	1543
MP	752	846	838
Maharashtra	707	1065	1570
Orissa	931	–	967
Punjab	2166	2375	–
Rajasthan	715	1300	–
Tamil Nadu	1666	–	2182
UP	1041	1333	935
West Bengal	1324	2100	1253

in different size-groups in different states. In Table 5 we have tried to rank the states on the basis of per hectare value of assets. If we exclude livestock, Punjab Kerala, Tamil Nadu, Haryana and Gujarat are the first five states in order of importance in respect of per hectare value of assets. Karnataka, Bihar, Rajasthan, Assam, Madhya Pradesh and Orissa occupy bottom places in terms of ranking. It is only when we include livestock that Jammu and Kashmir and Himachal Pradesh join the top group. Livestock is important as an asset in states where the size of holdings is small. As against the all India average of 2.2 hectares, the average size of holdings is 1.43 in Jammu and Kashmir, 1.49 in HP, 1.55 in UP, 1.28 in Assam and 1.25 in Bihar. In all these states, small holdings keep livestock partly for supplementing incomes from cultivation and partly for increasing their liquidity. If the states are ranked on the basis of agricultural implements, only Punjab, Haryana, Tamil Nadu and Gujarat occupy the top four positions while Karnataka, Rajasthan, Madhya Pradesh and Orissa occupy relatively lower positions.

The pattern of asset holding and the per hectare value of asset holding indicates that Punjab, Haryana, Tamil Nadu and Gujarat belong to one category while Karnataka, Rajasthan, Madhya Pradesh and Orissa belong to another group. Excepting Gujarat, trends in other states indicate that the value of asset per acre is higher in states where the proportion of irrigated area is higher. Percentage of irrigated area to total cultivated area is 74.5 in Punjab, 46.6 in Haryana, 34.9 in Tamil Nadu, 10.1 in Karnataka, 6.8 in Orissa, 13.9 in Rajasthan and 7.9 in MP. Obviously, agriculture is more prosperous in irrigated areas as compared to non-agricultural areas.

At this stage, it will be interesting to compare the NSS Survey and RBI Survey results by ranking the states on the basis of the per-hectare value of assets (NSS) and per household value of assets (RBI). While making this comparison, we are aware that the asset components by the two surveys show HP, J and K, Punjab and Haryana to occupy the upper positions while AP, MP, Orissa and Karnataka occupy lower positions. Kerala, Tamil Nadu and Assam get much lower ranks under the RBI estimates as compared to NSS estimates. In the case of Kerala and Tamil Nadu, this difference may be explained by the fact that the rural households in these states are much worse off in terms of assets, such as financial assets, consumer durables and buildings.

When we tried to relate the per hectare value of assets with yield rates of some important cereals, we got a mixed picture. We have worked out rank correlation coefficients of the above two variables for cereals, wheat and rice classifying assets on the following basis for the major wheat, rice and cereals states:

Case I : Assets including livestock.
Case II: Assets excluding livestock.
Case III: Only agricultural machinery as assets.

The results indicate a significant relationship between per hectare yield and per hectare value of assets for cereals and wheat, in respect of Case I and III. However, when we exclude livestock, i e, Case II, this relationship is diluted, presumably because of the over-riding importance of livestock in crop production. Again, the lack of association between value of assets and yield for rice is understandable in view of the fact that this crop is grown under widely varying agro-climatic conditions (unlike wheat). As such, variations in yields across states may not be directly explained by variations in assets.

Conclusion

The above analysis indicates that livestock continues to be the predominant form of asset, particularly for small cultivators, for a variety of reasons. Livestock as an asset is more important for states where the size of holdings is small. Of all the states, Kerala does not attach much importance to livestock, owing to the plantation-oriented cropping pattern of Kerala. For the same reason, non-

farm business equipment is important to Kerala. This is also because of the importance of fishing as the major subsidiary occupation of the state. Agricultural machinery as an asset is important to Punjab, Haryana, Tamil Nadu, Maharashtra and Gujarat as operations connected with cultivation are more mechanised in these states.

Assets held are more evenly distributed in relation to land area cultivated only in the case of medium farmers while it is unevenly distributed in the case of small and large sized holdings. There is considerable concentration of assets in the larger holdings. If one looks at 'inter-state' variations in distribution of assets, it appears that Gujarat, MP, Rajasthan and Maharashtra which account for bulk of land area also account for bulk of other assets. In terms of per-hectare value of assets, Punjab, Haryana, Tamil Nadu, Kerala and Gujarat seem to be ahead of most of states. Asset value per hectare of land is higher in these states where the proportion of irrigated area is more. Variations in per hectare value of assets across states appear to be directly related to variations in yields per hectare. If crop yields in backward regions are to rise, institutional reforms aimed at a more even distribution of land and non-land assets appear to be as important as public investment in irrigation and fertiliser production.

Appendix A: Asset Components (NSS)

(1) *Livestock*
Cattle, buffaloes, sheep, goats, horses and ponies, mules, donkeys, camels, other draught animals, pigs, poultry.

(2) *Agricultural Machinery*
Ploughs, harrows, seed drill, sprayer, dusters, trailers, threshers, pumps, cane, crushers, oil crushers.

(3) *Transport Equipment*
Bicycle, motor cars, trucks/lorries, buses, motor cycles, scooters.

(4) *Non-Farm Business Equipment*
Handlooms, semi-automatic and power looms, ginning, pressing and baling equipment, reeds, bobins and other accessories used in spinning and weaving.
Oil mills (power driven), rice milling and pounding equipment, flour milling and grinding equipment, sewing machines, other tailoring equipment, saws, lathes, casting, melting and welding equipment, equipment in smithy shops, potters wheels, fishing nets, musical instruments, electric motors, oil-engines, other equipment.

(5) *Transport Equipment*
Boats, motor cars, carts, bicycles, motor cycles, scooters, trucks, trailers, passenger buses, others.

Appendix B: Asset Components (RBI)

All items owned by the household which had money value such as land, building, livestock, agricultural implements and machinery, non-farms and transport equipment, durable household assets, dues receivable on loans advanced in cash and kind, shares in co-operative societies, banks etc, National Plan Savings' Certificates and the like deposits in companies, banks, post offices and with individuals. (Crops standing in the fields, currency notes and coins in hand and stocks commodities, were, however, omitted from enumeration.)

Note

[The author is thankful to K Subba Rao for useful suggestions.]

1 See K Subba Rao: 'Institutional Credit, Uncertainty and adoption of HYV Technology: A Comparison of East UP and West UP" (Institute of Economic Growth, mimeographed, 1978). See also N S Jodha, "Role of Credit in Farmers' Adjustment against Risk in Arid and Semi-Arid Tropical Areas of India".

Rural Retrogression and Institutional Finance

V A Avadhani

The object of this paper is to present some evidence of developments in rural retrogression over the last two decades and to examine the role of institutional finance in these developments. These retrograde developments are increasing rural poverty, unemployment, and inequalities of incomes and wealth. Data relating to these are discussed in Part I.

Institutional finance, if properly used for rural capital formation and growth, would have been a corrective to these trends. Part II highlights the inadequacy of institutional finance from the point of view of the estimated rural credit requirements in the country. The relative importance of various agencies supplying institutional finance is also assessed in terms of branch network, deposits mobilised, finance provided, etc.

Part III sets out the concentration of institutional finance, state-wise and asset-group-wise. This throws light on the inadequate provision of finance to weaker sections of the rural population and in the underdeveloped regions. This part also attempts to examine whether and to what extent institutional finance was responsible for the greater inequalities in income and wealth among the various strata of rural people.

I

Rural Retrogression

ACCORDING to the data of NSS (27th Round, 1972-73) the proportion of the total rural population chronically unemployed was only 0.5 per cent. The unemployment rate estimated from the labour time disposition of person-days, according to the current status, was 7.8 per cent for rural areas and 8.9 per cent for urban areas. The Planning Commission in the draft Five Year Plan, 1978-83, estimated the unemployment to be 21 million in March 1978. Of these 16.5 million were in the rural areas and the rest in the urban areas. Over the period 1971-78, rural unemployment (chronic status) was estimated by the Planning Commission to have increased from 1.7 million to 2.0 million. The data on chronic unemployment are not a clear indicator of the extent of idle manpower in the rural sector, as these data do not include the various degrees of under-employment and disguised unemployment. Supplementary data collected by the NSS, on underutilisation of manpower in the rural areas (1972-73), place underemployment at around 46 million out of a total rural population of 461 million in 1972-73. These data are set out in Table 1 which indicates that the problem in the rural areas is more acute than in the urban areas.

Data on rural incomes and wealth are scanty. Available estimates on rural assets, from RBI decennial surveys, reveal that over the decade 1961-71 there was an increase in the concentration of assets for all rural households — particularly in the states of Assam, Gujarat, Orissa, Punjab, West Bengal and Rajasthan.[1]

The data on consumer expenditure indicate inequalities in both rural and urban areas.[2] The proportion of households falling in the poor category[3] was higher, at 42 per cent, in rural areas than in urban areas, where it was 27 per cent (Table 2). It is well known that the propensity to consume is higher among the poorer classes and that they spend the bulk of their expenditure on food items, leaving very little for non-food items and capital formation. An indicator of inequalities and poverty is the proportion of expenditure on food items. The larger the differential in the proportion of expenditure on food as among the various expenditure brackets, the greater *prima facie* are the inqualities of income. Judged by this criterion, the rural sector is characterised by greater poverty and inequalities. Table 3 presents the data on the percentage of expenditure on food items by various expenditure classes in rural and urban areas. It will be seen, therefrom, that the percentage of expenditure on food was higher among all expenditure classes in rural areas than in urban areas — except in the comparatively top expenditure brackets of Rs 150 per month and above. As against the distribution of population, of 80 per cent in rural areas and 20 per cent in urban areas, the consumer expenditure as estimated from the NSS rounds was 60 per cent in rural areas and 40 per cent in urban areas. Even for the weaker section of the population (as given in the NSS 25th round) the per capita per month expenditure of rural households was significantly less than that of the urban per capita per month expenditure.

Estimates of those below the poverty line vary with the definition of poverty. According to the data of NSS 28th round, the extent of poverty is more alarming in the rural areas at nearly 42 per cent as compared with 27 per cent of the urban population in 1973-74 (Table 2) based on the norm of Rs 41 per month per capita. There are a number of estimates of the rural poor by Dandekar and Rath, Minhas, P D Ojha, Bardhan, etc.[4]

The criterion applied by the Planning Commission was the minimum consumption of 2,400 calories per person per day in rural areas and 2,100 calories per person per day in urban areas. As the data of NSS rounds on consumption expenditure were given in terms of rupees, the Planning Commission estimated the extent of poverty

TABLE 1 : UNEMPLOYMENT AND UNDER EMPLOYMENT

(in millions)

	Rural	Urban
	Actual Estimated Number	Actual Estimated Number
Chronic unemployed	1.83 (0.47)	2.03 (2.01)
Disguised unemployment (not working throughout the year)	8.73	0.99
Underemployed (worked elsewhere or sought work or available for work elsewhere)	45.96	6.09

Note : Figures in brackets are percentages to total population in respective sectors.

Source : Sarvekshana NSSO, Volume I, No 2, October 1977, pp 83-84.

Table 2 : Proportion of Population in Various Expenditure Brackets

Monthly Per Capita Expenditure Class (Rs)	Percentage of Population	
	Rural	Urban
0-13	0.3	0.1
13-15	0.4	0.1
15-18	1.1	0.3
18-21	2.0	0.5
21-24	2.9	1.2
24-28	5.5	2.9
28-34	11.3	7.1
34-43	18.8	14.9
43-55	20.5	19.5
55-75	19.9	22.6
75-100	9.8	14.4
100-150	5.2	10.1
150-200	1.2	3.4
Above 200	0.6	2.6

Source : Worked on the basis of the data in NSS, 28th Round, (1973-74)

Table 3 : Expenditure on Food Items by Expenditure Brackets

Per Capita Monthly Expenditure Class (in Rs)	Percentage of Expenditure on Food Items	
	Rural	Urban
0-13	82.5	53.0*
13-15	82.9	81.6
15-18	83.6	79.4
18-21	83.5	81.2
21-24	83.0	80.1
24-28	83.5	80.8
28-34	83.2	80.2
34-43	82.5	78.9
43-55	80.4	76.3
55-75	76.4	73.5
75-100	71.3	69.1
100-150	63.0	57.0
150-200	52.5	57.5
Above 200	45.2	45.3

Note : *This appears incredible as the lowest expenditure bracket spent only 53 per cent on food in the urban area.

Source : Worked out on the basis of the NSS data, 28th Round (1973-74)

on the basis of minimum consumption expenditure of Rs 20 per capita per month at 1960-61 prices.[5] At 1972-73 prices, the corresponding minimum expenditure per capita per month was put at Rs 41 on the basis of price adjustment. This requirement in 1977-78 was estimated by the Planning Commission at Rs 62 in rural areas and Rs 71 in urban areas. According to these criteria, the percentage of population below the poverty line in 1977-78 was put at 48 in rural areas and 41 in urban areas. On this basis, the percentagge of population below the poverty line appears to have increased from 42 per cent in 1973-74 to 48 per cent in 1977-78.

There are thus discernible trends of rural retrogression in India over the last few years. According to a study by Simon Kuznets,[6] the main causes of poverty in any country are: low productivity and excessive dependence of labour on agriculture. The low productivity of workers can be corrected through application of technological developments which finance helps through provision of improved tools, equipment, seeds, fertilisers, etc. Secondly, finance also helps diversification of agriculture into non-farm activities — such as industry, trade, commerce, etc — which reduces the excessive dependence of labour on agriculture. If finances were adequate to cater to the requirements of rural households in the above context and helped through proper flows, the growth of capital formation and application of technology, the retrograde developments would have been less active. It is in this context that the policy of financial assistance for the rural sector by institutional agencies becomes relevant. Discussion is concentrated in this paper on institutional finance — first, because of government's policy of institutionalising all rural credit, and secondly because of the non-availability of data on non-institutional finance other than from the decennial surveys of the RBI.

II

Institutional Credit Inadequacy

According to RBI decennial surveys on Rural Debt and Investment, total institutional credit (borrowings) constituted only 19 per cent of the total credit in 1961-62 but rose to 22 per cent by 1971-72. Of the institutional finance in 1971-72, about 77 per cent was granted by co-operatives followed by government (15 per cent) and the rest by commercial banks (8 per cent). In 1977-78, of the total institutional finance[7] co-operatives supplied 66 per cent followed by scheduled commercial banks (28 per cent), government (4 per cent), and the regional rural banks (2 per cent) (Table 4). The share of commercial banks in the total institutional finance, which was about 3 per cent in 1961-62, increased to 8 per cent in 1971-72 and further to 28 per cent by 1977-78, while the share of the co-operatives and the government correspondingly declined. As the regional rural banks have entered the field only in 1976 their share in total institutional finance was negligible.

Estimated Credit Requirements

The Working Group on Co-operation (Fifth Five Year Plan) had estimated the short-term credit needs of agriculture at around Rs 2,500 crores in 1973-74 on the basis of a credit requirement of Rs 250 per hectare of irrigated area and Rs 125 per hectare of unirrigated area.[8]

Table 5 presents set of estimates of credit requirements per annum based on the norms of Rs 250 and Rs 125 per hectare of irrigated and unirrigated land, respectively. These estimates for each of the states are weighted according to the actual borrowing per acre in the states on the basis of the AIDIS data 1971-72. The estimates relate only to short-term requirements. By 1976-77, the actual achievement was less than the estimated requirements in all states — except Assam, Orissa, Gujarat, Karnataka, and Maharashtra. The actual figures for Assam and Orissa were themselves low, at Rs 15 crores and Rs 43 crores, although this exceeded the estimated requirement due to low weightage given to them in 1971-72. The unweighted credit requirement for Assam and Orissa would have been Rs 45 crores and Rs 102 crores, respectively.

The objective of government's policy is to ensure that all requirements of agricultural credit are met by institutional agencies as early as possible. As nearly 94 per cent of the institutional finance was provided by co-operatives and commercial banks in 1977-78, this paper concentrates on these institutions.

Among them, the largest network is that of co-operatives, with about 1,24,000 primary agricultural credit societies covering about 43 per cent of rural population at end-June 1977. The commercial banks have a branch network in rural areas of 11,000 in Dec-

Table 4 : Institutional Finance to Agriculture Relative Importance of Various Agencies

(Percentages)

Agency	1960-61*	1971-72**	1975-76†	1977-78†
Co-operatives	83.0	76.9	70.8	66.1
Commercial banks	3.1	8.8	23.2	27.8
Government	13.9	14.3	4.9	4.0
RRBs	-	—	0.1	2.1
Total institutional finance	100	100	100	100

Notes : *On the basis of AIRDIS data, RBI
**On the basis of AIDIS data, RBI
†On the basis of data published in Report on Currency and Finance, 1977-78.

TABLE 5 SHORT-TERM CREDIT REQUIREMENTS

State	Borrowing Per Cultivated Acre as Per AIDIS 1971-72	Weights	Weightage Per Acre Requirement for Irrigated Land	Weightage Per Acre Requirement for Unirrigated Land	Gross Irrigated Area (000' Hectare)	Gross Unirrigated Area (000' Hectare)	Credit Requirement for Irrigated Area (Rs crores)	Credit Requirement for Unirrigated Area (Rs crores)	Total Credit Requirement (Rs crores) (8+9)	Actual Achievement 1976-77 (Rs crores) (Short-term)
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	42	0 933	234	117	3573	8741	84	102	186	190
Assam	12	0 267	66	33	572	2463	4	8	12	15
Bihar	28	0 622	156	76	2688	7695	42	58	100	90
Gujarat	37	0 822	206	103	1549	8079	32	83	115	193
Haryana	85	1 889	472	236	2478	2710	117	64	181	82
Himachal Pradesh	93	2 067	516	258	165	764	9	20	29	14
Jammu and Kashmir	71	1 578	394	197	339	552	13	11	24	9
Karnataka	46	1 022	255	128	1325	9085	34	116	150	214
Kerala	126	2 800	700	350	623	2364	44	83	127	116
Madhya Pradesh	28	0 622	156	78	1762	18980	27	148	175	127
Maharashtra	31	0 689	172	68	1468	15512	25	133	158	262
Orissa	19	0 422	106	53	1260	5676	13	30	43	45
Punjab	180	4 000	1000	500	4551	1381	455	69	524	110
Rajasthan	38	0 844	212	105	2682	13415	57	142	199	97
Tamil Nadu	101	2 244	560	280	3673	4026	206	113	319	221
Uttar Pradesh	52	1 156	290	145	8511	14416	247	209	456	238
West Bengal	60	1 333	332	166	1541	5550	51	92	143	64
All-India	45	1 00	250	125	39087	122438	977	1530	2507	2113

Note. Credit requirement is estimated @ Rs 250 per hectare of gross irrigated area and @ Rs 125 per hectare of gross unirrigated area with appropriate weightages given to states on the basis of the estimated borrowings per acre in 1971-72.

Sources: (1) Statistical Statements relating to Co-operative Movements in India, 1976-77

(2) Indian Agriculture in Brief, 15th Edition.

(3) Banking Statistics BSR.



TABLE 6: BRANCHES OF COMMERCIAL AND CO-OPERATIVE BANKS IN RURAL AREAS

	Scheduled Commercial Banks			Co-operatives (PACs)		
	At End June 1969	End December 1976	Percentage Variation	End June 1969	End June 1977	Percentage Variation
Number of branches	1443	8628	+ 497.9	167760	123,356	−26.5
Deposits (Rs crores)	145	1569	+ 982.1	57	142	+ 149
Advances (credit outstanding) (Rs crores)	54	877	+1524.0	619	1,598	+ 158
Credit deposit ratio	37.2	55.9		1085.9	1125.3	

Source: BSR and Statistical Statements Relating to Co-operative Movement in India, RBI.

ember 1977 as compared to 1,443 in June 1969. Their advances outstanding in rural areas were about Rs 877 crores at end-December 1976, constituting about 11 per cent of total outstanding advances, as against Rs 54 crores in 1969.

The branches of co-operatives have declined over the period 1969-77 due to the policy of weeding out the weak and non-viable societies, but their outstanding advances had increased, from Rs 619 crores to Rs 1,598 crores over the same period. The commercial banks have shown greater progress in rural areas than have co-operatives during this short period (Table 6).

In the case of co-operatives, their advances are nearly 10 times more than their deposits — which only indicates that they have been lending funds belonging to other financial institutions particularly of the RBI, ARDC, etc. The drawals on the RBI in 1977-78 by co-operatives were Rs 1,429 crores. Commercial banks are lending only about 56 per cent of their deposits in the rural areas, which implies that funds are diverted by them from rural to urban areas. Although co-operative banks have the largest network, the efficiency is also low, overdues position high, and viability poor in the case of many societies. Rural branches of commercial banks take as much as four to five years to break-even but in view of their large resources the losses of the rural branches are made good by surpluses in other areas.

The need for strengthening the institutional financial structure in the rural areas can be seen from the following. First, the finance provided per hectare by all institutions falls significantly short of the required amount in most of the states. Secondly, population covered per rural branch of commercial banks is about 40,000, whereas the same for a branch other than a rural branch was about 13,000. Taking all the financial institutions in the village together, the rural population covered per branch had increased (instead of falling) from 2,477 in 1969 to 4,181 by 1977 due to the winding up of some primary co-operative societies. This indicates that available banking facilities had in fact decreased in the rural areas over the period 1969-77 (Table 7).

The amount of deposit per branch collected was hardly Rs 12,000, and advances for branch were Rs 56,000 in 1969. Over the period 1969-77, the deposit per branch had increased by nearly ten times and advances per branch had increased only by four times. The amount of deposits per branch was Rs 1,29,000 and advancies per branch was Rs 2,36,000 in 1977. These national averages were exceeded in only a few states such as Gujarat, Karnataka, Kerala, Punjab, Haryana and Tamil Nadu, which are agriculturally progressive. A similar picture emerges when we compare deposits per village and advances per village by all institutions in the rural areas. The performance in terms of deposit mobilisation was much better than that of advances during 1969-77.

Scheduled commercial banks have improved their credit-deposit ratio from 37 per cent in 1969 to 56 per cent in 1976. The commercial banks were expected to have pushed up the credit-deposit ratio to at least 60 per cent by end-December 1978. At the rate at which commercial banks are progressing in the direction of covering the rural areas through their branch network as well as their credit activities, they may be able to fill in the gaps in the institutional financial structure in the rural areas within a shorter time than co-operatives alone could do. The RRBs, started recently "have displayed a potential for making a significant contribution to filling up the credit gap".[9] The credit-deposit ratio of RRBs was about 125 per cent in June 1977. It is obvious that what is needed is a proper demarcation of activities of these institutions to ensure that each has its own role to play in the disbursal of credit and in the process of overall development in the rural areas, rather than confine the gigantic role of rural reconstruction to one set of institutions — *viz*, the co-operatives. The basic featurers for healthy development of any financial system are competition and efficiency and to the extent that these are promoted by the entry of new set of institutions and new financial assets, it should be a welcome development. So far as adequacy of institutional finance is concerned, it is obvious from the above discussion that the existing institutional arrangements are pitifully inadequate.

III

Concentration of Institutional Finance

Table 7 shows that the states which had done well, both in deposit mobilisation and in disbursal of credit, were agriculturally well-developed states such as Tamil Nadu, Gujarat, Karnataka, Uttar Pradesh, Punjab and Haryana. These are also the states which recorded higher deposits and higher advances per village than the national averages in this regard. In some states, both deposit mobilisation and credit disbursal are underdeveloped — as in Assam, Bihar, Orissa, West Bengal, Madhya Pradesh, and Rajasthan. Broadly, geographical credit gaps still remained to be filled, as both commercial and co-operative banks are concentrating only in areas with development potential.

Judged by the AIDIS data on the proportion of households reporting borrowing against various agencies, it is found that the proportion of households reporting borrowing from co-operatives was significantly larger than from commercial banks in 1971-72 (Table 8). The proportion of households reporting borrowing from co-operatives to total reporting households was the highest in Punjab (46 per cent) followed by Maharashtra (29 per cent) and Kerala (27 per cent), as against the all-India average of about 15 per cent. Haryana, Himachal Pradesh, Madhya Pradesh, Uttar Pradesh, and Tamil Nadu also reported a proportion higher than the all-India average proportion in this regard.

In the case of commercial banks, the proportion of households reporting borrowing as a percentage of total reporting households was generally small, at less than one per cent, but the same proportion was relatively high in Kerala, Karnataka, Tamil Nadu and Haryana. These states also happened to be agriculturally well-developed and they accounted for the bulk of the ad-

TABLE 7 : COMPARISON OF SOME INDICATORS OF RURAL BUSINESS OF INSTITUTIONAL AGENCIES*

	Villages covered	Population per Branch	Deposits for Branch (in Rs 000)		Advances per Branch ((in Rs 000)		Deposits per Village (in Rs 000)		Advances per Village (in Rs 000)	
	1969	1972	1969	1977	1969	1977	1969	1977	1969	1977
Andhra Pradesh	2168	2717	5	78	64	261	3	37	36	124
Assam	3489	4089	4	83	16	48	1	13	2	8
Bihar	2978	3308	4	46	10	56	1	10	2	12
Gujarat	2046	2429	31	206	86	284	15	103	41	142
Haryana	1236	3415	5	159	42	516	4	66	39	215
Himachal Pradesh	1229	1247	28	234	22	82	5	36	4	12
Jammu and Kashmir	2961	2950	5	136	24	74	1	32	4	18
Karnataka	2269	4180	26	222	87	569	9	49	31	126
Kerala	7423	8872	87	584	139	716	128	976	204	1195
Madhya Pradesh	3199	4917	8	78	74	277	1	9	10	32
Maharashtra	1718	1776	6	53	109	188	4	29	62	94
Orissa	4859	6067	9	69	66	233	1	6	6	19
Punjab	990	1013	31	209	62	187	27	175	54	157
Rajasthan	2081	3682	7	98	25	234	2	17	8	42
Tamil Nadu	3637	5228	14	150	133	692	8	52	70	239
Uttar Pradesh	2734	7240	7	221	30	356	2	21	7	33
West Bengal	2469	3417	5	97	14	83	2	25	5	21
All-India	2477	4181	12	129	56	236	4	30	17	54

Notes : *Including RRBs, Scheduled Commercial Banks, PACs and PLDBs.
1969 data relate to end-June. 1977 data relate to end June in respect of co-operative and RRBs and end December in respect of commercial banks.

Sources : Banking Statistics, BSR, and Statistical statements relating to co-operative movement in India.

Table 8 : Proportion of Households Reporting Borrowings—Cultivators 1971-72

State	Percentage of Households Reporting Borrowing from Co-operatives to Total Reporting Households	Percentage of Households Reporting Borrowings from Commercial Banks to Total Reporting Households
Andhra Pradesh	6.1	0.8
Assam	5.1	0.2
Bihar	4.9	–
Gujarat	23.3	0.5
Haryana	16.2	1.0
Himachal Pradesh	19.9	–
Jammu and Kashmir	13.3	0.2
Karnataka	11.6	1.6
Kerala	26.8	9.4
Madhya Pradesh	16.0	0.3
Maharashtra	29.3	0.4
Orissa	11.8	0.2
Punjab	46.1	0.4
Rajasthan	4.6	0.2
Tamil Nadu	14.3	1.3
Uttar Pradesh	15.2	0.3
West Bengal	6.5	0.7
All-India	14.7	0.8

Source : AIDIS, 1971-72. This Table and the subsequent Tables in this paper are based on the data published in Statistical Tables Relating to Cash Borrowings and Repayments of Rural Households during July 1971 to June 1972 and Cash Dues outstanding as on 30th June, 1972, RBI, 1979.

vances granted by commercial banks. This confirms our earlier conclusion that concentration of both the commercial banks and co-operative banks is in the same states — *viz* agriculturally well-to-do states and not in the poorer states.

The Lorenz curve of concentration would show a larger concentration of total borrowings of cultivators from all agencies in 1971-72 than in 1961-62. The Ginni co-efficient of concentration was 0.4014 in 1971-72 as against 0.3690 in 1961-62.

Due to difficulties of comparing asset groups in 1961-62 and 1971-72, the cultivator households have been classified into the following fractile groups based on the proportion of households covered. These asset groups are comparable as they fall into the same fractile groups of rural households both in 1961-62 and in 1971-72 on the basis of the theoretical distribution drawn for the purpose.[10]

Henceforth, discussion will be focused on these four groups which for our purposes may be taken to correspond to marginal cultivators, small cultivators, medium cultivators and large cultivators, respectively.

As between various groups of cultivators, the Group I cultivators constituted about 6 per cent of the total cultivators in 1971-72, of whom about 24 per cent reported borrowing and 11 per cent reported repayments.[11] In the case of large cultivators (Group IV) who accounted for about 40 per cent of the total households in 1971-72, 32 per cent of them reported borrowing and 13 per cent reported repayments (Table 9). The ratio of households reporting repayment to those reporting borrowing was higher at 46 per cent and 49 per cent in the case of marginal cultivators and small cultivators, as compared to 42 per cent for large cultivators. The proportion of the amount repaid to the total amount borrowed remained constant for all classes of households at around 87 per cent in 1971-72. In 1961-62, however, the proportion of households reporting repayment to those reporting borrowing increased with the asset size, except in the case of large farmers. A larger proportion of farmers repaid loans among marginal, small and medium farmers than among large farmers, both in 1961-62 and 1971-72. Similarly, the proportion of the amount repaid to the amount borrowed increased with the asset-size in 1961-62 while it remained almost the same for all classes of farmers in 1971-72 (Table 9). This would imply that repayment performance of the large cultivators was generally bad in both periods, while at the same time the proportion of households borrowing and their share in total borrowing were higher for large farmers than for other categories.

Table 10 presents data on the flow of institutional finance to various categories of cultivators during 1961-62 and 1971-72 While the share of large farmers in the total institutional finance of all categories of farmers has increased over the decade, from 77 per cent to 85 per cent, the same had generally declined in the case of poorer categories of cultivators. Similarly, the share of institutional finance in the total finance for each category has increased over the decade in the case of large farmers while it has declined in respect of other categories. It is obvious from the above that the hypothesis that large cultivators had benefited more by institutional credit than small cultivators holds good (Table 10).

In the case of large farmers, borrowing for production purposes in 1971-72 worked out higher at 46 per cent than for other categories and for consumption purpose it was higher at 48 per cent in 1971-72 than in 1961-62. The share of large farmers in the total finance provided by all agencies (including non-institutional) was the highest as compared with other categories of cultivators in respect of production purpose (80 per cent) and consumption purpose (61 per cent) (Table 11). Over the decade 1961-71, the proportion of borrowing for production purposes declined for marginal, small and medium farmers, while it remained almost the same for large farmers.

A major criticism of institutional financing is that large farmers are able to secure a larger finance from institutions, some of which might have been diverted for unauthorised purposes or money lending to small farmers, with a view to securing economic and social hegemony.[12] The fact that large farmers could have diverted a share of their institutional finance cannot be substantiated by data. However, data show that their share of institutional finance had increased much more than the share of other categories of farmers over the decade. Secondly, their borrowings for consumption purposes had increased, though their need for consumption purposes would have been smaller in view of the higher incomes and higher productive assets. Thirdly, their repayment performance was poorer than that of marginal farmers, implying thereby that part of their funds could have been used for unauthorised purposes. The large amounts of overdues of the co-operatives is a standing

Group of Cultivators	Value of Assets 1961-62	Value of Assets 1971-72
Group I Upto 22 per cent	Rs 0 — 500	Rs 0 — 1000
Group II 22 to 60 per cent	Rs 500 — 2,500	Rs 1000 — 5,000
Group III 60 to 76 per cent	Rs 2,500 — 5000	Rs 5,000 — 10,000
Group IV 76 to 100 per cent	Above Rs 5000	Above Rs 10,000

TABLE 9 : PROPORTION OF HOUSEHOLDS REPORTING BORROWINGS AND REPAYMENTS AND AVERAGE AMOUNT BORROWED AND REPAID—GROUPS OF CULTIVATORS, 1961-62— 1971-72

Fractile Groups of Cultivators	Proportion of Households Falling in Each Group		Proportion of Households Reporting Borrowing		Average Amount Borrowed per Household (Rs)		Proportion of Households Reporting Repayment		Average Amount Repaid Per Household (Rs)		Percentage of those Reporting Repayment to those Reporting Borrowings		Percentage of Average Amount Repaid to Average Amount Borrowed	
	1961-62	1971-72	1961-62	1971-72	1961-62	1971-72	1961-62	1971-72	1961-62	1971-72	1961-62	1971-72	19961-62	1971-72
Group I 0-22 per cent	6 5	5.7	45 8	24 3	45 (1.4)	49 (1 4)	28 4	11 1	19 (1.2)	44 (1.4)	61.9	45.6	41.0	89.8
Group II 22-60 per cent	34.5	31.0	48.5	26.7	90 (15.1)	87 (3.0)	31.1	12.7	39 (13.1)	75 (12.7)	64.0	47.7	43.3	86.2
Group III 60-76 per cent	23.3	23.1	53 4	29.2	156 (17.6)	143 (16 2)	37.2	13.2	72 (16.3)	127 (16 4)	69.8	45 0	46.0	88.7
Group IV Above 76 per cent	35.7	40.2	55.6	32.1	379 (65.9)	358 (69.4)	42.2	13.4	199 (69.4)	312 (69 5)	42 2	41.6	52.5	87.3
Total	100.0	100 0	52.0	29.3	205 (100 0)	204 (100.0)	36.3	13.1	102 (100.0)	178 (100 0)	69.9	44.5	49.8	87.3

Note : Figures in brackets are percentage share in each category.
Data relate to both institutional and non-institutional agencies as separate data are not available.

Source : AIRDIS 1961-62 and AIDIS 1971-72, RBI.

TABLE 10 : SHARE OF INSTITUTIONAL FINANCE FOR VARIOUS GROUPS OF CULTIVATORS— 1961-62 and 1971-72

(Percentage)

Fractile Groups of Cultivators	Share of Each Category in Total Institutional Finance for All Categories		Share of Institutional Finance in Total Finance of Each Category	
	1961-62	1971-72	1961-62	1971-72
Group I 0-22 per cent	0 6	0 3	7 1	5 5
Group II 22-60 per cent	8 3	5 8	10 3	9 8
Group III 60-76 per cent	13 8	8 8	14 7	12 0
Group IV Above 76 per cent	77 3	85 1	22 0	27 0
Total	100 0	100 0	18 7	22 0

Source. AIRDIS 1961-62 and AIDIS 1971-72, RBI

TABLE 12 : BORROWINGS OF CULTIVATORS

(Percentage)

Category	1961-62	1971-72
Non-Institutional Agencies-Total	*81.3*	*78 0*
(1) Agricultural moneylenders	36 0	19 1
(2) Traders	8 8	14.5
(3) Relatives and friends	8 8	10 7
(4) Professional moneylenders	13 2	15 7
(5) Others including landlords	14 5	18 0
Institutional Agencies-Total	*18 7*	*22.0*

testimony to the wilful default and non-payment by some of the borrowers from co-operatives who are mostly large farmers in 1971-72[14]

The available data from the All India Debt and Investment Survey results show that, over the period 1961-71, there was a decline in the share of agricultural moneylenders in the total credit to cultivators over the decade This gap was promptly taken advantage of by the traders relatives, and friends, some of whom might be categorised as absentee landlords or large farmers (Table 12)

Data on the proportion of households reporting as well as the average amount of borrowing per cultivator household asset group-wise and agency-wise are presented in Table 13 It will be seen from the Table that in the case of both co-operative and commercial banks, richer farmers in the higher asset groups had benefited more than the smaller asset groups both in terms of proportion of households reporting and the average amount borrowed Repayments as a proportion of borrowings were about the same varying from 80 to 90 per cent for various asset groups However, the proportion of households reporting repayments to those reporting borrowing is lower in the higher asset groups than in the lower asset groups, reflecting the fact that richer farmers had defaulted more than the smaller cultivators in their repayment performance — further supporting the earlier hypothesis that there are weaknesses in the present system of institutional finance

Institutional finance had not fulfilled the objectives of planning to any significant extent by helping the poorer classes of villagers and promoting their productive activity On the other hand, it might have led to increased inequalities in income and wealth in the rural areas It has benefited mostly the larger cultivators Institutional finance was also expected to increase employment and incomes of the people through Rural Development Projects, self-employment schemes etc But there was no evidence of a falling unemployment or poverty on the contrary, there was evidence of increasing poverty and unemployment

SUMMARY AND CONCLUSIONS

This paper has attempted to bring out some evidence in support of increasing rural poverty and unemployment and increasing inequalities of income and wealth Admittedly, these retrograde developments cannot be attributed mainly to institutional finance If anything, the institutional finance has only a marginal impact on rural incomes and employment through increased output and productivity. But this paper has highlighted certain weaknesses in the operation of institutional agencies supplying rural credit which might have aggravated these trends instead of correcting them First, institutional finance, provided even for short-term purposes, appears to be inadequate Secondly, even now the existing institutional agencies could not meet all the credit gaps in spacio-sectoral terms Both co-operative and commercial banks seem to have concentrated on the agriculturally well-to-do states with potential for development rather than on diffusing to a wider geographical area Judged by the branch network the banking facilities available to the rural sector appear to have declined over the period 1969-77

TABLE 11 PURPOSE-WISE CLASSIFICATION OF BORROWINGS—GROUPS OF CULTIVATORS

(in percentages

Fractile Groups of Cultivators	Production Purposes		Consumption Purposes		Other Purposes	
	1961 62	1971-72	1961-62	1971-72	1961-62	1971-72
Group I 0-22 per cent	0 6 (15 6)	0 6 (17 5)	2 2 (71 6)	1 9 (69 8)	1 2 (9 8)	1 6 (12 7)
Group II 22-60 per cent	11 0 (30 8)	7 4 (22 9)	19 3 (59 4)	17 6 (65 5)	13 4 (9 8)	13 8 (11 6)
Group III 60-76 per cent	15 3 (36 7)	12 4 (31 1)	20 2 (53 4)	19 1 (57 5)	15 8 (9 9)	16 8 (11.4)
Group IV Above 76 per cent	73 1 (47 0)	79 6 (46 4)	58 3 (41 3)	61 4 (43 0)	69 6 (11 7)	67.8 (10.6)
Total	100 0 (42 3)	100 0 (40 4)	100 0 (46 6)	100 0 (48.6)	100 0 (11 1)	100.0 (11.0)

Note Figures inside parenthesis denote percentage shares of borrowings for various purposes Data relate to all agencies as separate data for institutional agencies are not available under the AIDIS, 1971-72
Production purposes relate to farm and non-farm purposes, both current and capital.

Source · AIRDIS and AIDIS, RBI

TABLE 13: PROPORTION OF HOUSEHOLDS REPORTING AND AVERAGE PER HOUSEHOLD BORROWINGS (AGENCY-WISE) AND REPAYMENTS — ALL-INDIA (CULTIVATORS)

Asset Groups (Rs)	Borrowings						Repayments	
	Co-operatives		Commercial Banks		Total Agencies			
	A	B	A	B	A	B	A	B
0-500	0.6	1.1	—	—	22.3	37.1	9.9 (44.4)	33.2 (89.4)
-1,000	0.8	2.0	0.1	0.3	25.4	51.5	11.7 (46.1)	45.7 (88.7)
-2,500	1.7	4.5	0.1	0.2	25.9	70.4	12.0 (46.3)	61.7 (87.6)
-5,000	2.3	6.9	0.1	0.3	27.2	96.5	13.2 (48.5)	81.2 (84.1)
-10,000	3.4	12.1	0.2	1.2	29.2	143.2	13.2 (45.2)	127.1 (88.8)
-15,000	5.1	30.2	0.2	1.0	31.1	223.2	13.8 (44.4)	180.3 (80.8)
-20,000	6.1	40.3	0.5	6.8	32.1	248.9	12.0 (37.4)	200.8 (80.7)
-30,000	7.1	60.3	0.4	5.4	32.3	324.2	13.9 (43.0)	282.2 (87.0)
-50,000	8.7	87.9	0.4	8.0	32.0	412.5	13.6 (42.5)	392.5 (95.2)
-1,00,000	11.5	175.9	0.8	35.5	34.3	678.0	13.5 (39.4)	606.0 (89.4)
1,00,000 and above	15.6	389.2	0.6	31.1	36.5	1194.9	12.9 (35.3)	1088.6 (91.1)
Total	4.3	34.0	0.2	3.9	29.3	203.9	13.1 (44.7)	178.0 (87.3)

Note : A = Proportion of Households Reporting (Per Cent). B = Average value per Household (Rs). Figures in brackets indicate the proportion of households reporting repayment to the total reporting borrowing and average amount of repayment to total amount borrowings.

Source : AIDIS, 1971-72

According to the RBI's decennial surveys on Rural Debt and Investment, there was an increased flow of institutional finance over the period 1961-71. But the bulk of it had benefited the larger farmers and was not used for productive purposes. It was also the large farmers who had defaulted more than the smaller farmers. There was evidence of increasing inequalities of income and wealth in the rural areas. It would appear, however, that there was a larger flow of funds to the weaker sections of rural society after 1971-72.

Increasing banking habit and growth of monetisation are prerequisites for rural reconstruction. Towards this end, there is need for strengthening the institutional structure — particularly for deposit mobilisation and increased flow of funds for the weaker sections of rural population and the under-developed regions in rural sector.

Notes

[This paper was presented at a Seminar of the Indian Association for Research in National Income and Wealth, held at Trivandrum between January 12 and 15. The author acknowledges gratefully the benefit of comments from V V Divatia and N A Mujumdar.

1 V V Divatia 'Inequalities in Asset Distribution of Rural Households' Reserve Bank Staff Occasional Papers, June 1976. G A Kelkar and S Subramanian 'Pattern of Assets of Rural Households 1961-71', RBI Staff Occasional Papers June 1977.

2 The inequalities discussed here relate to inequalities in consumption expenditure which is taken as a proxy for incomes in the absence of data on the latter.

3 Poverty line is defined as those falling below a minimum nutritional requirement represented by a consumption level of Rs 20 per month in 1960-61 and Rs 41 per month in 1972-73.

4 D N Dwivedi, "Economic Concentration and Poverty in India", Dutta Book Centre, Delhi 1974, V M Dandekar and N Rath "Poverty in India" 1971; T N Srinivasan and P K Bardhan (*Ed*) "Poverty and Income Distribution in India", 1974. According to Bardhan and Ojha, the percentage of rural poor was higher than that of urban poor and was growing (P K Bardhan, *IER*, April 1971 Volume VI, No 1 and P D Ojha, *RBI Bulletin*, January 1970).

5 The Study Group set up by the government in 1962 recommended a level of expenditure of Rs 20 as the national minimum. Dandekar and Rath have taken Rs 15 as the rural minimum and Rs 22.5 as the urban minimum, monthly expenditure per capita, for 1960-61.

6 S S Kuznets: 'Quantitative Aspects of Economic Growth of Nations'; *Economic Development and Cultural Change*, Volume V, Nos 1 and 4, 1956-57.

7 Report on Currency and Finance, RBI, 1977-78.

8 Report of the Working Group on Co-operation (Fifth Five Year Plan), Government of India, Ministry of Agriculture (Department of Co-operation), 1973.

9 RBI, Regional Rural Banks, Report of the Review Committee 1978, p 69.

10 In drawing these groups, consideration is given to the availability of data group-wise both in 1961-62 and 1971-72. For details regarding the distribution of households in 1961-62 and 1971-72, please see 'Shifts in Pattern of Asset Holdings of Rural Households, 1961-62 to 1971-72' by R P Pathak, K R Ganapathy and Y U K Sarma, *Economic and Political Weekly*, March 19, 1977.

11 The data relate to borrowings from all agencies including institutional agencies. Although data on borrowings from institutional agencies are separately available, repayments data are not separately available, under AIDIS, 1971-72, RBI.

12 C H H Rao — 'Farm Size and Credit Policy' in "Rural Banking in India", (Eds) M R Tokhi and D P Sharma 1975.

13 RBI, Report of the Study Team on Overdues of Cooperative Credit Institutions, 1974, page 224.

Maoist Theory and Practice

Sumanta Banerjee

The Political Philosophy of Mao Tse-tung by Manoranjan Mohanty; The Macmillan Company of India; pp 206, Rs 55.

MANORANJAN MOHANTY's book is an extremely erudite treatise, meticulously worked out from a Marxist viewpoint. He deals with Mao's political philosophy as it developed in the course of, and was implemented during, the revolutionary movement inside China before liberation and the post-liberation construction phase. On the philosophical plane, Mao's views on materialist dialectics are dealt with in a separate chapter at the end of the book.

Since the interaction between theory and practice is the hallmark of Marxism, Mohanty traces the development of Maoism to the concrete situation in China. His narrative flits to and fro between discussion of the theories and description of the actuality, in the course of which he raises modestly certain vital questions regarding the consistency of some of the Maoist theories and their implementation today.

The ideology and strategy of the new democratic revolution formulated by Mao in the wake of Comintern-led Communist disaster in China, the handling of contradictions and the question of united front, the stress on the agrarian poor, the mass line, the guerrilla-based people's war — all these important components of Maoism during the revolutionary phase are adequately dealt with in the first chapter. Mohanty continues to suggest in the next chapter that Mao's theory of new democracy — which was the basis of post-liberation construction in China — was the culmination of a series of conceptual as well as practical developments during the Chinese revolution. Thus, the need for united front with the KMT to resist the Japanese led the CPC to reformulate its revolutionary programme of social transformation by moving a step backward from a socialist programme of confiscation of land to a democratic anti-feudal programme of land reforms, rent reductions and elementary co-operativisation. "But its continued practice even after the Sino-Japanese war suggested that it was more than an opportunistic rationalisation to get the support of the Kuomingtang (KMT) The policies during the 1949-50 period were basically of people's democratic nature rather than of socialistic nature." Mohanty shows how at every step, the theories were developed in the light of the concrete necessities. But he maintains: "the theory of new democratic revolution applied Marxist-Leninist theory of revolution to the conditions of the colonial East without sacrificing any of its core postulates."

An important element in Maoism is the theory of class struggle in a socialist society. Mao's views on contradictions are well known. The problem of solving contradictions in a socialist society, whether to regard such contradictions as antagonistic or non-antagonistic were questions with which the Chinese Communists had to come to grips right from the beginning of the establishment of the People's Republic of China. In this connection Mohanty takes up Mao's famous speech 'On the Correct Handling of Contradictions among the People' of February 27, 1957, and hints at a possible ambivalence in Mao's approach at that time. While in one part of his speech Mao speaks of the continuing class struggle between the proletariat and the bourgeoisie in a socialist society, in another part he says: "Contradictions in a socialist society are fundamentally different from those in the old societies... In capitalist society contradictions find expression in acute antagonisms and conflicts . On the contrary, the case is different with contradictions in socialist society, where they are not antagonistic and can be resolved one after another ..." Mohanty notes: "... there seems to be some inconsistency in this." He leaves it at that. But there is more to it.

Actually, the problem of dealing with inner-party differences has been plaguing post-revolutionary Communist societies all these years. One hoped that Maoism could provide a civilised answer. But the initial Maoist promise to regard differences within the Chinese Communist society as non-antagonistic and deal with them in a tolerant way has been replaced by a tendency to reduce such differences to antagonistic contradictions and handle them in a repressive way. In fact this had started even during Mao's lifetime, as evident from the treatment meted out to Liu Shao chi who was denounced as a capitalist-roader. Honest differences may arise among Communists as to the programme of development. But in the course of a debate over this, when one group tries to identify the other group with the capitalist class or counter-revolutionaries, it clearly becomes a typical case of bourgeois politics of character-assassination. It is easy to sway the masses by branding a rival politician with the most odious appellation. In a communist society, the word "capitalist" is one such term which immediately antagonises the masses. By disposing of political opponents in such a summary way, impatient ruling groups can implement their particular programmes of development, but the entire method is bound to have a backlash, as happened in the Soviet Union. In China, it has led to ridiculous results. Victims of the Cultural Revolution campaign are now gradually being rehabilitated. One such case is that of Wu Han, the former deputy mayor of Peking and author of 'Hai Rui Dismissed from Office'— the opera which was denounced by Mao Tse-tung himself in 1965. The attack on Wu Han in fact initiated the Cultural Revolution. We were told at that time that the Chinese people after intense ideological debates over the opera had come to know the real nature of Wu Han who was described as a 'poisonous weed'. To day, we are told that Wu Han's "conscientious attitude and historical-materialist approach enabled him to successfully project on the stage the image of an upright court official of the 16th century", and that he was "framed and brutally persecuted" by the 'gang of four'. "Today their wrongs have been duly redressed." (*Beijing Review*, No 10, March 9, 1979). While the gang of four is being made the scapegoat for the alleged "frame up", the CPC is silent about Mao who at that time led the attack on the opera. Clearly, this is an opportunist manoeuvre.

Although Mohanty does not go to this extent in criticising the CPC, he is compelled at one stage to comment: " .. since every campaign reflects the ideological orientation of the ruling group and every ruling group gives its own interpretation of Marxism, this system gives ample opportunities for wrong policies to rally popular support." One should conclude

from this that the system needs a thorough overhauling to prevent such mass rallying around "wrong policies", particularly in view of what Mohanty says later about Lin Piao's rise: "Lin Piao took advantage of the mass upsurge to increase the dominance of the PLA." But here again Mohanty ignores Mao's role behind Lin's rise. Although Mao later opposed Lin, during the Cultural Revolution he lent his support to the ambitions of the politically ambitious Lin probably to sway the army in his favour in his fight against the central party bureaucracy. In 1971-72 one of the charges against Lin was that he had popularised the 'genius cult'. But was Mao unaware of it throughout the days of the Cultural Revolution when Radio Peking and the Chinese press were making absurd claims about people getting cured or achieving increasing production by reading his Red Book of quotations?

Mohanty traces in a separate chapter the development of the Maoist world view, its emphasis on anti-imperialist revolution in the Third World, the shift of stress in the set of fundamental contradictions in the contemporary world, the views on war and peace and the changing attitude towards the Soviet Union, finally culminating in the *theory of the three worlds. Mohanty* feels that the three world theory is an extension of China's domestic strategy during the revolution to the world situation today. Referring to the CPC's trying to win over the intermediate classes like patriotic landlords, rich peasants and the national bourgeoisie during the revolution, he comments: The same approach applies now to the countries of the second world." But what is being *forgotten* in such an argument is that while striving to win over the intermediate classes in their country, the Chinese Communist party placed more emphasis on building up *its own independent* armed forces and base areas. To the extent that they could increase their armed strength and expand their bases, the intermediate classes switched over their loyalty to the *Communists.* The decisive factor in changing the balance of forces in favour of the Communists was the growing armed strength of the Communists. But in the international situation today, the balance *of forces* is decidedly not in favour of China. Besides, China is hardly making any effort to consolidate the socialist camp, which it thinks no longer exists, if we are to go by the *Renmin Ribao* article on the three world theory of November 1, 1977. On the basis of what strength is China going to win over the international intermediate forces — the Second and Third Worlds? Neither militarily, nor economically, can it claim to be a part of a consolidated *socialist* system that could emerge as a force to reckon with *vis-a-vis* the superpowers, and sway the vacillating intermediate forces in its favour.

Mohanty however notes the "aberrations" that are increasingly developing in China's foreign policy By "aberrations" he means China's tendency to overemphasise the Soviet threat and slacken the fight against the USA; China's dilemma in deciding whether the national liberation movement in South East Asia or friendly relations *with the ASEAN governments* would help fight superpower domination in the zone, China's encouragement of continued American presence in Western Europe. According to him, "... if these aberrations become more frequent, then this may suggest not only a deliberate shift in China's strategic line but also its departure from the world-view — a departure which theoretically should be justified only when world anti-imperialist revolution would have been successfully completed."

However cautiously raised, the questions posed by Mohanty about Maoist handling of contradictions and the Chinese world view, are extremely relevant for both political activists and observers. They need to be followed up. One hopes that Mohanty's book will *be an important contribution to the* work of investigation that has begun with regard to Maoist theory and practice.

The Meaning of Kayyur

P Radhakrishnan

The Kayyur Riot: A Terrorist Episode in the Nationalist Movement in Kerala by K K N Kurup; Sandhya Publications, Calicut, 1978; pp xvi + 122; Rs 40.

UNTIL 1940, Kayyur was *just* a speck in the political map of both Kerala and India. But it shot into prominence in 1941, when, after a series of incidents now known as the 'Kayyur riot', 60 persons were arrested and tried, and four of them hanged in 1943 for an alleged murder of a policeman. Their real crime was that they, along with many others, were bent upon pulling down an already tumble-down British administration, along with its pernicious product, landlordism.

The Kayyur Riot is an important event in the history of the nationalist movement in Kerala. There is an excellent novel on the Kayyur martyrs in Kannada, written by one of its leading writers (*Chirasmarane* by 'Niranjana'). In Malayalam, there is an exhaustive account of this event in which, as communist leader and an active participant of the Kayyur episode, its author has succinctly recounted the encounters and experience of the 'Kayyur Comrades', with imperialism and landlordism (*Kayyur Samaracharitram* by V V Kunhambu). The book under review is the latest to document the Kayyur episode and its chief merit is that it analyses this event in its historical and social context, ie, in the context of the emergence of the peasant movement and the Communist party in Malabar.

With a brief review of the agrarian system in British Malabar as the backdrop, in the first three chapters the author examines the rapid process of an ignorant, illiterate and unorganised peasantry getting politicised, organised and drawn into the mainstream of the nationalist movement. In the remaining chapters, he examines the Kayyur episode as a political event, and comes to the unambiguous conclusion that it was part of a wider political movement for independence.

The British administration in India was a repository of innumerable evils. Of these, its land management was the worst. In its anxiety to collect maximum revenue from land, Britain introduced, as its revenue-agents, a class of landed gentry with superior rights in land. The result of this has been the perpetration of landlordism, which, as a social evil survives even now. In Malabar too, which the British took over in 1792 (the other two regions of Kerala, Cochin and Travancore, were already under their suzerainty), they arbitrarily conferred absolute ownership rights (*janmam*) on the upper-caste landholders. How long a tenant held his land, or how soon he was driven out of it depended on how best he appeased the vagaries of his *janmi*. If for any reasons the tenant failed to pay the usual *varam* or *pattom* (ground rent paid in kind after every harvest) and other customary dues, he incurred the wrath of his *janmi* who could order his men to flog him, rob or destroy his orchard, steal his livestock, set fire to his hay-rick or even molest his women (which in most cases, he would have preferred

to x y himself). If nothing came out of all these heinous acts, then the landlord entered the dues in his loan register, the details of which the ignorant and illiterate peasant could never know. The *janmi* then compelled his family members to work in his fields on the pretext of recovering the dues and thus came into existence that loathsome institution 'bonded labour'.

During the period 1850-1921 alone, agrarian unrest in Malabar caused as many as 50 violent outbreaks and culminated in the Malabar Rebellion of 1921 in which hundreds of people lost their lives and a lot of property and livestock perished. During 1929-33, as a result of the depression, rural indebtedness, rack-renting, exploitation and eviction of the peasants vastly increased. An outburst of emotion and display of disgust with the ways of the government followed in different places, paving the way for the emergence of the Karshaka Sangham (Kisan Sabha) which sought to educate the masses and mobilise them for an organised peasant movement. The first regular unit of the Karshaka Sangham in Malabar was established in 1934. Gradually, a number of units of the Karshaka Sangham emerged in different places. Due to evermounting agrarian unrest, peasant movement in the rest of India was also catching up, and units of the Kisan Sabha sprung up in several parts of the country. With a view to unifying and integrating these scattered peasant organisations and bringing them under one flag, a larger organisation, the All India Kisan Sabha, was established in 1936. According to the author, this organisation was "an anti-imperialist front of all leftist political groups, from progressive Congressmen to Communists. Among its founders, national leaders and literary figures like Swami Sahajananda, Karyananda Sharma, Muzaffar Ahmed, Acharya Narendradev, Rahul Sankrityayanand Indulal Yagnik were included" (p 10). Within Malabar, the different units of the Karshaka Sangham were brought under the All Malabar Karshaka Sangham, which was organised in 1937.

To start with, the Malabar peasantry did not come out with the collective cry of 'land to the landless', 'land to the tiller', or 'death to landlordism'. Nor did they plan to organise a land-grab movement as it is done now. However, the landlords with the support of police tried to suppress even its genuine grievances and modest demands to alleviate them, such as abolition of illegal exactions, relief from rack-renting, etc. This resulted in the rapid escalation of landlord-peasant confrontation and conflict, and prompted the peasantry to itensify its struggle.

In the meanwhile the Congress party, backed by the peasant organisations in the region, won the provincial elections in Madras in 1937 and formed a provincial government. The Congress which until then had pretended to champion the cause of the peasantry deceived it when it assumed power. This change in the attitude of the Congress leadership dismayed the leftists within the party and the peasantry, and resulted in an inner-party crisis. This crisis reached its climax in January 1940, when, unable to bear any more with the principle of non-violence and passive resistance of the Congress leadership with regard to the war into which India was dragged, prominent leaders of the left-wing within it went underground and formed the Communist party. Their efforts to organise the peasants and workers with a view to linking up the peasant movement with the nationalist movement led to the party becoming mass-based and carried to its side the peasants and workers of Malabar. The peasant movement in Malabar was no more a mere peasant movement; it was a fight both against imperialism and landlordism, and was also a nationalist movement.

The Communist party in Malabar gave a state-wide call to observe September 15, 1940 as 'Anti-Repression Day'. Though the government banned meetings and public processions on this day, flouting the ban order, the party organised a number of meetings and processions which the police tried to disturb and disrupt. This resulted in police-public confrontations and clashes, and triggered off a series of violent events in the days that followed. On the Anti-Repression Day itself in an encounter with the police when it tried to disrupt a public meeting, two persons were killed. They are now remembered as the first Communist martyrs of Kerala. The Anti-Repression Day was followed by a Protest Day deploring the cruel behaviour of the police and on that day when the police again tried to disrupt a meeting of the peasants, they swung into action. In a fight between the peasants and the police, two policemen were killed in Morazha, and one at Mattanur. On the death of the policemen, the police force in Malabar turned trigger-happy and unleashed assaults and atrocities on whoever they thought was against the British.

Though these atrocious happenings spread a wave of terror throughout the state, Communists in Malabar decided to retaliate. The days that followed were therefore replete with violent confrontations between the police and the peasants. It is against this tense social backdrop that the Kayyur Riot has to be understood.

But what is this 'Kayyur Riot' which, according to the author, made Kayyur "a symbol of heroism and martyrdom for Communists all over Kerala"?

A group of about 200 persons including about a hundred Communist party volunteers were returning in a procession after participating in a public meeting protesting against police atrocities. As they were marching along shouting party slogans, they saw a police constable running towards them from the opposite direction. Some of the party volunteers leading the procession recognised this policeman as the person who had beaten them without any provocation while they were asleep in a tea-shop just two days before. The policeman was alone and his very appearance made them tremble with anger and vengeance. They therefore forced him to hold high the party flag and walk in front in the procession shouting party slogans. Being alone and helpless, he obeyed for sometime the commands of the party volunteers, but soon the very idea of walking in uniform holding a red-flag and shouting anti-imperialist slogans, provoked him to 'dutiful' action. Suddenly he broke the flagstaff, beat one of the volunteers in front of him and ran, thereby stirring a hornet's nest. A group of party volunteers coming from the opposite direction saw the strange sight of a policeman fast on his heels being chased by party volunteers from behind. They therefore blocked his way, and after a brief skirmish, the helpless policeman jumped headlong into the adjoining river, hoping to swim away to safety. But the hitherto disciplined members of the procession lost control and turned into a mob. Some of them started pelting stones at the policeman who soon drowned.

After this incident, police went on a rampage for a number of days. After a long and terrifying man-hunt, 60 persons were arrested and tried, of whom 38 were acquitted, four hanged, and the remaining convicted for different periods. This in short is the story of the Kayyur Riot.

Sundaram Finance Limited

180 Mount Road, Madras 600 006

Speech delivered by Sri T S Santhanam, Chairman, at the Twenty-fifth Annual General Meeting of the Company held on 20th June 1979, at Madras.

DEAR FRIENDS :

At the outset, I regret to inform you of the demise of Shri T S Srinivasan, our former Director on the 30th April, 1979. Shri Srinivasan was a Director of your Company from 1956 to 1973. During that period, he made valuable contribution to the growth and development of the Company. We share the grief with the members of his family.

I am happy to welcome you to the Silver Jubilee Annual General Meeting of your Company. This is also the best year so far in the history of the Company, the profit after taxes being an all-time record.

The Directors' Report, the audited Balance Sheet as on 31st December, 1978 and the Profit and Loss Account for the year ended 31st December, 1978 have been sent to you and with your permission, I shall take them as read.

WORKING RESULTS

I am happy to inform you that our business showed further improvement during the year 1978. The amount financed against hire purchase contracts during the year reached a record figure of Rs. 16.25 crores in 1978 as against Rs. 15.72 crores in the previous year. The supply position of commercial vehicles improved during the latter part of the year 1978. As a result of this, there was a greater demand for funds from the road transport operators.

DIVIDEND

The Company has been paying a dividend of 16% consistently for the past 9 years. Your Directors considered it appropriate to recommend a higher dividend over that declared in earlier years to commemorate the Silver Jubilee Year. A final dividend of 10% has therefore been recommended for your consideration and approval, making a total of 18% for the year. Consistent with past practice, the Bonus Shares issued in December 1978 for Rs. 50.00 lakhs also qualify for full dividend for the year 1978 and the dividend will be paid on the Capital of Rs. 200,00 lakhs inclusive of Bonus Shares.

DEPOSITS

The Company resumed acceptance of fresh deposits from the beginning of 1979. It is gratifying that the response from depositors has been extremely satisfactory. The additional deposits will be useful to meet the large demand for funds, which the Directors anticipate in the current year.

GENERAL

During the year 1978, the hire purchase charges were rationalised and the service charge was reduced from 3% to 1% in stages. Early in 1979 the latter was finally abolished. This will lead to lower profits in the current year than in 1978. You will be happy to hear that our hire purchase charges are among the lowest in India. This gesture has been greatly appreciated by our clients and the business inflow in the first five months amounted to Rs. 9.60 crores as against Rs 4.60 crores in the corresponding period in the previous year.

Vehicle manufacturers are expanding production of commercial vehicles in accordance with the Central Government's policy and the production has substantially increased in the first five months of the current year. We hope this trend will continue.

The operational cost of the road transport industry has been steadily rising and the increased excise levies have resulted in the high cost of commercial vehicles. It is to be hoped that the Governments at the Centre and the States will devise measures to ease the burden of duties and taxes to give a fillip to this vital sector of the economy. It is also hoped that the Planning Commission's recommendations for more roads, better roads and better surfacing of roads, which will in turn result in reducing the cost of road transport, will also find increasing acceptance.

ACKNOWLEDGEMENT

I take this opportunity to thank, on behalf of the Board of Directors and on my own behalf, our customers, depositors, bankers and shareholders for the co-operation extended to and the trust reposed in the Company, but for which we would not have achieved the growth registered during the past 25 years. I look forward to their continued support. I also wish to place on record my appreciation of the good work done by the Company's staff, both in the field and in the office.

Finally, I thank all the members present for making it convenient to attend the Meeting.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

The Tata Engineering and Locomotive Company Limited

Statement of the Chairman, Mr. S. Moolgaokar, for the year 1978-79

The year 1978-79 was a good year for your Compay. The Company's investments in Pune bore fruit and we were able to produce as many as 7,003 vehicles there. At Jamshedpur we produced 26,043 vehicles Thus the total production for the year amounted to 33,046 vehicles, which is the highest attained so far. Sales increased by 33.3 per cent and amounted to Rs 375 crores as against Rs 281 crores during the previous year.

Technological Maturity

2. These quantitative changes in our operations have been accompanied by an important qualitative change. We have become self-sufficient in technology and we do not expect any difficulty in steadily improving our existing products, widening our range and expanding our capacity to meet the growing needs of our country. Two new vehicles have been wholly designed by the Company's Engineering Research Centre. These are the 15-tonne, 160 HP heavy vehicle and the 4-wheel drive vehicle. The heavy vehicle will not only permit a substantially greater payload but will also result in considerable savings in fuel consumption per tonmile. This will enable the harassed and heavily taxed operator to achieve worthwhile operational economies. The 4 wheel drive vehicle has been designed for defence and civilian use in deserts, sandy tracts and rough, hilly country. Both these products will have an assured market. Prototypes of additional new products designed and produced indigenously will be displayed at the International Trade Fair to be held in Delhi this November. All these products should provide a good indication of the progress the Company has achieved in developing our indigenous technology. As a consequence, a wide range of vehicles will be produced as we keep on increasing our installed capacity. Steps are already being taken to implement expansion of our production from the existing level to 56,000 vehicles per annum. Most of the critical machine tools required will be manufactured by our Machine Tool Division which has been producing high-precision and sophisticated machinery like transferlines at costs which are substantially lower than the prices of equivalent imported machinery These in-built strengths will enable us to implement our forthcoming expansion more quickly and economically than other automobile manufacturers.

Component Industry

3. The lack, in some sectors, of a mature, balanced and well-developed Component Industry is now becoming a deterrent to the overall growth of the Automobile Industry in general and to the fuller utilisation of your Company's existing capacity in particular. Vehicle manufacturers are dependent upon the services of a number of suppliers of parts and components and much depends on the efficiency of their collective efforts. There are only a few suppliers who are at the moment capable of supplying updated products produced to consistent quality standards. For various reasons suppliers suffer from constant interruptions in their production. This in turn affects the rhythm of production of the main vehicle manufacturers and increases their costs.

4. Your Company continues to assist in every possible way the speedy development of a number of ancillary units. There are, however, certain sectors of the Component Industry where substantial additional capacity is urgently needed. These are thin-walled iron castings, heavy and complicated forgings made to tight tolerances, press tools, dies and precision tooling. Since such units are very capital and skill-intensive with a long gestation period, adequate capacity has not been established so far. Far more capacity in these areas is sorely needed to assist the growth of the Automobile Industry.

Power

5 The rate of growth of vehicle production is also dependent on adequate supply of power. In my Statement last year I had stressed that the power shortage had grown into the single largest deterrent to investment and growth. Unfortunately, there has been no improvement whatsoever. In fact, the shortage has become far more widespread and has now reached crisis levels in regions where it will hurt most — W Bengal, Bihar, Maharashtra etc

6 The solution to the nation's power problems cannot lie in the mere sanctioning and leisurely installation of numerous generating-stations all over the country. Thermal power stations which have necessarily to operate continuously for long periods require meticulous attention throughout the day. The operating teams must have the authority, freedom and incentive to run their sections efficiently so that a reasonable capacity utilisation can be achieved. Political interference in the management of the Electricity Boards has frequently resulted in the selection of incompetent people to man these vital installations.

7. Adequate supply of consistent quality coal has been a problem that has existed for many years. Yet nothing has been done to install washeries at the pit-heads of non-coking coal mines. If this were done, the operating efficiencies of the thermal stations could be improved substantially as they would be fed with coal of a consistent quality.

Labour Unrest

8. The alarming increase in industrial indiscipline and the deteriorating law and order situation also cry out for immediate attention. No amount of effort to enhance industrial production by installing additional capacity and improving the infrastructure can yield significant benefit unless Labour-Management relations are restored to an even keel. The nation-wide spate of strikes and lock-outs and the associated violence are of benefit to no one. The individual earnings of employees are lost, the productivity — and by productivity I mean the indispensable conditions of progress — the financial health and incentives for growth of companies are undermined and the Nation is deprived of progress and much needed revenues. This game no one wins, but it has been played for too long.

9. If industrial disharmony is allowed to continue, the long-term effects on productivity, discipline and the national character itself will be too damaging for repair. For over two years now we have been hearing about the Industrial Relations Bill and of a National Labour Policy but a decision acceptable to all concerned, let alone its implementation, has eluded us.

Inflation

10. Unfortunately, after three years of price stability, inflation is once again endangering progress. In the last four months, there have been substantial and rapidly escalating cost increases in the automobile industry. Whilst the only effective remedy in the long run is to accelerate the rate of investment and productive employment, I would

urge Government to concentrate its attention in the immediate future on providing the basic conditions required to increase production which are mainly stable industrial relations and adequate power supplies throughout the country.

Indirect Taxation and The Road Transport Industry

11. The oppressive burden of the wide range of indirect taxes is such that the operations of Telco vehicles alone generate almost 10 per cent of all the tax revenues collected from all sources by the Centre and the State Governments. These taxes increase the cost of road transportation by as much as 50 per cent. The burden permeates through all levels of society and affects the price of every product. In its report on Indirect Taxation, the Jha Committee noted that "The high cost of road transport has an adverse impact on the cost/price structure of the basic needs of the community. It also has a particularly unfavourable effect on those parts of the country which are really backward and in which no railway facilities are available or can be made available in the foreseeable future."

The report adds "The indirect taxation of road transport has a perceptible impact even on the lowest expenditure groups as it raises the cost of every necessity."

12. Pleas from all quarters, including committees appointed by Government itself, that the burden of indirect taxation on the manufacture and operation of commercial vehicles be reduced, have been made for several years now. But they have been of no avail. Some anomalies are incomprehensible: commercial vehicles meant for mass transport seem to be taxed more than cars and scooters meant for personal transport. For example, if the same concession given to the manufacturers of cars and scooters is given to the manufacturers of commercial vehicles, viz., exemption from excise duty on the purchase of tyres and batteries, the prices of our vehicles would come down by as much as Rs. 5,000.

Problems of The Transport Operators

13. Transport operators represent a growing class of new entrepreneurs. Since an increasing share of the future growth of traffic will inevitably move by road, they will be called upon to perform an increasingly useful function in our society. And yet they face problems of inadequate and unsafe roads and innumerable man-made impediments. The hardworking owner- operators *must be the most* harassed of individuals. On the move almost all the time, they work under conditions which are extremely hazardous and arduous. Owing to the loss of valuable time at a multitude of check-posts and the oppressive burden of taxes, it becomes imperative for the operator to overload the truck beyond permissible limits. For, otherwise, he can neither meet his repayment and tax liabilities nor look after the basic welfare of his family. The widespread practice of overloading and the need to minimise undue delays explain the element of gratification which is prevalent in the road transport sector.

14. Government's response to repeated pleas for increased ploughback of the tax revenues generated by the road transport industry into the maintenance, improvement and construction of roads continues to be grossly inadequate. There is considerable scope for stepping up the outlay, and Government should seriously consider re-investing in road transport a larger proportion of the tax revenues generated by this sector. Road building in the rural areas creates employment for the poorest of the poor. No other investment generates as much employment as the building of roads. And yet only a third of the tax revenues generated by road transport is spent each year on highways, roads and bridges.

15. As road traffic increases, road casualties are also increasing. Therefore, it is worth bringing to the notice of Government that existing regulations in matters affecting road safety are not effectively enforced. Standards for regular vehicle inspection are not adhered to. Even driving licences are granted to those who do not possess the requisite skills. Illegal gratification again has a hand in all these matters.

16. Commercial vehicles have also to be updated and built to meet increasing safety standards. Apart from what has already been done, Telco's efforts will be increasingly directed towards providing vehicles so equipped as to make long-distance driving far more comfortable and safe. The new heavy vehicle, for instance, will be supplied with dual-circuit braking systems, power steering, anti-roll bars, synchromesh gears and a cab which has been designed to international standards of visibility, comfort, noise level and ventilation.

Fuel Economy

17. Fuel economy is a major area of concern today in the Automobile Industry because of the inevitable increase in fuel prices. Your Company's Research section is paying considerable attention to this area. We are setting up capacity for the production of turbochargers which will be progressively fitted on our range of engines. Turbochargers have now been developed to such an extent that they constitute the most cost-effective means of not only producing increased horsepower, but of securing much better fuel economy. They also contribute substantially to reducing smoke and noise.

Exports

18. In the automobile field your Company maintains a commanding position as the largest exporter. During the year our exports amounted to as much as Rs 38 crores and we are confident of steadily improving upon this performance. Our joint venture for the assembly of vehicles in Malaysia is operating successfully and we now enjoy a fair share of the Malaysian market in the face of competition from established international companies. More such projects are being planned.

Public Service

19. Telco has grown in service to the nation. It grew essentially because it was built to provide what the people wanted, namely, good products with the lowest life cycle costs. Today the Company employs over 30,000 people and produces the largest number of commercial vehicles-up-till now it has produced well over 4,00,000 vehicles. It has brought into existence over 1,00,000 entrepreneurs owning 1 to 3 Telco trucks who, as I have already stated, generate enormous revenues for the Exchequer every year. Every vehicle that Telco sells creates jobs for about 12 people. Thus, 3 to 4 lakhs of new jobs are created year after year. If I may be permitted to say so, Telco has served the public well and the public has a high regard for your Company.

20. Such an asset has a right to the nation's savings for meeting future investment and working capital needs and it is indeed most gratifying that such resources have always been readily available to your Company.

Conclusion

21. The work of our staff has grown on account of our increased activities and has become far more complicated due to the prevailing national state of industrial unrest and the power famine. It would be only too easy to take for granted the efficiency with which our smooth-running machine has handled this increase but that would be wrong. It is the skill, the interest and the enthusiasm of our employees which have kept us in the forefront of our Industry and, on behalf of the shareholders and the Directors, I would like to express to all our employees our sincere thanks for an excellent year's work.

Note: **This does not purport to be a record of the proceedings of the Annual General Meeting.**

Rural Female Labour and Economic Development

S D Sawant

Ritu Dewan

The assumption that the benefits of economic development are equally shared by both men and women is disputable, particularly with regard to the rural population.

This paper, based on a study of a sample of 150 villages in two talukas of Thane district in Maharashtra, attempts to examine the impact of economic development on rural women, particularly on their employment. Its findings are that a progressive reduction in the size of female work-force, together with a widening male-female wage differential, appears to be an inescapable part of such development as the country has been having. While the problem of declining size of female work-force in rural areas is inevitably linked with the general problem of increasing unemployment, female workers are worse sufferers in this respect than male workers.

I
Introduction

THE process of development is a complex one inducing changes in several socio-economic and demographic aspects. Generally, the planners and the policy-makers conceive and execute rural development with the implicit assumption that their impact will be homogeneous on the lives of both males and females. However their presumption of equal sharing of benefits of development by both the sexes is disputable. Usually, the females in rural areas perform multiple duties by combining all types of household work including child-care with such other jobs as farming, animal husbandry, work in household industry etc depending upon the opportunities offered by the complex social, economic and organisational structure of rural life. How do these established patterns react and change in the process of development? Does the process of development strengthen, maintain or weaken the importance of the role of women in society? Does it adversely affect the prevailing role of females thereby aggravating inequality between the two sexes? These questions will have a crucial bearing on the social and economic status of women in future as the forces of development get intensified.

II
Approach and Data

Our aim in the present paper is limited. We have observed comparative changes in the selected macro indicators of rural life in order to examine the degree of integration of rural women in the process of development. Two approaches are feasible in this context. Either we study the history of a developed region for a long span of time, or we can make a comparative study of several socio-economic features of rural life in a number of (cross-sectional) regional units which represent varying degrees of development. The analysis undertaken here combines both the approaches. It is based on a cross-sectional sample of 150 villages from two talukas — 90 from Palghar and 60 from Jawhar — of the Thane district in Maharashtra. Two sets of data were available. We had information regarding various economic and demographic aspects of the villages covering work participation rates, literacy rates, resource position, productivity of land, techniques of agricultural production, availability of public utilities, etc. The information was collected through village schedules using Primary Census Abstract for 1961 and 1971, village records and through group discussions with the villagers and village administrators. From among these villages five and two villages were selected in the second stage from Palghar and Jawhar talukas respectively to collect the information for the year 1975-76 from the selected sample households through personal interviews. The second stage sample thus covered 300 households from Palghar and 150 households from Jawhar.[1] We draw upon both these data to study the participation of females in relation to males in the process of development.

Between the two talukas selected for study, Jawhar taluka is situated in a predominantly tribal and under-developed tract, whereas Palghar taluka is placed favourably with respect to infrastructural facilities and growth of commercial agriculture. Thus, the selected villages from Palghar taluka are relatively more developed than those from Jawhar taluka. However, the sample villages within the talukas are not homogeneous with respect to the degree of development. Thus, a sample of 150 villages constitutes a cross-sectional sample of underdeveloped, moderately developed and highly developed villages. The availability of detailed census data for the sample villages at two points of time (1961 and 1971) also facilitated the inter-temporal comparison of the villages. Among the seven sample villages — Nagzari, Wasare, Ambadi, Kelwa, Umroli from Palghar taluka, and Jamsar and Winwal from Jawhar taluka — the first three are moderately developed, the next two are highly developed while the last two (from Jawhar) are underdeveloped. Household level information collected for these villages for the year 1975-76 has also been analysed to study the association between the degree of development and other demographic and economic characteristics. Comparison among them seems to be quite interesting and revealing (See Table 1). Section III presents a comparative analysis of the characteristics of seven sample villages based on the household data reproduced in Table 2. Section IV examines the association among the various village characteristics through zero-order correlations computed by using the data for 150 villages, collected through village schedules. Section V scrutinises female literacy data (1975-

Table 1 : Characteristics of Sample Villages (Based on Data for Sample Households)

No	Description of Variable	Villages from Palghar Taluka				Villages from Jawarhar Taluka		
		Nagzari	Wasare	Ambadi	Kelwa	Umroli	Jamsar	Winwal
(1)	Male wage rate per day (Rs)	NA	1.40	2.36	3.16	3.41	1.49	1.39
(2)	Female wage rate per day (Rs)	NA	1.18	2.22	2.58	2.64	1.45	1.38
(3)	Difference between male and female wage rate (Rs)	NA	0.22	0.14	0.58	0.77	0.04	0.01
	Percentage of Workers to Total No of Persons :							
(4)	Age 6 to 14 years- Males	NA	30 77	50.00	8.00	12.50	32.50	13.51
(5)	,, Females	NA	14 29	16.67	4.35	12 50	35.85	29.73
(6)	Age 15 years and above: Males	NA	75.15	66.67	49.28	58.65	91.34	82.54
(7)	,, Females	NA	71.24	63.64	39.39	51.85	89.43	79.49
(8)	Age 6 years and above : Males	NA	64.52	63.64	38.38	45.83	77.25	66.87
(9)	,, Females	NA	55.98	53 57	30.37	41.22	73.30	67.53
(10)	Average Annual Employment in months : Males	NA	6.65	6.70	7.88	7.06	7.60	7.30
(11)	,, Females	NA	6.55	4.50	7.11	6.62	7.25	6.89
	Children with age 0 to 5 years per 100 females with age							
(12)	6 years and above	33.33	40.19	57.14	28.52	29.73	29.55	25.97
(13)	15 years and above	47.56	54.90	72.73	38.31	40.74	42.28	34.19
	Percentage of Scheduled Tribe Females to total females							
(14)	1961	66 87	72.19	96.43	28.52	1.91	94.69	96.27
(15)	1971	38.82	68 27	100.00	30.36	5.82	95.64	96.51
	Crude Literacy Rate :							
(16)	Age 6 to 14 years : Males	75.00	69 23	50 00	97.33	95.00	22.50	29.73
(17)	,, Females	60.00	42.86	16.67	89.86	85.00	20.75	32.43
(18)	Literacy rate excluding the literates who can only count/read/write Males	52.78	51.92	33 33	94.66	90 00	20.00	13.51
(19)	,, Females	37.14	39.29	16.67	85 51	85 00	20.75	21.62
(20)	Crude Literacy Rate : Age 15 years and above : Males	71.13	55 76	55 76	84 21	93 27	42.52	26 98
(21)	,, Females	43.90	33.33	18 18	69 15	69.44	23.58	11 11
(22)	Literacy rate excluding the literates who can only count/read/write Males	45 36	41 82	48 15	81 82	85 58	28.35	14.28
(23)	,, Females	21 96	17 64	9 09	59.24	58 33	15.45	3 42
(24)	Average yield of paddy (per acre in kgs)	831.48	526 29	401.13	1078 26	903 24	845.97	252 29
(25)	Average size of holding (acres)	2 01	1 87	1.81	1 90	2.08	3.78	2 91
(26)	Average Value of land owned (Rs)	1400.00	1414 37	4475.00	4793.88	3476 00	1398.61	736 49
(27)	Average value of all assets (Rs)	7696 00	4268.00	10480.00	14915.20	8525 60	3118.06	1498.11
(28)	Percentage of zero owners of land	64 00	42 53	50 00	52 04	44.00	56.94	56.76
(29)	Percentage of zero holders of assets	32 00	25 29	25 00	17.35	14 00	26 39	28.38
(30)	Percentage of area owned by upper 10 per cent of the households	57 42	47.24	62 07	45 69	57.69	75 74	56 74
(31)	Percentage of households owning lower 10 per cent of the area	76 00	60.92	68 00	66.33	64 00	77 78	70 27
(32)	Percentage of value of assets owned by upper 10 per cent of the households	83.19	58 99	90 14	42 65	47.69	81.78	48.49
(33)	Percentage of households owning lower 10 per cent of the value of assets	82.00	64 37	87 50	61 22	62.00	79 17	63 51

76) for the two developed villages from Palghar Section VI presents the conclusions of the study.

III

Characteristics of Selected Villages

The average productivity of paddy lands is distinctly higher in the two developed villages of Palghar (Kelwa and Umroli) and it is on the medium range for the other three villages (Nagzari, Wasare and Ambadi). Between the two villages of Jawhar, namely, Jamsar and Winwal, the latter shows poorest yield but the former has an yield comparable to that of the moderately developed villages of Palghar (Table 1, variable 24). The differential productivity seems to be due to the differential soil fertility (for average value of land owned, refer Table 1, variable 26), and irrigation, as well as due to higher use of modern inputs such as high-yielding varieties (HYVs) of crops, fertilisers, etc (Table 2 variables 35 and 36 for extent of use of HYVs and fertilisers) Further, although the parameters of the land and asset distribution (Table 1 variables 25 to 33) do not indicate extreme concentration of ownership at the upper end and crowding at the bottom in the developed villages in comparison with the moderately developed and underdeveloped villages, the average size of holding is lower in the developed villages of Palghar than that in the underdeveloped villages of Jawhar But the value of land owned and hence of the assets owned is higher in the developed villages of Palghar, which is an indication of higher productivity of land. Greater productivity of land seems to be the combined result of greater fertility of soil, relatively higher percentage of irrigated lands, higher use of fertilisers and HYVs and also of higher percentage of commercial crops. The distance of the village from the nearest railway station and from the nearest state transport bus stop also supports this view regarding the level of development in the sample villages (Table 2, variables 39 and 40).

The sex ratios were found to be favourable to females in 1961 in all the villages of Palghar with the exception of Kelwa where it was 975 right from the year 1961. (Table 2, variable 4.) Surprisingly, in Winwal and Jamsar, the two underdeveloped villa

TABLE 2 : CHARACTERISTICS OF SAMPLE VILLAGES (BASED ON VILLAGE SCHEDULES)

No	Description of the Variable	Villages from Palghar Taluka					Villages from Jawahar Taluka	
		Nagzari	Wasare	Ambadi	Kelwa	Umroli	Jamsar	Winwal
(1)	Male wage rate (1975-76)* (Rs)	–	1 50	3.00	3.60	3.50	3.0	2.40
(2)	Female wage rate (1975-76)* (Rs)	–	1.50	2 87	3.50	2.26	2.50	1.75
(3)	Difference between male and female wage rate (1975-76)* (Rs)	–	0.0	0.13	0.10	1.24	0.50	0.65
(4)	Females per 1000 males, 1961	1044	1032	1050	975	1031	967	9.54
(5)	Percentage to literacy-Males, 1961	22 01	19.13	17.5	38 28	53.41	12.33	7.74
(6)	Percentage of literacy-females, 1961	4 22	8 99	4 76	21.34	22.52	4.42	0.0
(7)	Work participation rate-males, 1961	66 04	62.32	63 75	53 11	54 33	66.78	66.32
(8)	Work participation rate-females, 1961	57.83	51.97	52.38	45.30	51 27	64.96	61.84
(9)	Percentage of agricultural labourers to workers, 1961	37.81	47.75	49.47	19.96	31.21	8.32	15.69
(10)	Percentage of female agricultural labourers to total agricultural labourers, 1961	46 05	49.74	55 32	50.45	50.20	49.21	43.62
(11)	Percetage of self-employed workers, 1961	57 71	52.00	40 00	55 99	64.14	88.64	79.46
(12)	Percentage of self-employed female workers to total self-employed workers, 1961	51 72	43 27	47 38	50.47	52.09	49.77	48.53
(13)	Females per 1000 males, 1971	993	1003	959	984	950	1029	1004
(14)	Percentage of literacy-males, 1971	38 56	28 61	34 96	42.33	64 35	13.43	4.12
(15)	Percentage of literacy-females, 1971	13 82	8 0	16 10	35.07	45 44	5.40	0.0
(16)	Work participation rate-males, 1971	62 75	56 42	61.79	53.71	55 96	67 59	65.15
(17)	Work participation rate-females, 1971	51 32	39 20	55.93	22 59	34.90	47.83	42.30
(18)	Percentage of agricultural labourers to workers, 1971	33 91	60 34	46.48	45.54	30.37	5.81	49.81
(19)	Percentage of female agricultural labourers to total agricultural labourers, 1971	44 07	45 37	53 03	46 35	46.13	27.27	53.08
(20)	Percentage of self-employed workers, 1971	66 09	39 11	52.11	29.17	52.30	90.49	48.47
(21)	Percentage of female self-employed workers to total self-employed workers, 1971	45 23	35 00	41 89	19.85	42.33	44.24	20.88
(22)	Total population, 1971	305 0	749	241	7710	2046.0	1315.0	972
(23)	Percentage change in 1971 over 1961 in male population	–3 77	8.41	53.75	12.97	37.66	10.96	1.46
(24)	Percentage change in 1971 over 1961 in female population	–8 43	5 34	40.48	13.98	26.84	18 05	6.79
(25)	Percentage change in 1971 over 1961 in male literacy	75 18	49.55	99.77	10.57	20.47	8.90	–46.73
(26)	Percentage change in 1971 over 1961 in female literacy	227.63	–11 0	238.14	64.32	101.77	21.98	0.0
(27)	Percentage change in 1971 over 1961 in work participation rate of males	–4 99	–9.47	–3.08	1.12	3.00	1.21	–1.75
(28)	Percentage change in 1971 over 1961 in work participation rate of females	–11 27	–24 57	6.78	–50 13	–31.92	–26.37	–31.60
(29)	Percentage change in 1971 over 1961 in extent of self-employed male workers	23 04	–21 42	44.28	–34.70	–20.76	0.93	–24.25
(30)	Percentage of Scheduled Tribes in total population, 1971	47 54	68 22	100.0	30.61	6.40	95.89	95.97
(31)	Per capita net sown area (acres), 1975-76	0 42	0 24	0 45	0.17	0.24	1 04	0 98
(32)	Net sown area per male worker (acres) 1975-76	1 35	0 85	1 43	0 62	0.83	3 12	3.02
(33)	Percentage of area under non-foodgrains, 1975-76	24 0	15 15	17.0	55.00	34 97	8.8	5.23
(34)	Percentage of irrigated area, 1975-76	1 0	1 1	3.7	41 0	8.2	0.51	0.0
(35)	Percentage of area under HYV paddy to total area under paddy, 1975-76	41.67	27.40	100 0	21.18	35 31	37 76	15.23
(36)	Percentage of area under fertilisers, 1975-76	14 40	23 31	45 79	32 00	72 85	2 18	0.0
(37)	Quantity of Nutrients (N+P+K) used per acre (kg), 1975-76	12 78	9.24	10.44	7 39	22 42	2.14	0.0
(38)	Average yield of paddy per acre (kg), 1975-76	900	900	400 0	1400.0	1000	618.0	400
(39)	Distance in km from the nearest railway station, 1975-76	15 0	13 0	1 0	8 0	7 0	69.0	63.0
(40)	Distance in km from the state transport bus stop, 1975-76	0 0	3 0	0.0	0.0	0 0	0.0	0.0

Note : Variable number (4) to (30) are based on Census data All other variables are based on village records and/Census data or group discussion with village administrators.

* The data regarding wage rates collected through households schedules (Table 1) are more reliable than those presented here, which are based on the discussion with village administrators.

TABLE 3 : SOME SELECTED ZERO-ORDER CORRELATIONS

No	Description & Variable	Correlations of: Difference between Male and Female Wage Rate (1975-76) (Rs)	Percentage of Literacy Females in 1971	Work Participation Rate of Females in 1971	Per Cent change in 1971 over 1961 in Work Participation Rate of Females	Per Cent Change in 1971 over 1961 in extent of Self-employed Male Workers	Average Yield of Paddy per Acre (kg)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1)	Male wage rate (1975-76) (Rs)	0.157	0.470				0.274
(2)	Female wage rate (1975-76) (Rs)	−0.812	0.174				
(4)	Percentage of literacy–males, 1961	0.159	0.883				0.415
(5)	Percentage of literacy– females, 1961		0.860				0.400
(6)	Work participation rate, males, 1961					0.844	
(7)	Work participation rate, females, 1961		−0.174		−0.158	0.839	
(8)	Percentage of agricultural labourers to workers, 1961			0.271		0.222	
(9)	Percentage of self-employed male workers, 1961		−0.170			−0.164	
(10)	Percentage of literacy, males, 1971		0.897				0.466
(11)	Percentage of literacy, females, 1971						0.462
(12)	Work participation rate, males, 1971		−0.266	0.326		−0.368	−0.211
(13)	Work participation rate, females, 1971				0.386		
(14)	Per cent of agricultural labourers to workers, 1971					−0.217	
(15)	Per cent of self-employed male workers, 1971		−0.236			0.221	
(16)	Total population, 1971		0.341	−0.224			0.311
(17)	Per cent change in 1971 over 1961 in male population			−0.169		0.252	
(18)	Per cent change in 1971 over 1961 in female population			−0.171		0.274	
(21)	Per cent change in 1971 over 1961 in work participation rate of males			0.183	0.178	−0.389	
(22)	Per cent change in 1971 over 1961 in work participation rate of females			0.386			
(24)	Per capita net sown area, 1971		−0.165	0.192			
(26)	Per cent of area reported to be under crops		−0.185				−0 160
(27)	Per cent of area under non-foodgrains		−0.174				
(28)	Per cent of area under non-foodgrains and other crops not reported		0.212				0.228
(29)	Per cent of irrigated areas		−0.166				
(31)	Per cent of area under fertilisers to gross sown area		0.192			0.177	
(32)	Quantity of nutrients (N+P+K) used per acre of area reported to be under crops (kg)		0.240				
(34)	Average yield of paddy per acre (kg)		0.462				
(35)	Distance in km from the nearest station		−0.496		−0.153		−0 483
(36)	Distance in km from the nearest state transport bus stop		−0.239				

Notes: (i) The coefficients less than 0.150 have not been reported above.
(ii) The r-value which exceeds 0.164 or 0.194 or 0.254 or 0.321 is statistically significant at 10 or 5 or 1 or 0.1 per cent level of significance, respectively.

ges of Jawhar taluka, females per 1000 males were 954 and 967 respectively in 1961. The ratios for 1971 show exactly a reverse trend. The sex ratios for all the villages of Palghar, again with the exception of Kelwa, declined during the sixties (Table 2, variable 13). Thus, the sex ratios have changed in favour of males in all the villages of Palghar with the exception of Wasare where it declined from 1,032 in 1961 to 1,003 in 1971. In Umroli, one of the two highly developed villages of Palghar, the sex ratio dropped steeply from 1081 to 950. In Kelwa, also highly developed, the ratio was unfavourable to females (975) and remained more or less unchanged (984). But Winwal and Jamsar underwent a contrasting change in the sixties. For 1961 the values of sex ratio were 954 and 967 but they changed to 1,004 and 1,029 in 1971 respectively. The observed changes seem to have been induced by in-migration of males to the developed areas in search of jobs and due to out-migration of males from the underdeveloped areas.

The male-female wage differential is crucial to determine whether the benefits of development have been equally shared by the two sexes. It is the highest in Umroli, but the lowest in underdeveloped Winwal. The wage rates for males and females are almost equal in both Jamsar and Winwal but they substantially differ in the developed villages of Palghar (Table 1, variables 1 to 3).[3] Work participation rate is also one of the most important indicators of participation of females in the process of development. The work participation rates for both the age groups of males and females (6 to 14 years and 15 years and above) are in general lower in the developed villages. They are higher for both males and females in the underdeveloped villages, but lie in between the two extremes for the moderately developed villages of Palghar (Table 1, variables 4 to 9).

TABLE 4 : FEMALE LITERACY IN UMROLI VILLAGE, 1975-76 (BASED ON HOUSEHOLD SAMPLE)

Category of households	Age group	Literacy levels					Total
		Illiterates	Literates	Primary education	Secondary education	College/ Technical education	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Landless labourers	6-14 years	46.15 (100.00)	— (–)	46.15 (25.00)	7.70 (10.00)	— (–)	100.00 (–)
	Above 14 years	34.62 (27.27)	26.92 (58.33)	23.08 (21.43)	15.38 (12.50)	- (–)	100.00 (–)
Small farmers	6-14 years	— (–)	— (–)	66.67 (41.46)	33.33 (50.00)	— (–)	100.00 (–)
	Above 14 years	27.27 (36.37)	6.82 (25.00)	29.55 (46.43)	36.36 (50.00)	- (–)	100.00 (–)
Medium farmers	6-14 years	— (–)	— (–)	50.00 (4.17)	50.00 (10.00)	— (–)	100.00 (–)
	Above 14 years	35.29 (18.18)	— ( )	17.65 (10.71)	29.41 (15.62)	17.65 (100.00)	100.00 (–)
Big farmers	6-14 years	— (–)	— (–)	66.67 (16.67)	33.33 (20.00)	— (–)	100.00 (–)
	Above 14 years	14.29 (6.06)	14.29 (16.67)	35.71 (17.86)	35.71 (15.62)	— (–)	100.00 (–)
Engaged in non-farming occupations	6-14 years	— (–)	— (–)	75.00 (12.50)	25.00 (10.00)	— (–)	100.00 (–)
	Above 14 years	57.14 (12.12)	— ( )	14.29 (3.57)	28.57 (6.25)	— (–)	100.00 (–)
Total	6-14 years	— (100.00)	— (100.00)	— (100.00)	— (100.00)	— ( )	— (–)
	Above 14 years	— (100.00)	— (100.00)	— (100.00)	— (100.00)	— (100.00)	— (–)

Notes: (i) Figures in parentheses give the percentages of females, with a given literacy level, over different categories of households.
(ii) Small farmers owning land upto 2 acres, medium farmers . owning land from 3 to 5 acres; Big farmers : owning more than 5 acres
(iii) There are no large farmers owning more than 25 acres

However, females' participation has been reduced in the developed villages more disproportionately than that of males. This is clear from the difference in the male-female participation rate in the least developed villages which is about 2 to 3 percentage points whereas it is 7 to 10 percentage points in the developed villages of Umroli and Kelwa It is noteworthy that work participation of girls is higher than that of boys in the underdeveloped villages, this tendency has been reversed in the developed villages. Later on, we shall see that this phenomena is reflected more prominently in improvement of literacy of women in the age group of 6 to 14 years. Thus opportunities of employment for females seem to have been reduced or their access to labour market seems to have become more difficult in the developed regions Further, the average annual employment is uniformly — though not substantially — less for females in all the villages irrespective of the level of development of the region (Table 1 variables 10 and 11) Thus decline in women's work participation rate together with their lower average annual employment suggests progressive deterioration in their economic status

The conclusions reached above are not based on the data borrowed from the Census of 1971, which is believed to have "grossly underestimated the number of women workers because of its emphasis on counting 'main' or primary workers".[3] Instead, the data for sample households collected through personal interviews have been used. Thus, it is noteworthy that the data drawn from an independent source also support the conclusion of declining work participation of women suggested by several recent studies on women's employment However, we shall also examine, additionally, the inter-temporal change in females' work participation rate in the sample villages as estimated through the data from the Census of 1961 and 1971 The variable 28 in Table 2 gives the percentage change in women's work participation rate between the last two Census years. Negative changes obtained for all the sample villages, except one, indicate almost universal withdrawal of females from the work force This may be the result of the so-called underestimation of the number of women workers in the Census of 1971 However, it is interesting to note that the villages which assume the first two ranks in the magnitude of decline are highly developed villages of Palghar — Kelwa having −50 13 per cent change and Umroli with −31 92 per cent change in work participation rate of females. There is no logical reason to assume that the extent of underestimation should be higher in the developed villages than that in the under-developed villages. Hence, a more severe decline in the developed villages logically indicates inverse association between the degree of development and the extent of females' work participation.

If we put together the above findings of widening male-female wage differential and of declining size of female labour force in the developed areas, the obvious conclusion that emerges is of worsening economic status of women with the process of development. To that extent their social status is also likely to suffer It is difficult to identify, with the limited available statistics used in this paper, the forces — social, cultural or otherwise — inducing increased withdrawal of women from the labour force. However, a gradual erosion in the economic independence of females, a socially undesirable consequence of development, seems to be undisputable. Whether it would be slowed down and ultimately halted, at least in the long run, by improvement in the literacy status of women is also doubtful. This is obvious from the fact that there has been de-

TABLE 5 : FEMALE LITERACY IN KELWA VILLAGE, 1975-76, (BASED ON HOUSEHOLD SAMPLE)

Category of households	Age group	Literacy levels					Total
		Illiterates	Literates	Primary education	Secondary education	College/ Technical education	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Landless labourers	6-14 years	24.00 (85.71)	4.00 (33 33)	44.00 (34.37)	28.00 (25.93)	—	100.00
	Above 15 years	45.76 (37.50)	11.86 (50.00)	13.56 (25.00)	28.81 (20.24)	—	100.00
Small farmers	6-14 years	— (—)	— (—)	70.00 (21.87)	30.00 (11.11)	—	100.00
	Above 14 years	28.95 (15.28)	2 63 (7.14)	21.05 (25.00)	44.74 (20 24)	2.63 (11.11)	100.00
Medium farmers	6-14 years	— (—)	5.88 (33.33)	47.06 (25.00)	47.06 (29.63)	— (—)	100.00
	Above 14 years	31.58 (25.00)	3.51 (14-29)	7.02 (12 50)	49.12 (33.33)	8.77 (55.56)	100.00
Big farmers	6-14 years	— (—)	— (—)	50.00 (9.38)	50.00 (11.11)	— (—)	100.00
	Above 14 years	15.79 (4.16)	— (—)	15.79 (9.38)	52.63 (11.90)	15.79 (33.33)	100.00
Engaged in non-farming occupations	6-14 years	9.09 (14.29)	9.09 (33.33)	27.27 (9.38)	54 55 (22.22)	— (—)	100.00
	Above 14 years	34.21 (18 06)	10.53 (28 57)	23.68 (28.12)	31.58 (14.29)	— (—)	100.00
Total	6-14 years	— (100.00)	— (100.00)	— (100.00)	— (100.00)	— (—)	— (—)
	Above 14 years	— (100.00)	— (100.00)	— (100.00)	— (100.00)	— (100.00)	(—)

Notes : (i) Figures in parentheses give the percentages of females, with a given literacy level, over different categories of households.
(ii) Small farmers : owning land upto 2 acres; medium farmers : owning land from 3 to 5 acres; Big farmers : owning more than 5 acres.
(iii) There are no large farmers owning more than 25 acres.

duction in work participation rates of females in the developed villages despite the substantially higher rates of literacy of women (*variables 16 to 23,* Table 1). The crude literacy rates for females are as high as about 90 for the age group of 6 to 14 years and about 70 for adult females.[4] However, even such high rates of literacy have failed to maintain the women's share in employment. This may be the result of increased size of male labour force and technological displacement of female labourers in the developed regions, and the fact that improvement in female literacy is confined mainly to the upper classes of rural society — in which case the women's rates of work participation are substantially lower irrespective of the level of development. The first factor — increase in the supply of male labour in the rural labour market — was already active in the developed villages of Palghar (variables 23, 24 and 27, 28, Table 2). However, we have no data to examine the evidence of technological displacement of female labourers in the developed villages. We shall later verify the existence of the third factor (in section V) by scrutinising the literacy data for females in the sample villages.

Women's access to the labour market, *in general, depends upon the* volume of jobs available and also on the numerical dominance of male claimants for the jobs. Per capita net sown area represents a good indicator of the potential supply of jobs in the rural area. However, the size of male labour force which represents the demand aspect should not be ignored. Therefore, we choose per capita net sown area and per male worker net sown area as indicators of potentiality of the degree of access of females to the labour market. Figures presented in Table 2 (variables 31 and 32) indicate reduced opportunities for females in the agricultural sector of the developed villages. Lower per capita net sown area and per male worker net sown area in the developed regions may be the result of increase in population and greater inmigration of people of the developed areas in search of agricultural and other jobs. These forces restrict the scope for entry of women into the labour market. The situation is further aggravated by progressive reduction in self-employed workers, especially in the developed villages of Kelwa and Umroli, to the extent that it also narrows down the scope for *female members of the cultivating* households as well as of the households engaged in household industry to combine household duties with farming or household industry (Table 2, variable 29).[5] Variable 12 from Table 2 clearly shows that nearly half of the self-employed workers were women workers in 1961. In 1971 not only the percentage of total self-employed workers came down (Table 2, variable 20) but the women's share in self-employment also dropped (Table 2, variable 21), thus introducing a progressive decline in the number of self-employed women workers.

The nature of the household duties of women such as cooking, child-care, etc. is such that there is a restricted scope to combine them especially with regular employment on wages, which may not hold necessarily in the case of self-employment. It is difficult to estimate the work-load of such household duties of females, in terms of hours spent per day, in order to make a comparison between the developed and underdeveloped areas. However, we have made an attempt by calculat-

APPENDIX

VARIABLES INCLUDED IN CORRELATION MATRIX

No	Description
(1)	Male wage rate (1975-76) (Rs).
(2)	Female wage rate (1975-76) (Rs).
(3)	Difference between male and female wage rate (1975-76) (Rs).
(4)	Percentage of literacy-males, 1961.
(5)	Percentage of literacy-females, 1961.
(6)	Work participation rate-males, 1961.
(7)	Work participation rate-females, 1961.
(8)	Percentage of agricultural labourers to workers, 1961.
(9)	Percentage of self-employed male workers, 1961.
(10)	Percentage of literacy-males, 1971.
(11)	Percentage of literacy-females, 1971.
(12)	Work participation rate-males, 1971.
(13)	Work participation rate-females, 1971.
(14)	Percentage of agricultural labourers to workers, 1971.
(15)	Percentage of self-employed male workers, 1971.
(16)	Total population, 1971.
(17)	Percentage change in 1971 over 1961 in male population.
(18)	Percentage change in 1971 over 1961 in female population.
(19)	Percentage change in 1971 over 1961 in male literacy.
(20)	Percentage change in 1971 over 1961 in female literacy.
(21)	Percentage change in 1971 over 1961 in work participation rate of males.
(22)	Percentage change in 1971 over 1961 in work participation rate of females.
(23)	Percentage change in 1971 over 1961 in extent of self employed male workers.
(24)	Per capita net sown area, 1975-76.
(25)	Net sown area per male worker, 1975-76.
(26)	Percentage of area reported to be under crops, 1975-76.
(27)	Percentage of area under non-foodgrains, 1975-76.
(28)	Percentage of area under non-foodgrains and other crops not reported, 1975-76
(29)	Percentage of irrigated areas, 1975-76.
(30)	Percentage of area under HYV paddy to total paddy, 1975-76.
(31)	Percentage of area under fertilisers to gross sown area, 1975-76.
(32)	Quantity of nutrients (N+P+K) used per acre of area reported to be under crops (kg), 1975-76.
(33)	Quantity of nutrients used per acre of area under fertilisers (kg), 1975-76.
(34)	Average yield of paddy per acre (kg), 1975-76.
(35)	Distance in kilometres from the nearest railway station.
(36)	Distance in kilometre from the nearest state transport bus stop.

ing the number of children upto the age of 5 years per 100 females including females with age more than 5 years,[6] and per 100 females with age 15 years and above. Surprisingly, this ratio is lower in the developed villages where female participation in work is also lower (Table 1, variables 12 and 13).[7] Thus the lower ratio of work participation is not, at least, the result of higher burden of child-care on females in the developed *versus* underdeveloped villages

We can also observe the inter-temporal change in the demographic characteristics of the sample villages during the decade of 1961 to 1971 (Table 2, variables 23 to 29). The most heartening revelation comes from the variable improvement in female literacy. The percentage change in crude literacy rate for females surpasses that of male literacy by about 3 to 6 times (Table 2, variables 19 and 20). Surprisingly, the literacy rates for girls and boys of the age 6 to 14 years are very high and close to each other in the developed villages of Kelwa and Umroli; but not so in the case of either the moderately developed or the underdeveloped villages. If this trend continues the initial difference between the literacy rates of males and females may be slowly wiped out. Can we then expect the declining trend in the females' rate of work participation to get reversed, through substantial improvement in literacy, at least in the long run? This may materialise only if, among other factors, the improved general literacy in females promotes necessary skills to enable them to participate in work in the changing conditions of improved techniques of production both in agriculture and in other sectors. However, if these hopes are belied, the continuing trend of deterioration in the economic status of women will expose them to even greater economic and social discrimination and exploitation.

IV

Implications of Correlation Analysis

Let us now analyse the association among the different village characteristics (described in Appendix), based on data collected through village schedules, as reflected through the zero-order correlations to find out whether they are consistent with the findings of the preceding section. We summarise the results by representing the correlations, i e, r-values which exceed numerically the value 0.150, of some of the key variables in Table 3.

All the variables which indicate the existence of development or represent the forces strengthening development have positive associations among themselves. For example, average yield of paddy is positively associated with literacy rates (0.466, 0.462), wage rate of males (0.274), size of village (0.311), extent of area under non-foodgrains (0.228) and negatively associated with variables such as area under subsistence crops (—0.160) and distance from the nearest railway station (—0.483). Variables like the percentage of area under HYV, of area under fertilisers, etc, are, however, not significantly associated with average yield of paddy mainly due to gaps in the observations of these variables for some villages.

Variable X_{11} and X_{13}, i e, literacy rate and work participation rate of females in 1971, are crucial for determining the economic independence and thereby the females' share in the benefits of development. The rate of female literacy is directly and significantly associated with variables indicating development like male literacy (0.897), size of village (0.341), the percentage of area under non-foodgrains (0.212), of area under fertilisers (0.192), per acre dose of fertilisers used (0.192) and average yield of paddy (0.462). It is negatively associated with the work participation rate for female (—0.174), the percentage of self-employed workers (—0.236), per capita net sown area (—0.165), area under subsistence crops (—0.185) and distance from the nearest railway station (—0.496). Thus female literacy is directly associated with indicators of development but inversely associated with the subsistence character of traditional agriculture.

The work participation rate of females has positive correlation with the percentage of agricultural labourers (0.271), males' work participation rate (0.326), per capita net sown area (0.192), but has negative association with size of village (—0.224), the percentage change in male population (—0.169), i e, factors representing the composition of rural labour market or indicating changes in the demand and supply of labour respectively. But the

change in the work participation rate of females between 1961 and 1971 is directly associated with the females' rate of participation in 1971 (0.386) and change in males' participation rate (0.178). The latter two variables represent the subsistence character of agriculture. Higher/lower work participation rate of females in 1971, thus, seems to be the result of higher/lower change in their work participation rate between 1961 and 1971. In other words, the work participation rates of females were relatively lower in the developed villages than in the underdeveloped villages right from 1961. The change in the females' work participation rate has also a negative relationship (—0.163) with variable 35, namely, distance from the nearest railway station, which implies that larger distances are associated with lower positive or with negative changes in the females' work participation rates.

The percentage of self-employed workers in the rural area indicates the degree of subsistence in agriculture as most of the self-employed workers are cultivators. This variable (for 1971) holds inverse relationship with the literacy rates of males and females (—0.235 and —0.236), the percentage of agricultural labourers in total workers (—0.429), and size of village (—0.232). It is also negatively associated with the females' work participation rate and the average yield of paddy but the r-values are not statistically significant. It has positive association with per capita net sown area and per male worker net sown area (0.421 and 0.397), i e, those characteristics indicating higher supply potential of jobs in agriculture. The positive correlation of percentage of self-employed workers with the percentage change in the same variable during the decade of 1961 to 1971 (0.221) has also an interesting implication. It suggests that the higher percentage of self-employed workers in 1971 is directly associated with positive and relatively greater changes in the extent of self-employed workers during the last decade. It also means that the lower percentages of self-employed workers in 1961 are associated with either the lower positive changes or negative changes in them in the last decade and have, thus, resulted in still lower rates of self-employed workers in 1971 in developed regions.

The variable 3, namely, the difference between the male and female wage rates, has no significant association with any one of the 36 variables (listed in Appendix) except its obvious correlation with that of female wage rate (—0.812). Absence of association is likely to be due to the arbitrary nature of the wage statistics reported by the village administrators. The averages of the actual wage rates received by the members of the sample households would have been much more reliable in this context but they were available only for six sample villages of Palghar and Jawhar and not for the remaining 144 villages.

Thus, the preceding discussion confirms our earlier impression of declining economic participation of women in the developed areas; but the conclusion of widening male-female wage differential could not be reasserted through correlation analysis, due to unreliability of the reported village level wage statistics.

The variable X_{40}, namely, the change in female literacy during the sixties, is also one of the crucial variables vitally affecting economic and social status of women. Earlier, we mentioned the existence of positive and significant association of female literacy rate (1971) with the development indicators. But its inter-temporal change represented by X_{40} fails to show up statistically significant association with any of the other village characteristics and thus does not positively support the conclusion of gradual disappearance of difference between male and female literacy. However, it should be remembered that this conclusion reached in the previous section was established by using age-specific female literacy rates in 1975-76 observed for seven sample villages and it was also reaffirmed by the rates of improvement in female literacy between 1961 and 1971. Hence, we feel that this point needs to be analysed further to identify the classes of women who benefited more by improved literacy, particularly in the developed villages.

V

Female Literacy in Developed Villages

As noted above there is substantial improvement in female literacy in the developed villages of Palghar taluka. We now examine whether this improvement is uniformly distributed over the different classes of rural society or is confined mainly to the previleged classes. Such an examination is crucial for understanding the long-term trends in the females' work participation rates. Improved literacy can play a decisive role in reversing the declining trend of females' participation in economic activity only when the literacy level of female members of the lower classes of the society is also raised.

Tables 4 and 5 deal with the literacy levels of females, of different categories of households, separately for two age groups, in Umroli and Kelwa respectively. The households are classified in five categories. The first four categories are based on ownership of land. They are landless labourers, small farmers, medium farmers and big farmers. The fifth category is of households with non-farming occupations. The percentages shown in the parentheses under column (3) in Tables 4 and 5 clearly indicate that almost all illiterate girls belong to the landless households. However, the distribution of literates, i e, those without any formal education, and also of the girls engaged in primary education (Column 5) and in secondary education (Column 6) is relatively more even over the different land-owning classes in rural area. This observation reflects in the analysis carried out to test the independence of two attributes, namely, literacy and land-owning classification of households. For the age group, 6-14 years, the calculated X^2 (chi-square) values for Kelwa and Umroli are 13.78 and 15.86, both statistically non-significant even at 10 per cent level of probability.[8] Thus, the extent of landownership does not have a significant impact on improvement in the literacy status of the girls. This is an important conclusion, as it implies that the educational facilities are not so unevenly distributed as to bypass totally the females from the lower income classes. However, this does not necessarily mean that the average literacy level of different groups is almost equal. In fact, the literacy scores for girls work out to be 2.04, 2.60, 2.88, 3.0, 2.82 and 1.23, 2.67, 3.00, 2.67, 2.50 from the five categories of households in Kelwa and Umroli respectively.[9] Moreover, it may happen that the ratio of drop-outs to the total after completion of secondary education will be higher for females in the lower income classes and, hence, the average level of literacy for adult females may become progressively lower for the lower income classes of rural society.

Row-wise percentages in Tables 4 and 5 represent the distribution of females over the different levels of literacy. The percentage of females

engaged in secondary and college or higher education varies from 29 per cent in the landless households to 68 per cent in households owning big farms in Kelwa and from 15.38 per cent in the landless households to 47 per cent in households of medium farmers in the village Umroli. In fact, average literacy scores for females from five different categories of households work out to be 1.54, 2.45, 2.84, 3.68, 1.84, and 1.35, 2.11, 2.94, 2.29, 1.43 for Kelwa and Umroli respectively. This uneven sharing of education facilities has been confirmed by the computed values of X^2 which are 33.94 and 33.04 for Kelwa and Umroli respectively. They are statistically significant at 5 per cent level of probability and thus support the dependence between literacy status of adult females and the landownership classification of households. In other words, improvement in the literacy of adult females is not uniformly distributed over all the classes of the rural society but is mainly confined to the upper classes.

VI

Conclusions

The fact that clearly emerges from the discussion in the previous three sections is that declining work participation, widening male-female wage differential and substantial improvement in female literacy are associated with the forces of development. Thus, a progressive reduction in the size of female work force together with widening male-female wage differential indicates a gloomy forecast of deterioration in the economic status of women. Even substantial improvement in the literacy level of adult females would not help decisively in reversing this trend. This conclusion seems to be inevitable in view of the fact that the observed improvement in the literacy level of adult females is at present mainly confined to the upper classes of the rural society whereas most of the female lobourers belong to the lower classes. Moreover, whatever little improvement in the literacy level of females from the lower classes has materialised does not seem to have resulted in increased job-skills and hence better competence of women to survive in the labour market. It is true that this problem of declining size of female work force is inevitably linked up with the general problem of increasing unemployment. However, it cannot be denied, in view of the analysis presented in this paper, that the females are worse sufferers than males.

We, therefore, tentatively conclude that conscious efforts for training of female work force in the rural areas may be one factor to help halt the process of their displacement from the traditional sectors of employment and restore their active participation in economically productive activities. To achieve this, planning of development programmes in the country needs to be reoriented. An inevitable consequence of total absence of such policy measures would be a progressive erosion in the productive roles of women, ultimately leading them to an even more inferior status in society.

Notes

1 These data were collected under the scheme, 'Integrated Rural Development', undertaken jointly by the Department of Economics, University of Bombay and the Directorate of Economics and Statistics, Government of Maharashtra.

2 To examine the variations in the male-female wage differential for the sample villages, we make use of variable 3 from Table 1 and not from Table 2 because the wage statistics, recorded in village schedules was reported by the village administrators and was found to be arbitrary. Therefore, the averages of wage rates computed by using wages actually received by the members of the sample households were preferred to former wage statistics.

3 "Draft Five Year Plan, 1978-83", Planning Commission, Government of India, 1978, p 85.

4 The crude literacy rates presented in Table 1 for the seven sample villages are considerably higher than those shown in Table 2. This divergence is mainly due to the following reasons: (i) The literacy rates calculated on the basis of household data are the age specific literacy rates and exclude children upto the age of 5 years. (ii) They are for the year 1975-76, whereas the latter figures shown in Appendix 2 are based on Population Census, 1971.

5 Considerations of social status may also prevent the female members of the household — formerly cultivating some land of their own or on lease — from accepting any employment on wages on others' fields.

6 The assumption is that girls in the age group of 6 to 14 years help their mothers by looking after their younger brothers/sisters.

7 Probably, the time spent per day in carrying water home, for domestic use, is also relatively less in the developed regions than in the underdeveloped villages.

8 The table values of X^2 for 12 degrees of freedom at 10 per cent and 5 per cent level of significance are 18.55 and 21.93 respectively.

9 This is just an illustrative calculation to indicate the relative position of different categories of households, in terms of female literacy. The average scores are calculated by assigning the scores of 0, 1, 2, 4 and 8 to five literacy groups, namely illiterates, literates, engaged in primary education, secondary education and college or higher technical education respectively.

Commissioner for Scheduled Ca[illegible]s and Scheduled Tribes

P A James

G Sreenivas Reddy

The Commissioner for Scheduled Castes and Scheduled Tribes is charged with investigating the implementation of measures intended to safeguard the interests of the Scheduled Castes and Scheduled Tribes.

However, both the official status accorded to him as well as the facilities and personnel made available to him are by no means on par with the nature of his responsibility.

As a result, over the years, the effectiveness and usefulness of this officer have been eroded. This paper attempts to assess the functioning of the Commissioner and to suggest arrangements for improving his effectiveness.

THE office of the Commissioner for Scheduled Castes and Scheduled Tribes (CSCST) belongs to the special type of authorities mentioned in the Indian Constitution — such as the Election Commission, the Union Public Service Commission (UPSC), the Controller and Auditor General of India (C and AG) Just as the Election Commission has been set up to ensure free and fair elections, the UPSC to recruit impartial and efficient civil service, and the C and AC to maintain financial propriety in the transactions of the Centre and the states, so the Commissioner for Scheduled Castes and Scheduled Tribes is expected to safeguard the interest of the Scheduled Castes and Scheduled Tribes.

The Scheduled Castes (SCs)[1] and Scheduled Tribes (STs)[2] have been victims of discrimination and exploitation for centuries. Numbering 123 7 million they constitute 22 59 per cent of the country's population (1971 Census)[3] The Constitution of India contains a number of special provisions[4] for their upliftment. These provisions[5] have been strengthened by the passage of Central and state legislation,[6] and also through a number of statutory orders. In addition to prohibiting various forms of discrimination, they secure to SCs and STs reservations in the legislative bodies, educational institutions, and public services, and offer them economic assistance.

A look into the working of the office of the CSCST is timely as it stands at the cross-roads, awaiting a major transformation following the 46th Amendment Bill to the Constitution.[7] An attempt is made in this paper to examine the working of this office[8] and to assess its role in the redressal of injustice done to SCs and STs

Status, Powers and Functions of Commissioner

Generally known as the Commissioner for Scheduled Castes and Scheduled Tribes, but mentioned in the Constitution as 'Special Officer', the Commissioner is appointed by the President of India He has to investigate the implementation of measures intended to safeguard the interests of SCs and STs and report to the President about the same The President is required to see that such reports are placed on the table of each House of Parliament

The first Commissioner for Scheduled Castes and Scheduled Tribes (CSCST) was appointed on November 18 1950[9] The status of a Secretary[10] of a Ministry of the Government of India, accorded to him, is not on par with the nature of his office Th first Commissioner raised the question of independent status for the office from the very beginning[11] The Elayaperumal Committee,[12] the Study Team on the Welfare of Backward Classes (1959), the Estimates Committee (Second Lok Sabha, 49th report, 1958-59)[13] have all recommended an independent status to the Commissioner's organisation But the minister concerned asserted that the Commissioner was just an Officer of his Ministry[14]

The Constitution is silent about the status of the Commissioner and, taking advantage of this, the government has grabbed the discretion to subordinate the CSCST to itself.

During the course of its working, the government has saddled the Commissioner with a number of non-statutory functions and made him subordinate to the concerned Ministry in respect of such functions[15] He had been excluded from the co-ordinating committees and was not being associated with the policy decisions of the government in regard to the welfare of SCs and STs[16]

The Constitution does not specify that his recommendations are binding on the government. Consequently, the Commissioner has become powerless even to collect the basic data[17] required to fulfil his duties "His annual reports are a record of his bewailings and beseechings year after year"[18] The Elayaperumal Committee wanted the Commissioner's powers to be clearly defined, responsibilities and jurisdiction fixed so that he could function effectively[19]

Headquarters Organisation

The office of the CSCST consists of the Commissioner,[20] two Deputy Commissioners, and ot[illegible] clerical staff — totalling about 70 members in all[21] (as on January 1979) The office and clerical staff are drawn from the Home Ministry and the Central Secretarial Service They are transferrable to any other office of the Government of India. Only the research and investigatory staff are recruited exclusively for the Commissioner's Office.

The Commissioner is subject to two major constraints regarding his office First, he does not have adequate staff to cope with the demands of his job Secondly, he has no freedom in staffing his organisation.[22]

TABLE 1 : POPULATION FIGURES OF SCs AND STs*

(1971 Census)

Sl. No	Name of State	Total Population (in lakhs)	Scheduled Caste Population (in lakhs)	Per Cent of Scheduled Caste Population	Scheduled Tribe Population (in lakhs)	Per Cent of Scheduled Tribe Population
1.	Andhra Pradesh	435 03	58.16	13 27	22.26	5.12
2.	Assam	146 25	9 13	6 10	16 07	10 99
3.	Bihar	563 53	83.86	14 28	49.33	8.75
4.	Gujarat	266 97	18 90	6 84	37 57	14.07
5.	Haryana	100 37	18 96	18 88	—No STs—	
6.	Himachal Pradesh	34 60	8 08	22 23	1.42	4.10
7.	Jammu and Kashmir	46 17	3 81	8 30	—No STs—	
8.	Karnataka	292 99	42 77	13 14	2 62	0.89
9.	Kerala	213 47	20.02	8 30	1.93	0 90
10.	Madhya Pradesh	416 54	57 52	13 09	98 15	23.56
11.	Maharashtra	504 12	31 77	6 00	38 41	7.62
12.	Manipur	10 73	0 16	1.53	3 34	31.13
13.	Meghalaya	10 12	0 04	0 38	8 14	80.43
14.	Nagaland	5 16	—No SCs—		4.58	88.76
15.	Orissa	219 45	33 07	15 09	50 75	23.13
16.	Punjab	135 51	33 48	24 71	— No STs—	
17.	Rajasthan	257 66	42 16	15.82	31 35	12.17
18.	Sikkim	2 10	0 10	4 76	— Not Available—	
19.	Tamil Nadu	411 99	73 38	17 75	4 50	1.09
20.	Tripura	15 56	1 93	12 34	4 51	28.98
21.	Uttar Pradesh	883 41	190 95	21.00	1 99	0.23
22.	West Bengal	443 12	89 00	19 90	26 03	5.87
23	Andaman and Nikobar	1 15	— No SCs—		0.18	15 65
24	Arunachal Pradesh	4 68	0 03	0 10	3.69	78.85
25	Chandigarh	2 57	0 29	11 30	- No STs—	
26	Dadra & Nagarhaveli	0 74	0 01	1 80	0 64	86 49
27	Delhi	40 66	6 36	15 60	—No STs—	
28	Goa, Daman and Diu	8 57	0 17	1 90	0 07	0.82
29	Laksha Dweep	0 32	— No SCs—		0.30	93.75
30.	Mizoram	3 32	— No SCs—		3 13	94.28
31	Pondicherry	4 72	0 73	15 50	— No STs—	
	Total	54 82 crores	8 25 crores	15 5	4.12 crores	7.5

Note *The latest population of the SCs and STs is based on the Scheduled Castes and Scheduled Tribes Orders (Amendment) Act, 1976.

This has led to a number of disastrous consequences for the Commissioner's functioning. Nearly two-thirds of the year has been spent by the Commissioner and his men on report writing to meet constitutional obligation.[23] They are thus left with just four months to do the more important tasks of collecting information, disposing of complaints, etc. Indeed, the report has become an end in itself, rather than a means to focus on problems of backward communities.

The Commissioner, as a constitutional authority, should have a full say in matters of staffing and finances. This can be done perhaps by making the expenditure on the Commissioner's Office chargeable to the Consolidated Fund of India and non-votable — as in the case of the Judiciary.

FIELD ORGANISATION

Till 1967, the Commissioner had 17 field offices operating under his direct control. Located in different parts of the country,[24] they played a useful role by enquiring into the implementation of constitutional safeguards and the complaints pertaining to atrocities against SCs and STs. In the field organisation, then, the Commissioner had a dependable instrument for assessing the conditions of these people.

In June 1967 the Commissioner's office was stripped of its field offices. Reorganised into Zonal Directorates of Backward Classes Welfare, the field offices were brought under the control of the Home Ministry[25] and no additional staff was provided. In this way, the Commissioner virtually lost his eyes and ears. He had to safeguard the interest of nearly 128 millions of people spread over an area of three million sq km with a meagre establishment of about 70. His scanty organisation failed to cope with the discharge of his constitutional obligations. To get a greater part of his work done, he was forced to depend on governmental agencies, which were not answerable to him.

Strong pleas were made from several quarters for the restoration of field offices. The Law Ministry of the Government of India felt that collection and assessment of data, entrusted to the Commissioner under Article 338 of the Constitution, could not be entrusted to any other authority not answerable to the Commissioner.[26] Members of Parliament, of all shades of opinion, were also critical of this.

The Parliamentary Committee on the welfare of SCs and STs, held that by abolishing the field organisation, the government has "denigrated the office, status, authority and capacity of the Commissioner, to discharge his constitutional obligations".[27] Several expert committees such as the Elayaperumal Committee,[28] the Shiloo Ao Committee,[29] have recommended restoration of the field offices. But all these pleas fell on deaf ears.

For some time, the government has designated the Zonal Directors-General

Table 2 : Disposal of Cases Reported to Police and Registered under the Untouchability (Offences) Act 1955/The Protection of Civil Rights Act 1955

Year	Registered with Police	Convicted	Acquitted	Compounded	Pending
1955	180	80	12	12	76
1956	693	149	106	156	188
1957	492	87	35	85	208
1958	550	127	83	92	175
1959	481	105	70	82	144
1960	502	89	74	122	153
1961	489	107	141	138	52
1962	389	77	91	81	89
1963	393	77	47	80	110
1964	371	157	53	50	76
1965	194	30	21	30	84
1966			Not available		
1967	313* (43 compromise)	129	54	—	61
1968 to 1970			Not available		
1971	526	91	96	138	114
1972	1515	631	253	233	299
1973	2949	1207	312	388	449
1974	1908	669	247	288	384
1975	3528	936	480	611	561
1976	3099**	86	360	155	1997

Notes : * Figures relate only to 12 states and 7 Union territories.
**Figures relate to only three states of UP, Maharashtra and Gujarat only.

Source : Reports of the Commissioner for the Scheduled Castes and Scheduled Tribes for 1964-65, 1968-69, 1975-76 and 1976-77.

Table 3 : Percentage of Landless Agricultural Labourers and Cultivators among SCs and STs

Census Year	Scheduled Castes		Scheduled Tribes	
	Per Cent of Landless Agricultural Labour	Per Cent of Land holding Cultivators	Per Cent of Landless Agricultural Labour	Per Cent of Land holding Cultivators
1961	34.5	37.8	19.7	68.1
1971	51.8	27.9	33 0	57.6
Decennial percentage increase (+) or decrease (−)	+17.3	−9.9	+13.3	+10.5

Source : The 24th Report on the CSCST, 1975-76 and 1976-77

of Backward Classes Welfare (ZDBCWs) as ex-officio Deputy Commissioners for SCs and STs. But the ZDBCWs did not pay much attention to the assignments given by the CSCST.[30] Moreover, it is constitutionally improper[31] to force the Commissioner to depend on the executive machinery of the government.

There is a strong case for restoring the field organisation. The reasons are: First, in a vast country, such as India it is difficult for a single office to look into the problems of a huge clientele. Secondly, since India is a federal polity, the Commissioner has to deal with problems in both Central and state governments. In fact, the latter have greater responsibility in the execution of ameliorative measures. Thirdly, outsiders to the state find it difficult to reach tribal areas. A field office with the knowledge of local conditions can overcome this problem. Fourthly, each state has its own peculiar problems and most of the grievances and complaints are naturally written in local or regional languages. A field office with knowledge of local conditions and languages would be an appropriate agency to meet such situations.[32]

Disposal of Complaints

Every year, a large number of complaints are received in the Commissioner's office.[33] Due to inadequate staff, a number of them could not be attended to by study-cum-investigation teams. Further, the Commissioner has no police or enforcement powers to enquire adequately and take prompt action. He does not have the power to sub-poena witnesses and documents to carry out proper investigation into complaints. At best, he can refer the complaints to the appropriate authorities for necessary investigation.

The outcome of such reference may be any of the following :

(1) The complaint may be ignored; (2) Some action may be taken, but no report is sent to the Commissioner's office and hence the disposition of the case remains unknown; (3) Action is taken, but merely as a formality, and the case is not followed through to secure justice for the untouchables involved; (4) Action is begun, but delayed, until the case is lost in time; (5) The authorities use various forms of intimidation to persuade the untouchable to drop the case, (6) The complaint is investigated and effective action is taken on behalf of the untouchables.[84]

The first five ways of disposal outnumber the sixth.[85] Often, the Commissioner is not kept informed of the action taken regarding the complaints.[86] Replies to enquiries are either not received, or they are incomplete, or delayed until the case is forgotten.[87] Table 2 shows the disposal of cases reported to the police.

From the large number of cases pending in the courts of law it can be seen that a lot of delay is involved in their disposal. The number of cases pending has been rising steeply, particularly since 1971.

Acquittal of a large number of cases may be due to factors, such as insufficient evidence, inability of the victims to secure legal aid due to poverty, and fear of consequences of going to a court of law.[88] Bureaucracy — particularly the lower echelons — have little sympathy for these people.[89] Local and state officials, to whom complaints are referred, reflect the views of caste-Hindus and are influenced by their pressure, and hence often delay action and do nothing. They threaten the untouchables who have lodged complaints not to court trouble for themselves.[90]

The Reports

The reports attempt to present an overall review of the measures undertaken by the government — Central, state, and Union territories — for the welfare of SCs and STs. As such, they can help the legislature to evaluate the

[illegible] in the Office of the CSCST

Year	Murder	Rape	Burning	Beating	Untouchabilitiy	Others	Total
Jan-June-1974	114	127	320	637	601	959	2758
1975-76	49	13	13	604	44	—	723
1976-77	18	4	4	566	34	—	626

performance of executive and the executive government of their subordinate agencies. By pinpointing the faults of administration, they make parliament's scrutiny of welfare programmes for SCs and STs easier. The discussions of the reports in Parliament and state legislatures provide an opportunity to Parliamentarians to understand and review the problems of backward communities.

It is a sad thing to know the fate of the reports submitted by the Commissioner. Annually, only three or four state legislatures take up the reports for discussion. At times it takes years for these reports to come up for discussion in Parliament.[41] It would be difficult for Parliament. to hold any meaningful discussion on these outdated reports.

An Assessment

Though the Constitution is very brief about the functions of his Office, successive Commissioners have developed upon themselves a wider area of activity. In addition to the constitutionally envisaged functions, the CSCST is made an ex-officio member of the Scheduled Castes and Scheduled Tribes Commission.[42] With the fund of experience and information behind his office, the CSCST plays the role of an expert in the deliberations of the Commission.

The task of the Parliamentary Committee on SCs and STs[43] is greatly facilitated by the CSCST's Office. The reports of the Commissioner not only provide information but also give direction to the deliberations of the Committee. The CSCST's office has undertaken quite a few studies at the instance of the Committee.[44]

The Commissioner, to some extent, has served as a vehicle for ventilating the grievances of the Scheduled Castes and Scheduled Tribes, right up to the highest level of decision-making. Within the available limits of the staff and resources, he has taken up with the authorities concerned[45] a few grievances of a serious nature. His organisation has been serving as a clearing house of information on SCs and STs. The reports, through their overall perspective, can help the Central government to co-ordinate the policies and programmes of the state governments and Union territory administrations in relation to SCs and STs.

The Commissioner made innumerable recommendations for the amelioration of the SCs and STs. It is a different matter that a vast majority of them are put in cold storage.

Above all the Commissioner bears solid testimony to the stark reality, that 28 years of constitutional safeguards and three decades of Independence "are yet to bestow a willing smile on many a hamlet and slums of the SCs and STs. They continue to submit to the decrees of fate rather than reap the benefit of the decrees of our basic law. There are many places in the country where the SCs are denied even common sources of drinking water. The nation's resolve made with due solemnity to secure to all citizens 'Justice — Social, Economic...' has remained just a promise, honoured perhaps more in breach in the case of the SCs and STs".[46] The percentage of landless agricultural labourers among the SCs and STs is rising and cultivators decreasing (see Table 3) — thereby indicating the deteriorating economic conditions of these people.

Innumerable atrocities, such as rape, murder, burning, beating, etc, are still perpetrated on them. Table 4 gives the number of atrocities reported to the Commissioner's office in the recent years. However, this is only illustrative and not indicative of the gravity or magnitude of the problem.

Conclusion

The CSCST's office, despite playing a useful role, had failed to come up to the expectations of the founding fathers of the Constitution. The Commissioner was not given the status commensurate with his responsibilities, was made to depend excessively on the government, and was starved of purse and personnel. Non-co-operative governmental agencies, entrenched caste feelings, and unsympathetic bureaucracy, have all operated as constraints in the effective functioning of the office.

The Commissioner's Office is a skeleton without flesh and blood. Given Lilliputian status, it had to grapple with Herculian tasks. Thus, the provision in the Constitution relating to the office of the CSCST is reduced to a fraud. There is need to take a fresh look at the office of the Commissioner to make its very existence meaningful.

Presently, the Commissioner's office is on the verge of a major reorganisation. The 46th Amendment Bill, introduced in the Lok Sabha recently (May 1979), has sought to amend Article 338 by replacing the special officer (CSCST) by a multi-member Scheduled Castes and Scheduled Tribes Commission. It could not be cleared in the Lok Sabha for want of special majority,[47] but is likely to come up in the next session of Parliament. The new legislation should take into account the deficiencies in the office and avoid the pitfalls. Unless this is done, the new Commission would be as futile and ineffective as the CSCST had been.

The constitutional machinery for SCs and STs must be strengthened on the following lines:

Appropriate status must be accorded to the Special Officer (CSCST). His headquarters office should be strengthened and field organisation restored. Expenditure on his office should be non-votable on the lines of the Judiciary. He should be empowered to summon witnessess by sub-poena to force presentation of records and to require testimony under oath. It may have to be a quasi-judicial body for the purpose.

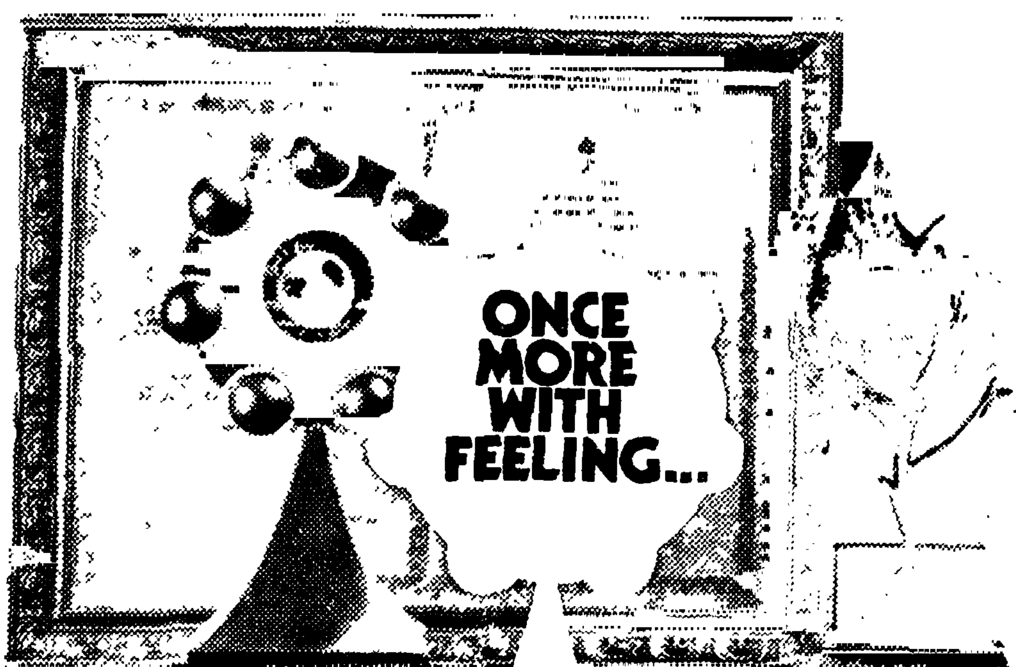
Commissioner's cells need to be established at the state and Union territory levels to facilitate a smooth and ready flow of information from them to the Commissioner's Office.

Prompt discussion of reports in Parliament and state legislatures should be ensured. Setting up legislature committees on SCs and STs at the state level on the lines of parliamentary committee would be helpful for this purpose.[49]

Notes

1 The term 'Scheduled Castes' refers to the people belonging to ex-untouchable castes, popularly known as Harijans. They were earlier known as Panchams, exterior castes, etc. Considered by Hindus as defiling by their touch, they were required to undertake disagreeable occupations such as tanning, flaying, leather work, and scavenging.

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